ANNUAL REPORT 2017

STAATSOLIE

Confidence in Our Own Abilities

ANNUAL REPORT 2017

Vision

- 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.

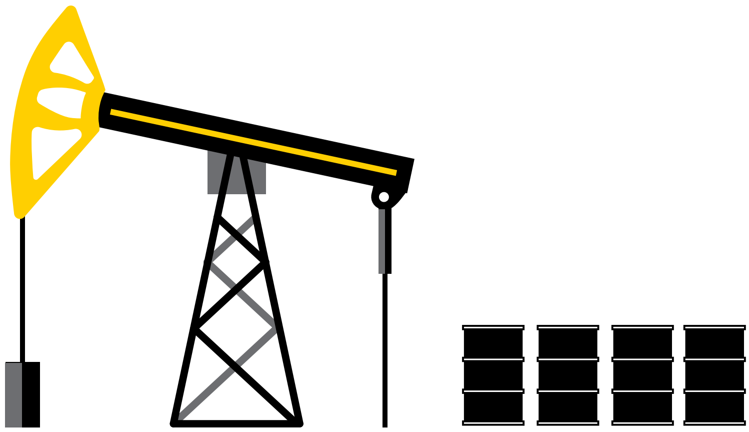
Accountability:

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

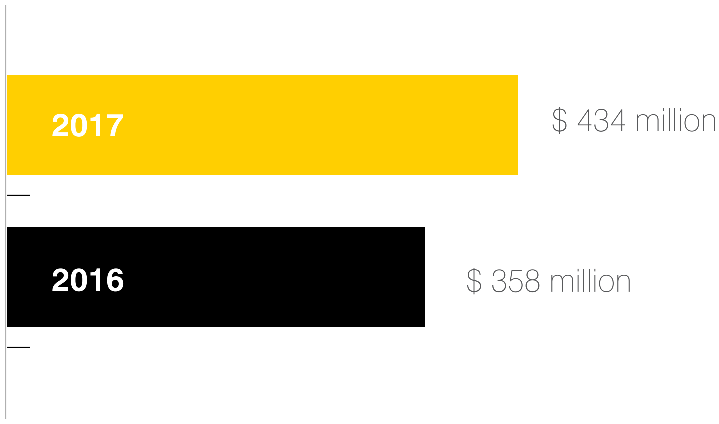
Overview 2017

Crude Production

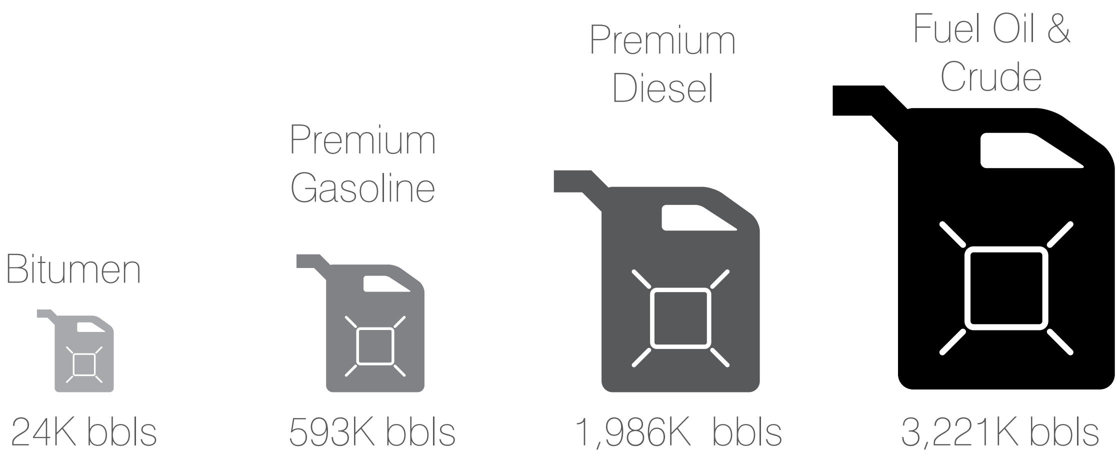
5.95 million barrels



Gross Revenues
(2017 vs 2016)



Total Sales



SUPERVISORY BOARD

E. Boerenveen Chairman

G. Asadang Member

A. Immanuel Member

E. Poetisi Member

M. Rommy Member

I. Tholen Secretary

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General Information

As at December 31, 2017

Sole Shareholder

The Republic of Suriname represented by:

- the President, His Excellency D. Bouterse, on his behalf:
- the Vice President, A. Adhin

Supervisory Board

E. Boerenveen	Chairman
G. Asadang	Member
A. Immanuel	Member
E. Poetisi	Member
M. Rommy	Member

Board of Executive Directors

R. Elias	Managing Director
B. Dwarkasing	Upstream Director
A. Moensi-Sokowikromo	Finance Director

Deputy Director

A. Jagesar	Downstream Deputy Director

Asset Managers

P. Brunings	Production Asset Manager
C. Hughes	Refinery Asset Manager
R. Spuij	Exploration & Appraisal Asset Manager

Division Managers

Corporate

I. Ambrose	Manager Corporate Audit
D. Brunings	Manager Corporate Communication
M. Daal Vogelland	Manager Petroleum Contracts
J. Gajadin Joella	Manager Corporate Legal Affairs
V. Gangaram Panday	Manager Corporate Planning & Control
T. Haarloo	Manager Corporate HRM
S. Mannes	Manager Health, Safety, Environment & Quality Corporate
R. Ramautar	Manager Renewable Energy Sources
A. Ramsaransingh-Karg	Manager Procurement Corporate
D. Ratchasing	SAP Program Manager
A. Sleman	Manager Information & Communication Technology
A. Vermeer	Manager Finance Administration

Upstream

K. Ashruf-Thijm	Manager HRM Upstream
R. Bissumbhar	Manager Production Unit Tambaredjo
P. Goerdajal	Manager Drilling Operations
D. Kertotiko	Manager Technical Support Services
B. Nandlal	Manager Functional Support Services
A. Nelson	Manager Exploration
A. Schuitemaker-Nghollo	Manager Production Unit TNW/Calcutta
R. Soekhlal	Manager Health, Safety & Environment Upstream
R. Speelman	Manager Procurement Upstream

Downstream

C. van der Bliek	Manager Maintenance & Turnaround Refinery
S. Chintoe	Manager Business Economics (Acting)
P. Gray	Manager Marketing
W. Gajapersad	Manager Refining Operations
K. Kalijan	Manager HRM Downstream
K. Lie A Kwie	Manager Health, Safety & Environment Downstream
D. Pello	Manager Technical Services
M. Woelkens	Manager Procurement Downstream

SUBSIDIARIES

GOw2 Energy Suriname N.V.

A. Nai Chung Tong	Managing Director
C. Venetiaan-Heuvel	Finance Director

Ventrin Petroleum Company Ltd

A. Ghent	Chief Executive Officer
L. Brunings	Chief Financial Officer

Staatsolie Power Company Suriname N.V.

E. Fränkel	Managing Director Staatsolie Power Company Suriname N.V.
A. Kleiboer	Operations Manager Staatsolie Power

BOARD OF EXECUTIVE DIRECTORS
(from the left):

B. Dwarkasing	Upstream Director
R. Elias	Managing Director
A. Moensi-Sokowikromo	Finance Director
A. Jagesar	Downstream Deputy Director

Letter of the Managing Director

After a few difficult years, caused by the collapse in oil prices, the reference for our crude oil (USGC HSFO Waterborne) went from near US$ 100/bbl between 2011 and 2013 to US$ 16/bbl in January 2016, Staatsolie regained its health in 2017. This was also driven by the cash which started to flow from our key investments in the refinery and the Merian gold mine. The average posting price of our crude was US$ 47/bbl in 2017, compared to US$ 32/bbl in 2016. In 2017, Staatsolie realized consolidated gross revenues of US$ 434 million, a 21% increase compared to 2016. Our EBITDA for 2017 ended at US$ 285 million, with a profit before tax of US$ 94 million, a significant increase compared to the US$ 9 million loss in 2016. With these results, Staatsolie's contribution to the government, consisting of taxes and dividend, amounted to US$ 129 million in 2017.

We can now focus on creating value on the long term. We can only deliver this if we are well prepared to live in a 'low for longer' oil price environment. To do this, we have to ensure that we stay in the lowest cost quartile at all times. I am pleased to note that we did so in 2017, and this remains the bedrock of our strategy. It is not just about costs however. To fully reap the benefits of a commercial discovery offshore, which we are convinced will happen on short term, we must step up and prepare ourselves to be the partner of choice for international oil companies (IOCs).

Delivering today, preparing for tomorrow

We put health and safety first, strive for zero harm to our people and the communities around us, and strive to minimize negative impacts upon the environment. Unfortunately, we did have 2 Lost Work Day Cases in 2017. Our performance on this lagging indicator is improving because we are shifting our thinking towards leading safety indicators.

This year we produced an average of 16,300 bbls Saramacca Crude per day 5.95 MMbbls in total, just 1% below target. In 2018, our target is 6.02 MMbbls and our long term objective is to secure production around 6 MMbbls per year from our 3 existing onshore fields. In order to achieve this long term target, we will aggressively pursue Improved/Enhanced Oil Recovery (IOR/EOR) methods to increase our current 20% ultimate recovery rate to 25-30%.

After resolving start-up issues during 2016, our refinery managed to produce an average of 9,000 bbls high-end products per day from August to December 2017. Pleasingly, that was 50% more than the previous 7 months of the year. On December 25 the milestone of 10,000 bbls per day of premium diesel and gasoline was reached – a worthy Christmas present for the team! In 2018 our target is an average of 8,000 bbls high-end products per day. The focus of the refinery operations remains to ensure a steady output increase against lower costs.

In 2017, we also saw our first full year of gold production from the Merian gold mine, with our 25% share yielding 127,000 oz., contributing US$ 92 million to Staatsolie's EBITDA at an average gold price of US$ 1,265/oz. In 2018, we expect similar results from this partnership.

Following a rigorous play based exploration process and an independent expert review, our exploration team identified 20 prospects in our nearshore acreage in 2017 – a commendable achievement. In 2018, following further assessments, we started the preparations for a 10-well exploration drilling campaign nearshore, with execution starting the second quarter of 2019.

Offshore partnerships

Although the 2 exploration wells drilled offshore by our partners in 2017 did not result in a discovery, I remain extremely optimistic that a commercial discovery is on the horizon. This belief is shared by the industry as shown by the closing of 2 new Production Sharing Contracts with renowned IOCs Exxon, Hess and Statoil in 2017. In 2018, 2 exploration wells will be drilled and for 2019 another 5 are planned. It is of utmost importance we get prepared for what I believe is the near-term game changer for both Staatsolie and Suriname when a discovery is made. That is why we hosted a National Oil Seminar in October 2017 to kickoff a dialogue with the government, and we will be conducting an industrial baseline study in 2018 with the local business community and educational institutes to determine Suriname's readiness gap.

Creating a world-class company

In order to participate in an offshore discovery, which we will only pursue for projects in the lowest cost quartile, we will have to enter the international capital market preferably through an Initial Public Offering (IPO). This requires us to bring our company to world-class standards. With regard to our debt position, we will have refinanced our US$ 700 million outstanding facilities by May 2018 to release US$ 100 million for nearshore exploration without taking on additional debt. The next step in our financing strategy is to diversify our sources of funds by creating a mix of lenders. To this end, we intend to issue an international bond in the next 12 months. This will introduce Staatsolie to international investors and as such help prepare for an IPO.

In 2017 we further rolled out our culture change program, through which we strive to embed our core values in our behavior and performance management in our daily operations. Additionally, we are putting 2 key programs in place: succession planning and secondments to international oil companies for our young, bright talent. These secondees will return to us with enhanced capabilities and performance driven behavior that culture of multinationals deliver. Our next step is to simplify the way we run our business. In the end, I want all of us to have a stronger confidence in our own abilities – one that will be shared by our partners. It is our aim that our entire workforce comes to work every day with a true sense of purpose and leaves with a sense of accomplishment.

A new era

2017 has been a good year and I want to thank our employees, our Supervisory Board and our Shareholder for their continued belief. I am sure 2018 will be even better. With a renewed focus on our nearshore and offshore, partnering with international oil companies, and joining the international capital market, we are at the beginning of a new era for Staatsolie, the business community and Suriname.

Rudolf Elias
Managing Director


Paleocene-Eocene RSP 1
ay-based Exploration Pyramid

Our exploration team identified 20 prospects in the nearshore acreage.

Financial and Operational Performance 2017

Financials 2017

In 2017, the average posting price per barrel was US$ 47 compared to US$ 32 in 2016, an increase of 47%. Gross revenue was US$ 434 million compared to US$ 358 million in 2016. This is an increase of 21% compared to 2016 and includes net cash income from the participation with Newmont Merian Gold Mine of US$ 46 million.
Profit before tax is US$ 94 million compared to the US$ 9 million loss in 2016. Contribution to the Government was US$ 129 million, compared to US$ 41 million in 2016.

The breakdown of sales and revenue for 2017 was as follows:

In this regard we have engaged with Ernst & Young, one of the big 4 international audit firms to audit our 2017 financial statements. The 2017 financial statements are the first we have prepared in accordance with International Financial Reporting Standards (IFRS). In preparing the 2017 financial statements together with the comparative 2016 period data, Staatsolie's opening statement financial position was prepared as per January 1, 2016, our date of transition to IFRS. Previously Staatsolie used US Generally Accepted Accounting Principles.

In 2018 several improvements will be implemented to further strengthen our internal control framework and finalizing our readiness to enter the international capital market. Over the next 3 years our capital investments will focus on sustaining production at 16,500 bopd, Enhanced/Improved Oil Recovery (EOR/IOR) and nearshore exploration.

	2017		2016	
	x 1000 Bbls	**in M$**	**x 1000 Bbls**	**in M$**
Fuel Oil & Crude	3,221	183	4,249	162
Diesel	1,986	152	1,416	123
Gasoline	593	49	358	32
Bitumen	24	2	36	2
Total	**5,824**	**386**	**6,059**	**319**
	in MWh	**in M$**	**in MWh**	**in M$**
Electric Energy	30,478	48	26,896	39
Total revenues in US$		**434**		**358**

In this improved context and considering the maturity of the 2015 syndicated bank loan in 2019, we refinanced and consolidated our outstanding debts, including the government loan, to improve the amortization profile and extend debt maturities. With the new bank loan, cash has been freed up for additional upstream investments. The refinancing also included the buyback of the 4.8% stake of the Government related to their financial contributions made in 2016 on Staatsolie's behalf to the Limited Partnership Agreement with Newmont.

We aim to maintain a healthy debt to EBITDA ratio of less than 2.5 and are preparing to diversify our funding sources through a capital market transaction planned for the first half of 2019.

For 2018, capital expenditures (CAPEX) are forecasted to amount to US$ 216 million (2017: US$ 130 million) which includes US$ 112 million for nearshore exploration and EOR/IOR. The total estimated project budget for nearshore exploration is US$ 120 million.

For 2019, we expect a CAPEX budget of around US$ 350 million including approximately US$ 140 million for nearshore exploration and EOR/IOR.

Merian gold mine

The Newmont Suriname operation currently includes the Merian 2 and the Maraba pit. Construction of the processing facility to process ore from Merian 2 began in August 2014 and commercial production started in October 2016. The Maraba pit was added to the production stream during the first quarter of 2018. Brownfield exploration and development for new reserves is ongoing.
Merian's gross property, plant and mine development at December 31, 2017 was US$ 786 million. Merian produced 513 thousand ounces of gold in 2017 and the partnership reported 5 million ounces of proven and probably gold reserves at December 31, 2017. Gold production in 2018 is projected at 511 thousand ounces as per the 2018 business plan.

Operational performance

Upstream

Reserves

At December 31, 2017, proven reserves stood at 86.7 million of stock tank barrels (MMSTB) compared to 84.2 MMSTB in 2016. Due to a number of step-out wells and appraisal wells, and the commitment to implement polymer flooding as a EOR technology, the proven reserves went up surpassing the goal of a Reserve Replacement Ratio of 1:1.

Exploration

To ensure that we can continue to meet production targets, our focus in 2017 was preparation for a renewed exploration drilling program in 2019. We also worked to improve our internal processes to fast-track the program. This included:

- The installation of a project team to prepare for nearshore drilling in 2019.
- Implementation of a clear process and a play based exploration workflow to deliver prospects in nearshore blocks A, B, C and D.
- Presentation of a nearshore prospect portfolio, including economic assessments and a nearshore exploration venture plan.
- Approval of the nearshore venture plan.
- Adding additional personnel capacity to the exploration team.
- Start exploration evaluation of the shallow offshore area together with the team from Petroleum Contracts.

To support drilling target selection, nearshore seismic data was re-processed, with intermediate fast-tracked results received at year-end. We also improved our understanding of reservoir and seal qualities, and obtained additional data by using an external laboratory to further enhance our petrophysical model.

In 2018, we plan to further improve the nearshore lead and prospect portfolio and venture plan, and work on the preparation for a drilling campaign of 10 exploration wells in 2019. A prospect portfolio in the shallow offshore should be established by end 2018.

Crude production

Due to the downturn of the oil price, our drilling program was limited in 2016. This influenced 2017 production, which declined from 17,000 bopd in 2015 to 16,300 bopd in 2017. The overall production goal was to halt the decrease and sustain production at or above 16,300 bopd in 2017, as well as to lay the foundations for recovery to 17,000 bopd.

In 2017, there was a 5-rig Development Drilling Program. However, because of lack of availability of the fifth rig due to construction delays, 115 production wells were drilled against an initial target of 141. This is still a significant achievement.
The average production of 16,300 bopd was achieved with close to 1,900 wells. To achieve this, 600 Staatsolie employees and more than 300 contractors were safely involved across an area larger than 250 km^2. With careful cost management, the average production cost per barrel was US$ 8.60, which again pleasingly placed us in the lowest cost quartile.

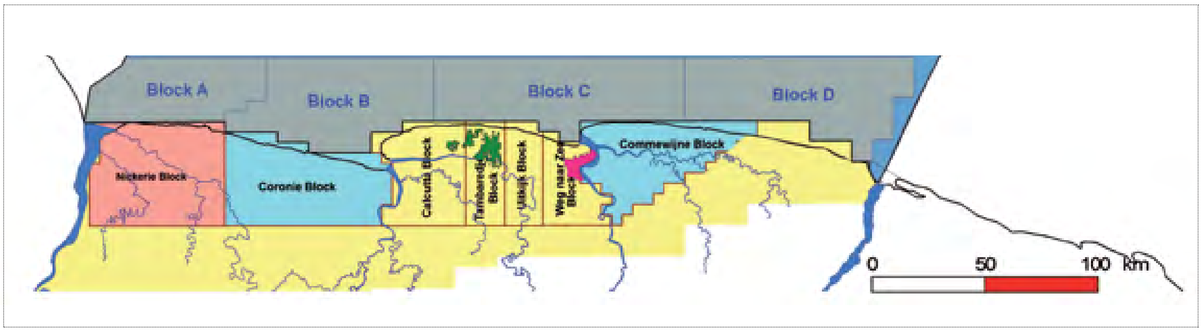
In 2017, many improvement projects were initiated that will benefit the organization in the coming years targeting to sustain the production, bring down operational costs and reduce the risk to harm employees, the environment and the community we work in.

A comprehensive study was carried out to detect bottlenecks in operational and processing systems. The recommendations from the study are being incorporated into our plan to improve the overall production process.

The main focus in 2018 is a crude production of 16,500 bopd average across the year. To guarantee production until 2024, when it is expected that new oil will be produced from the nearshore, the focus in 2018 will be to find new reserves in areas close to the current fields using a combination of appraisal wells and seismic acquisition and/or processing. Our target areas are north of Calcutta, Tambaredjo, Uitkijk and in the Coppename Nature Reserve, the latter under the strictest of environmental safeguards and only after completion of the requisite Environmental and Social Impact Assessment studies.

Additional upstream projects that are targeted for 2018 include:

- Preparation for a power plant to secure anticipated future power demands.
- Construction of an EOR polymer flooding production facility.
- A horizontal well pilot project.
- A new waste treatment facility.



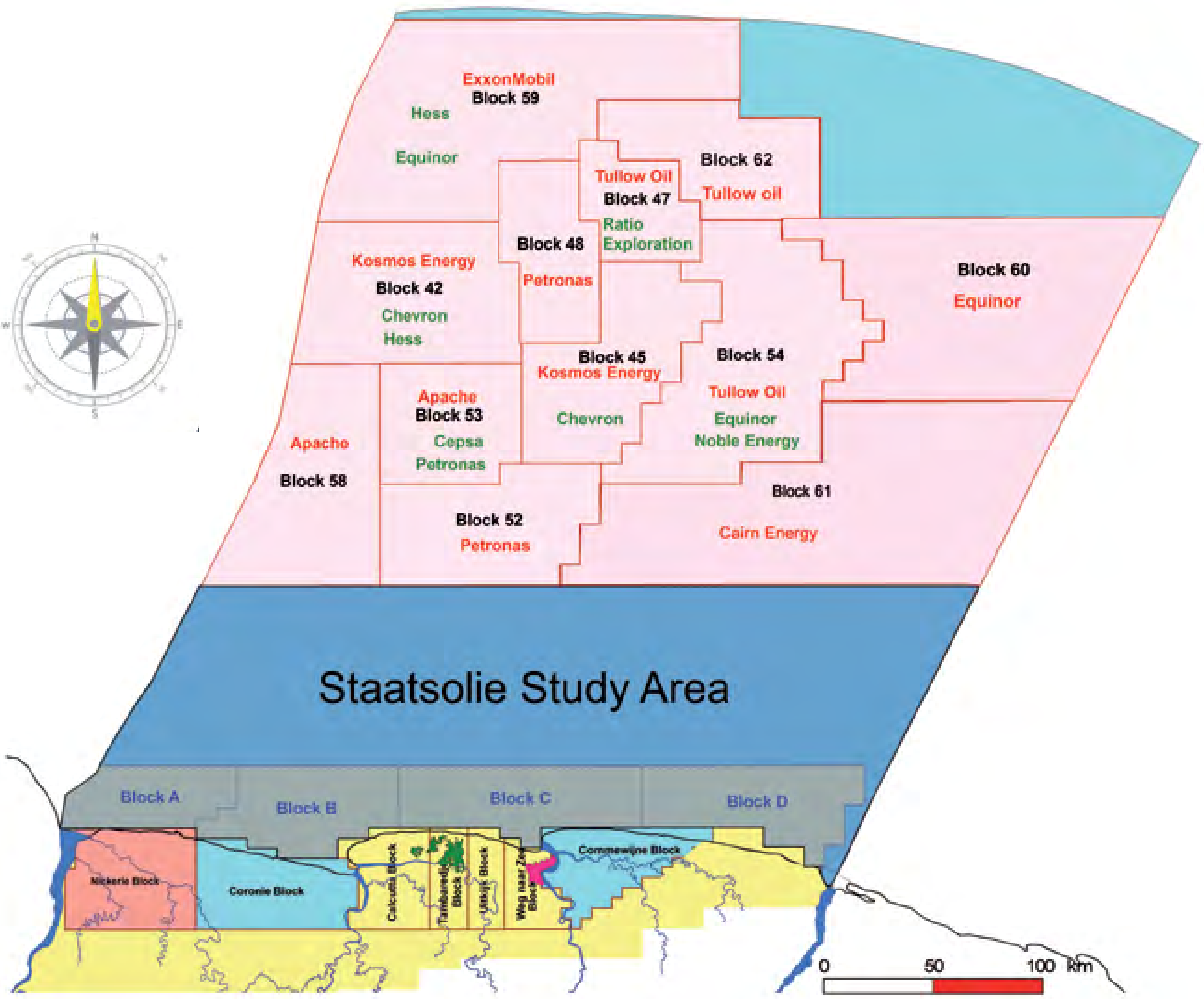
Map of onshore oilfields.

Another focus area in 2018 will be upgrading our reliability maintenance systems. We are undertaking this to ensure well and pipeline integrity, and to reduce environmental impacts to a minimum.

In 2018, we also anticipate that a number of impactful engineering projects will be completed. These are being undertaken to ensure we maintain our production targets overall and meet enhanced environmental standards. In addition, by directing all the flow of the Calcutta field to the TA58 plant, when the header between the Calcutta field and the Tambaredjo Northwest field becomes operational, we will eliminate expensive barging costs.

Institutional activities

In 2017, we continued to promote Staatsolie's offshore prospects, and succeeded in signing 2 new PSCs with leading international oil companies (IOCs) Hess, Exxon and Statoil. They share our view that our geography offers the significant promise of a world-class commercial discovery. In addition, with our re-launched Open-Door Invitation, we received 4 bids and 2 companies were invited to commence discussions to agree a PSC for blocks 61 and 62.



PSCs as at year end 2017 (operators noted in red text).

Offshore block progress and plans for 2018/2019:

	2017 activity	Plans for 2018/2019
Block 42	Processing of 3D data acquired and evaluation ongoing.	Possible drilling of an exploration well in 2018.
Block 45	Upgraded prospect and got partner approval to enter the next phase of the exploration.	Commitment to drill an exploration well in the second quarter of 2018.
Block 47	Ratio farmed into block and has a participating interest of 20%. Tullow operator with remaining interest of 80%.	Tullow to secure an additional partner and enter second phase of exploration.
Block 48	Commenced 3D seismic in December 2017.	Data processing and farming down interest.
Block 52	Post Roselle well evaluation ongoing.	Plans subject to well evaluation results.
Block 53	Kolibrie-1 well drilled in the first quarter.	Prepare for drilling in 2019.
Block 54	Araku well drilled in fourth quarter.	Review and analyze results.
Block 58	Processing of 3D data acquired in 2016 and ongoing evaluation of block.	Prepare for drilling in 2019.
Block 60	2D seismic commenced in December.	Seismic analysis.

Downstream

Refinery & Marketing Operations

Production of high end fuel products enjoyed significant year-on-year improvement. In 2017, we began to reap the rewards of the significant work we undertook in 2016 and early 2017 to improve both our processes and people skills at the refinery. Higher reliability was realized by adding additional robustness to equipment to better cope with irregular power supply and replacing parts of the Pressure-Swing-Absorption control valves. Securing higher reliability and therefore higher availability led to higher utilization and production. Average availability across the year was 88% utilization against a target of 79% of the installed capacity for high end products.

Early in 2017 we had a planned stop to replace the hydrogen unit catalytic converter. Subsequently, the emphasis in day-to-day operations was on increasing safety awareness, training staff and process optimization to reduce costs. In the last week of the year we also undertook a capacity test on the hydrocracker unit, with success in running the hydrocracker at 100% capacity for 72 hours while maintaining product quality. We will build on this successful test in 2018.

Overall, our refinery teams' efforts across 2016 and 2017 resulted in the production of 2.7 MMbbls high-end products (diesel and gasoline), compared to 1.8 MMbbls in 2016. With the significant work we have undertaken to date and the improvements we have made in our processes, we remain confident we will reach our target of 10,500 bbls of high-end products a day by 2020.

Total sales of petroleum products including trading and after elimination of intra company sales amounted to 5.82 MMbbls in 2017, a decrease of 1.2% compared to 2016. In 2017 54% more Staatsolie high-end products (gasoline and diesel) were sold compared to 2016, resulting in higher gross revenues.

Total sales

	2017	2016
Diesel	1,985,878	1,416,296
Gasoline	593,257	357,586
Fuel Oil	3,221,224	4,249,380
Asphalt	24,425	36,499
Total	**5,824,784**	**6,059,761**

A higher production of high-end products resulted in a lower fuel oil production.

Staatsolie Power Company Suriname N.V.

Across 2017 SPCS achieved 100% availability and reliability of electricity delivery to the Staatsolie refinery, there were no refinery outages as a result of electrical supply issues.

SPCS delivered 335,056 MWh to the grid and 90,500 MWh to the Staatsolie refinery at an average load of 10.3 MW and 26,042 tons of process steam (2016: 82,000 MWh of electrical energy and 37,165 tons of process steam). The low utilization of the process steam generating capacity is mainly due to the aforementioned engine breakdowns as these units are equipped with exhaust gas steam boilers.

SPCS commissioned a reliability improvement program in October 2017, aimed at maintaining reliability of supply to the refinery and improving the availability of power to the national grid. To add additional robustness to our processes, SPCS is currently going through the ISO9001:2015 certification process. The certification audit is scheduled for July 2018.

Staatsolie is in the process of securing the power supply for upstream crude oil production. Plans are to build a 12 MW power plant at the upstream, which we anticipate will be accommodated within SPCS.

Drilling operations in the Tambaredjo Northwest oilfield.

GOw2 Energy Suriname N.V.

For 2018, the target is to continue increasing market share by expanding our retail footprint, enhancing the GOw2 brand, and through consumer loyalty initiatives.

As a more stable sourcing of products was realized, GOw2 focused on further increasing its sales and realized a 20% increase compared to 2016. Also with regards to the TOTAL lubricants that are sold investments were made to pursue and increase our market share in the future.

GOw2 Performance

	2017	2016
Unleaded and diesel sales (bbls)	911,007	760,240
Average unleaded sales/day (bbls)	1,785	1,283
Average diesel sales/day (bbls)	1,252	1,251

Ventrin Petroleum Company Ltd.

Total sales of petroleum products amounted to 98,580 metric ton in 2017, a decrease of 50% compared to 2016. To counter the fall back, Ventrin implemented strong cost cutting measures and changed their mode of operations, only selling from storage tanks and pipelines at Point Lisas. Previously, products were sold in the so called 'ship-to-ship mode' through a leased barge. From March 2018, the company is on the path to recovery.

PEOPLE, COMMUNITY & ENVIRONMENT

Our People

In 2017, we continued our program to embed a culture of ownership, personal responsibility and cost management – along with seeing our core values enacted in both our resource planning and day-to-day activities. To add impetus and structure to our culture change program, we implemented a new bonus system linked to production and cash cost outcomes and to each asset's KPIs. This directly links remuneration to our strategy. We also continued with our succession planning to ensure we have a strong pipeline of skilled personnel, including preparing our secondments program to IOCs.

In 2018, our people activities will focus on amongst others:

- The continuation of the roll-out of the Culture Change program.
- The implementation of a new performance management system.
- Improving the management of the Staatsolie pension fund.

HSEQ

The health and safety of our employees and contractors will always be at the core of all our plans and activities. To meet this goal, appropriate national and international industry standards and practices are implemented and projects are carried out in accordance with Health, Safety & Environmental (HSE) guidelines, rules and regulations.

In 2017, we continued to strive for zero harm. To fulfill this mission, we worked on the development of an integrated HSEQ management framework, simplification of our procedures and processes, and focused on key areas to manage our risks.

In 2018 we will start with the implementation of our integrated HSEQ management system, to better align our processes for both the better use of our limited resources and embed more efficient processes. Importantly, to ensure action, we will make our safety observation process ready to be introduced as a leading HSE KPI to our performance reward system. This leading indicator should help to ensure that our leadership team visits Staatsolie work places to regularly discuss safety with employees – an important step to embed a deep culture of mutual care.
A key part of embedding our HSE messages is that each year we hold a number of HSE days. This year, 9 were held across the organization.
Health and safety of our contractors (around 800 at the end of 2017), is equally important as that of our employees. In 2018, we will work to ensure consistency of approach with our procurement department, management and HSE teams with reference to Contractor Management.
Our HSE performance improved slightly in 2017 compared to 2016. The number of reported incidents dropped from 495 to 491, while the number of lost time injuries reduced from 8 to 2.

Injury statistics 2017

	2017	2016
Type of incident	Staatsolie	Contractors
Fatality	0	0
LTI	2	0
Injuries	16	10

Our Environment

Oil extraction and processing has a certain impact on its surroundings. We are committed to minimizing these as much as possible and therefore we have adopted national and international accepted guidelines and standards. These standards apply to the planning, commissioning, operation and closing of projects. This year, the minimization of our environmental footprint was mainly done by implementing mitigation measures, in accordance with the Environmental Management Plans of the production development projects. In 2018, we will continue with this approach.

In 2017, 2 compliance reports were submitted to NIMOS (National Institute for Environment and Development in Suriname) for the wetland operations and 2 others were submitted for the development drilling program of the Josiekreek and Farmersland area.

Quality

One internal and one external quality audit were executed in 2017. There were no major issues identified within our quality management system, we will continue with integrating it into our daily work. The external quality audit, executed by Lloyd's Register confirmed that Staatsolie complies with the new ISO 9001:2015 standard.

Our Community

To exercise our corporate social responsibility it is essential that we have the continued support of our community and citizens. Over the past decade, we have contributed to a wide range of community projects across Suriname. This in addition to the direct, significant financial contributions we have made to the national economy, through payment of royalties, taxes, and salaries for direct and indirect employment, and through the many spin-off industries we have supported as well.

Entering the next decade, we felt it was important to evolve our approach and to work closely with the communities most directly impacted by our activities. For this reason, in 2017 we changed our policy regarding corporate social investments, to focus mainly on sustainable development activities within the communities near which we operate. New projects which we will support will be explicitly based upon the needs and the involvement of the community itself. We will report on the progress of this change next year.

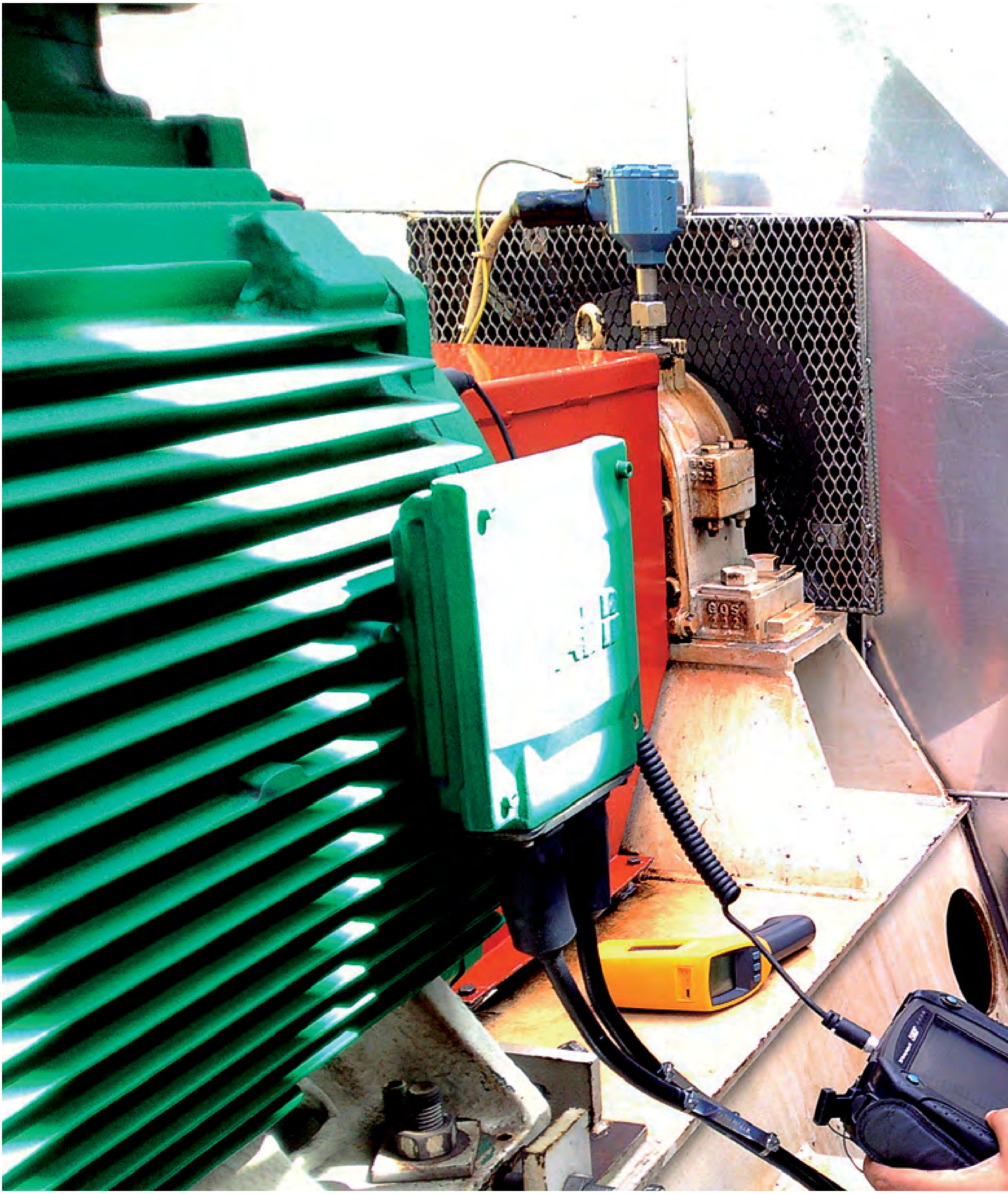
In the upstream, in support of the local district's authority, Staatsolie financed garbage collection in the Saramacca area for a full year, to partially continue in 2018. Also, preparatory work was done for major renovation of the public water utilities plant at Tijgerkreek set to take place in 2018.

Near our refinery, the renovation of four schools was initiated and will see its completion early in 2018, as well as a playground for children in the neighborhood. A program for scholarships for students at different educational levels was initiated. Staatsolie also co-financed the first print-run of a newly written textbook on geology, aimed at the secondary level students.

The Staatsolie Foundation for Community Development supported partial renovation or expansion of facilities at ten schools country-wide, the building of a health clinic in a Maroon village in the interior, and a nationwide campaign to launch a children's telephone helpline. At a boarding school in one of the districts the renovation of the caretaker's quarters, and a multifunctional activities room for the children, were also completed in 2017. And along the main public road leading to our Saramacca production area, we repaired 7 culverts, aimed at improving water management in the area and preventing damage to the road.

Stakeholder Engagement

In the last quarter of 2017, we engaged actively with the stakeholders in the upstream to gather input for our social investments program. A plan was implemented to educate the community about the care that is required around our Saramacca to Tout Lui Faut high-pressure pipeline.



An operator doing maintenance on a pump in a unit of the Staatsolie refinery.

In the refinery area, our newly established Neighborhood Council met a number of times and conducted two stakeholder activities. A formal stakeholder meeting was held at the start of the Environmental and Social Impact Study for the nearshore exploration activities planned for 2018. That was also the case in preparation for the drilling of the Araku offshore well. We regularly met with the Districts Commissioners to discuss local issues and how Staatsolie could help. Complaints received were handled through our complaints management process.

In 2018, we will further develop our Corporate Social Responsibility policies, implement stakeholder engagement guidelines, and continue to focus on social investment initiatives.

Independent Auditor's Report

to the shareholder of Staatsolie maatschappij Suriname n.v.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Staatsolie Maatschappij Suriname N.V. ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017 and 2016 the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter paragraph

The consolidated financial statements of the Group for the year ended 31 December 2015 was prepared, in accordance with Generally Accepted Accounting Principles in the United States ("USGAAP") were audited by another auditor who expressed an unmodified opinion on those statements on 30 May 2016. As part of our audit of these consolidated financial statements, we also reviewed the adjustments described in Note 2.4 that were applied to amend the 2015 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2015 consolidated financial statements of the Group other than with respect to the above-mentioned adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2015 consolidated financial statements taken as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of 2017 and 2016. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Report on the Audit of the Consolidated Financial Statements
(Continued)

Key audit matters
(Continued)

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters.

Key audit matter	How our audit addressed the key audit matter
Initial audit engagement - Transition plan Initial audits include a number of elements which are not performed in recurrent audits conducted on a regular basis. These additional procedures include in particular planning activities which are intended to enable an appropriate audit strategy to be determined for the consolidated financial statements. The consolidated financial statements of the Group for the year ended 31 December 2015 was prepared, in accordance USGAAP, and were audited by another auditor who expressed an unmodified opinion on those statements. This has been discussed in the Other Matter paragraph above.	After being appointed as the Group's auditors in 2018, we developed a comprehensive transition plan to ensure an effective transition from the predecessor auditor. In order to develop an appropriate audit strategy and audit plan in the initial audit engagement for the Group, specific planning activities were necessary. These included, but were not limited, to: • Obtaining an initial understanding of the Group and its business including background information, strategy, business risks, information technology landscape and its financial reporting and internal controls framework, to assist in performing risk assessment procedures; • Obtaining sufficient appropriate audit evidence regarding opening balances and the appropriate selection and consistent application of accounting policies; and • Communicating with the predecessor auditor, including reviews of audit working papers for previous periods; and performance of analyses in order to evaluate the assumptions made by management in the previous financial year. The foregoing has been used as a basis for our audit plan. We discussed and agreed our audit plan with the Supervisory Board of the Group in 2018 and have reported status updates, progress reports and key findings from our audit process on a regular basis.

Report on the Audit of the Consolidated Financial Statements
(Continued)

Key audit matters
(Continued)

Key audit matter	How our audit addressed the key audit matter
First time adoption of International Financial Reporting Standards (IFRSs) Effective 1 January 2016 the Group adopted IFRSs and converted from USGAAP. This involved a detailed IFRS conversion exercise to identify all significant and material differences in the accounting policies previously applied under USGAAP to that required in accordance with IFRS. This exercise resulted in the identification of several differences and required adjustments to be recorded to facilitate the conversion to IFRSs. These differences and the related impact are disclosed in Note 2.4 to the consolidated financial statements.	Our procedures focused on assessing the completeness and robustness of the conversion exercise and included the following: • Obtained the IFRS to USGAAP differences checklist and evaluated the differences as it related to Group to assess whether all differences were properly identified and complete; • We evaluated that where differences were identified that the appropriate accounting policy was applied; • We audited the USGAAP to IFRS adjustments to determine if reasonable and appropriate; and • We evaluated whether the Group appropriately applied the IFRS 1 first time adoption exemptions and the related disclosures in the consolidated financial statements.

Report on the Audit of the Consolidated Financial Statements
(Continued)

Key audit matters
(Continued)

Key audit matter	How our audit addressed the key audit matter
Estimation of decommissioning and restoration provisions Provisions associated with decommissioning and restoration are disclosed in Note 4.7 to the consolidated financial statements; a description of the accounting policy and key judgements and estimates is included in Note 2.5. The calculation of decommissioning and restoration provisions is conducted by specialist engineers and requires the use of significant judgement in the application of key assumptions in respect of asset lives, timing of restoration work being undertaken, environmental legislative requirements, the extent of restoration activities required and estimation of future costs. Changes in these assumptions may result in material changes to the decommissioning and restoration provisions recorded by the Group.	Our audit procedures focused on the work of the consolidated entity's experts. In obtaining sufficient audit evidence, we: • assessed the competence and objectivity of both the Group's internal and external experts involved in the estimation process; • assessed the reasonableness of the assumptions and ensured it was consistent with our knowledge of the Group and industry; • evaluated the adequacy of the expert's work; • understood the Group's decommissioning and restoration estimation processes; • tested the consistency in the application of principles and assumptions to other areas of the audit such as reserves estimation and impairment testing; • tested the mathematical accuracy of the net present value calculations and discount rate applied; and • reconciled the calculations to the financial report prepared by internal and external experts.

Report on the Audit of the Consolidated Financial Statements
(Continued)

Key audit matters
(Continued)

Key audit matter	How our audit addressed the key audit matter
Risk of Impairment of the group's assets The significant decline in oil and gas prices has the potential for a material impact on the carrying value of the group's assets as presented in the consolidated statement of financial position. The recoverability of the carrying amount of Upstream and Downstream assets is dependent upon the future cash flows of the business. Bearing in mind the generally long-lived nature of its assets, the most critical assumption in the impairment analysis is management's view on the long-term oil and gas price outlook, beyond the next three to five years.	With reference to IAS 36: Impairment of assets, we first considered the appropriateness of management's defined cash-generating units (CGUs) within the Upstream and Downstream business. We assessed management's macro-economic assumptions, which include both short-term and long-term views on commodity prices, inflation rates and discount rates. IAS 36, requires impairment reviews to be performed only for those CGU's where indicators of impairment exist. For those CGU's where impairment indicators were identified our audit procedures were designed to evaluate whether the impairment test model used by the Group met the requirements of IAS 36. For those assets expected to be retained in the portfolio, we : • assessed the reasonableness of the key assumptions relating to the ongoing operation of the asset, including price, cost and reserves data; • engaged the services of the EY Transactions Advisory Services (TAS) team to assist in our assessment and audit of the key assumptions and the impairment model; and • confirmed the mathematical accuracy of the value-in-use model prepared by management, and agreed the reserves incorporated into the model to the estimates prepared by the engineers

Report on the Audit of the Consolidated Financial Statements
(Continued)

Key audit matters
(Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of obligation in respect of defined benefit plans We identified the valuation of obligation in respect of defined benefit plans as a key audit matter because of the significant management judgement and actuarial expert involved in valuation. As set out in Notes 2.5 and 4.8 to the consolidated financial statements, in determining the obligation in respect of defined benefit plans, the Group engaged an actuarial expert to perform the actuarial valuation of plan assets and the present value of the defined benefit obligations, and the key assumptions used including discount rates, expected return on plan assets, expected salary increases and mortality rates. As set out in note 4.8 to the consolidated financial statements, the Group's obligation in respect of the defined benefit plans as at December 31, 2016 and December 31, 2017 amounted to US$65.07 million and US$42.75 million respectively.	Our procedures in relation to the assessing the valuation of obligation in respect of defined benefit plans included: • Understanding the management valuation process, including the involvement of actuarial expert in performing the actuarial valuation of plan assets and the present value of the defined benefit obligations; • Evaluating the competence, capabilities and objectivity of the management actuarial expert; • Evaluating the appropriateness of the valuation method and key assumptions as disclosed in Note 4.8 used to determine the valuation of obligation in respect of defined benefit plans and compliance with IAS 19: Employee Benefits.; • Working with EY actuarial expert to evaluate the reasonableness of the discount rate used by management; • Evaluating the reasonableness of the expected return on plan assets by checking the historical performance on plan assets and available market and economic data; • Assessing whether the relevant disclosures in the consolidated financial statements are consistent with the requirements of IAS 19; and • For pension assets we obtained an independent report from the plan's auditors confirming the reasonableness of the fair value of the assets used in the computation of the net pension liability.

Report on the Audit of the Consolidated Financial Statements
(Continued)

Other information included in the Group's 2017 Annual Report

Other information consists of the information included in the Group's 2017 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2017 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Report on the Audit of the Consolidated Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Report on the Audit of the Consolidated Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
(Continued)

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of 2017 and 2016 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner in charge of the audit resulting in this independent auditor's report is Andrew Tom.

Ernst & Young

Port of Spain
TRINIDAD:
16 November 2018

Drilling rig in the Tambaredjo oilfield.

STAATSOLIE MAATSCHAPPIJ SURINAME N.V.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

(X US$ 1,000)	Notes	2017	2016
Revenue	3.1	433,678	357,705
Cost of sales		(247,229)	(251,247)
Gross profit		**186,449**	**106,458**
Other income/(expense)	3.2	(23,637)	13,457
Expensed projects		(3,205)	(2,359)
Exploration expenses		(3,192)	(6,507)
Selling and distribution expenses	3.2	(19,925)	(24,977)
Other operating expenses		(12,019)	(11,643)
General and administrative expenses	3.2	(27,167)	(31,467)
Operating profit		**97,304**	**42,962**
Finance income	3.2	2,018	4,840
Finance costs	3.2	(68,777)	(65,122)
Share of profit of Suriname Gold Project JV	4.4	63,725	8,114
Profit (loss) before income tax		**94,270**	**(9,206)**
Income tax expense	3.3	(33,119)	1,609
Profit (loss) for the year		**61,151**	**(7,597)**
Attributable to:			
Equity holders of the parent		61,151	(7,597)
		61,151	(7,597)
Basic and diluted earnings/(loss) per ordinary Share (US$ per thousand shares)	3.4	12.23	(1.52)

STAATSOLIE MAATSCHAPPIJ SURINAME N.V.
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

(X US$ 1,000)	Notes	2017	2016
Profit (loss) for the year		**61,151**	**(7,597)**
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Pensions and other postretirment benefits	4.8	25, 623	(9,107)
Tax effect	3.3	(8,255)	3,137
		17,368	(5,970)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		**17,368**	**(5,970)**
Other comprehensive income (loss) to be reclassified tot profit or loss in subsequent periods			
Unrealized (gains) and losses short-term investments		42	(3,113)
Tax effect	3.3	(14)	1,009
		28	(2,104)
Currency translation adjustment GOw2		(920)	(15,306)
Tax effect		-	-
		(920)	(15,306)
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		**(892)**	**(17,410)**
Other comprehensive income (loss) for the year net of tax		**16,476**	**(23,380)**
Total comprehensive income (loss) for the year, net of tax		**77,627**	**(30,977)**

STAATSOLIE MAATSCHAPPIJ SURINAME N.V.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017 AND 2016

(X US$ 1,000)	Notes	2017	2016	As at January 1, 2016
Assets				
Non-current assets				
Oil, exploration and producing properties	4.1	512,520	444,335	482,760
Refining properties	4.2	966,130	1,004,313	1,056,292
Other property, plant and equipment	4.3	142,301	149,227	186,656
Goodwill	4.5	5,447	5,447	5,447
Other intangible assets	4.5	6,024	8,841	11,658
Investments in Joint Ventures	4.4	277,306	285,306	217,385
Loan receivable long term	5.3	11,007	14,677	-
Restricted cash	6.1	16,851	11,850	14,412
Deferred tax asset	3.3	7,315	16,497	-
Total non-current assets		**1,944,901**	**1,940,493**	**1,974,610**
Current assets				
Inventories	6.3	62,224	65,869	72,389
Trade receivables	6.2	107,248	101,878	118,319
Prepayment and other current assets	6.2	27,175	44,472	43,304
Loan receivable short- term	5.3	8,368	9,173	805
Short-term investments	5.3	3,838	3,797	6,910
Resticted cash	6.1	10,611	7,370	6,444
Cash and short-term deposits	6.1	46,521	17,371	30,632
Total current assets		265,985	249,930	278,803
Total Assets		**2,210,886**	**2,190,423**	**2,253,413**
Equity and liabilities				
Equity				
Common Stock	5.1	12,104	12,104	12,104
Retained earnings		1,145,993	1,077,277	1,118,088
Other capital reserves	5.1	11,566	11,116	11,360
Total equity		1,169,663	1,100,497	1,141,552
Non-current liabilities				
Bond	5.3	98,668	98,475	98,281
Term loans	5.3	500,840	591,646	623,191
Provisions	4.7	93,054	48,287	79,120
Employee defined benefit liabilities	4.8	42,752	65,069	53,715
Defered tax liabilities	3.3	-	-	6,928
Other long term liabilities		3,862	1,462	6,365
Total non-current liabilities		739,176	804,939	867,600
Current liabilities				
Bank overdraft	6.1	3,713	3.713	2,560
Trade payables	6.4	90,570	96,618	110,350
Provisions (short-term)	4.7	-	1,600	-
Accruals and other liabilities	6.4	97,525	93,280	62,277
Income tax payable		4,878	20,745	4,273
Short-term portion of loans	5.3	105,361	69,031	64,801
Total current liabilities		302,047	284,987	244,261
Total liabilities		1,041,223	1,089,926	1,111,861
Total equity and Liabilities		**2,210,886**	**2,190,423**	**2,253,413**

Consolidated statement of financial position as at December 31, 2017 and 2016. (continued)

These accounts have been authorized for issuance by the Supervisory Board members and the Executive Board members on November 16, 2018.

The Board of Executive Directors:

R. Elias	Managing Director
B. Dwarkasing	Upstream Director
A. Moensi-Sokowikromo	Finance Director

The Supervisory Board:

E. Boerenveen	Chairman
G. Asadang	Member
E. Poetisi	Member
M. Rommy	Member

STAATSOLIE MAATSCHAPPIJ SURINAME N.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

(X US$ 1,000)	Notes		Retained earnings		Other capital reserves		
		Common stock	Retained earnings	Translation adjustment GOw2	Appropriated reserve for environmental risk	Appropriated reserve for committee of sports facilities	Total equity
Balance at January 1, 2016		**12,104**	**1,118,088**	**-**	**8,000**	**3,360**	**1,141,552**
Loss for the year		-	(7,597)	-	-	-	(7,597)
Other comprehensive loss		-	(8,074)	(15,306)	-	-	(23,380)
Total comphrensive income/(loss) 2016		-	(15,671)	(15,306)	-	-	(30,977)
Dividend paid	3.5	-	(7,228)	-	-	-	(7,228)
Hyper Inflation GOw2		-	755	-	-	-	755
Allocation/(withdrawal)		-	(500)	-	500	(744)	(744)
Other reserves		-	(2,861)	-	-	-	(2,861)
Balance at December 31, 2016		**12,104**	**1,092,583**	**(15,306)**	**8,500**	**2,616**	**1,100,497**
Balance at January 1, 2017		**12,104**	**1,092,583**	**(15,306)**	**8,500**	**2,616**	**1,100,497**
Profit for the year		-	61,151	-	-	-	61,151
Other comprehensive income		-	17,396	(920)	-	-	16,476
Total comphrensive income/(loss) 2017		-	78,547	(920)	-	-	77,627
Hyper Inflation GOw2		-	200	-	-	-	200
Allocation/(withdrawal)		-	(500)	-	500	(50)	(50)
Other allocation/(withdrawal)	5.1	-	(8,611)	-	-	-	(8,611)
Balance at December 31, 2017		**12,104**	**1,162,219**	**(16,226)**	**9,000**	**2,566**	**1,169,663**

STAATSOLIE MAATSCHAPPIJ SURINAME N.V.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016

(X US$ 1,000)	Notes	2017	2016
Operating activities			
Profit/(loss) before income tax from operations	**3.1**	**94,270**	**(9,206)**
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of PP&E	3.2	93,299	95,628
Expensed projects		4,820	7,485
Amortization of intangible assets	4.5	2,817	2,817
Amortized debt arrangement fee		194	194
Accretion expense	4.7	4,697	6,067
Hyperinflation and currency translation adjustment		(720)	(14,551)
Loss on disposal of PP&E		19	618
Finance income	3.2	(959)	(3,461)
Finance costs (excluding accretion expenses)		64,080	59,094
Before tax Share of profit in Suriname Gold Project JV	4.4	(63,725)	(8,114)
Movements employee defined benefit liabilities		3,306	2,247
Cash from operations before working capital changes		**202,098**	**138,818**
Working capital adjustments:			
Decrease in Inventories		3,645	6,521
(Increase)/decrease in trade receivables		(25,370)	16,441
Decrease/(increase) in prepayments and other current assets		21,147	(5,930)
Drecrease in Trade payables		(6,048)	(13,732)
Increase in accruals and other liabilities		4,137	20,252
Cash generated from operations		**199,609**	**162,370**
Interest received		2,018	4,840
Interest paid		(56,880)	(49,623)
Income taxes paid		(41,592)	(676)
Net cash flows from operating activities		**103,155**	**116,911**
Investing activities			
Expenditures on PP&E (Purchase)		(82,745)	(37,969)
Cash distributions received from Suriname Gold Project JV		171,878	21,107
Cash calls paid to Suriname Gold Project JV		(100,153)	(80,914)
Movement of loan receivables		4,474	3,766
Net cash flows used in investing activities		**(6,546)**	**(94,010)**
Financing activities			
Repayment of term loans		(59,118)	(30,979)
Dividends paid to equity holders of the parent	3.5	-	(7,228)
Payments to the Sports fund		(50)	(744)
Movement in restricted cash		(8,291)	1,636
Net cash flows used in financing activities		**(67,459)**	**(37,315)**
Increase/(decrease) in cash		**29,150**	**(14,414)**
Cash and cash equivalents, beginning of year*	**6.1**	**13,658**	**28,072**
Cash and cash equivalents, end of year*	**6.1**	**42,808**	**13,658**

Significant non-cash transactions

Refer to note 5.3 loan receivable section

* Includes bank overdrafts; refer to footnote 6.1


NOBLE

Exploration drilling in offshore Suriname.

Notes to the Consolidated financial statements

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Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Section 1. Corporate and group information

1.1. Corporate information

The consolidated financial statements of the Group, which comprise Staatsolie Maatschappij Suriname NV (Staatsolie, as the parent) and all its subsidiaries, for the year ended December 31, 2017, were authorized for issue in accordance with a resolution of the Supervisory Board on November 14, 2018.

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

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

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

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

Staatsolie's vision is:

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

Staatsolie's mission is:

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

Its values are:

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

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

1.2. Group information

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

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

POC is, at the moment, a dormant company. In June 2015, POC's operations were put on hold and the company did not have any major activity during the reporting period of 2017.

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

Information on other related party relationships of Staatsolie and its subsidiaries is further provided in section 7.

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Section 2. Basis of preparation and other significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of Staatsolie as a group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated statements are presented in US dollars, and all values are rounded to the nearest thousand (US$ thousand), except when otherwise indicated.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Staatsolie and its controlled subsidiaries as at December 31, 2017 and 2016.

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

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

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

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

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

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

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

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

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

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

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

2.3 Summary of significant accounting policies

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

a. Other intangible assets and goodwill

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

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

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

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

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

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

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

b. Investment in a joint venture

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

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

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

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

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

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

c. Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

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

d. Fair value measurement

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

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

e. Revenue and other income

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

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

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

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

Interest income

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

Dividends

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

f. Foreign currencies

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

(i) Transactions and balances

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

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

(ii) Foreign subsidiaries

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

g. Taxes

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

Deferred tax

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

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

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

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

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

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

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

Sales tax

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

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

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

h. Property, plant and equipment

Construction in progress, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use, is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Significant accounting judgments, estimates and assumptions (Note 2.5) and Provisions (Note 4.7) for further information about the recognized decommissioning provision.

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

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

Exploration and evaluation assets

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

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

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

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

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

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

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

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

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

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

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Oil properties

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

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

Oil properties – assets under construction

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

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

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

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

(i) Initial recognition

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

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

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

(ii) Depreciation/amortization

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

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

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

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

(iii) Major maintenance, refits, inspection and repairs

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

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Refinery, power plant and other fixed assets

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

Projects in progress

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

Power plant assets

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

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

Corporate & Other fixed assets

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

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

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

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

i. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if the asset (or assets are) is not explicitly specified in an arrangement.

Group as a lessee

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. The Group has concluded that there are no finance leases as at December 31, 2017 and 2016.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

j. Borrowing costs

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

k. Intangible assets

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

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

indefinite. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.
The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible assets. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

l. Financial instruments – recognition and measurement

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

(i) Financial assets

Recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statement of profit or loss.

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Available-for-sale (AFS) financial investments

AFS financial investments include equity and debt securities. Equity investments classified as available-for-sale are those neither classified as held-for-trading nor designated at fair value through profit or loss. After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized as OCI until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income or expense, or the investment is determined to be impaired, at which time, the cumulative loss is reclassified to the consolidated statement of profit or loss in finance costs and removed from the OCI. The Group evaluates its AFS financial assets to determine whether the ability and intention to sell them in the near term is still appropriate.

(ii) Financial liabilities

Recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Loans and borrowings

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

m. Inventories

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

Raw materials:

- Purchase cost is valued on weighted average method

Finished goods and work in progress:

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

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

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

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

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

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

Pipeline fill

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

n. Impairment of non-financial assets

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

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

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

o. Cash and short–term deposits

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

Restricted Cash

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

p. Cash dividend

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

q. Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated statement of profit or loss.

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Decommissioning liability

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

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

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

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

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

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r. Pensions and other post–employment benefits

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

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

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

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

2.4 Restatements and First-time adoption of IFRS

These consolidated financial statements, for the year ended December 31, 2017 and 2016, are the first Staatsolie has prepared in accordance with IFRS. For periods including the year ended December 31, 2016 and prior, Staatsolie prepared its consolidated financial statements in accordance with U.S. generally accepted accounting principles (US GAAP). During the preparation of the December 31, 2017 and 2016 consolidated financial statements, the Group identified errors in the opening balance as at January 1, 2016 and the ending balance as at December 31, 2016, which have been restated as part of the IFRS conversion procedures.

Accordingly, Staatsolie has prepared its consolidated financial statements that comply with IFRS as at December 31, 2017, together with the comparative period data for the year ended December 31, 2016, as described in the summary of significant accounting policies. In preparing the consolidated financial statements, Staatsolie's opening statement of consolidated financial position was prepared as at January 1, 2016, Staatsolie's date of transition to IFRS. This note explains the principal adjustments made by Staatsolie in restating its US GAAP financial statements, including the consolidated statement of financial

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

position as at January 1, 2016 and the consolidated financial statements for the year ended December 31, 2016.

Exemptions applied

IFRS 1, First-time Adoption of International Financial Reporting Standard, allows certain elective and mandatory exemptions where costs of implementing exceed the benefits of reporting. After thorough examination and analysis, Staatsolie applied the following elective exemptions:

1. Goodwill – the carrying value of goodwill at transition date is not restated.
2. Oil assets - were valued at deemed costs and are not revalued.
3. Property plant and equipment – the Group elected to measure PPE at transition date at deemed cost (using historical costs).
4. Intangible assets – the Group elected to measure capitalized software at transition dated at deemed cost (using historical costs).

Estimates

The estimates at January 1, 2016 and at December 31, 2016 are consistent with those made for the same dates in accordance with US GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items:

Under US GAAP, a weighted average for the useful lives of the different property, plant and equipment components was calculated, whereas IFRS requires the useful lives of the separate assets (varying 10, 15, 30 years). The change in useful life estimates also impacted the provision for decommissioning, as set out in the notes to the reconciliation of equity as at January 1, 2016 and December 31, 2016 and total comprehensive income for the year ended December 31, 2016.

The estimates used by the Group to present the estimation balances in accordance with IFRS reflect conditions at January 1, 2016, the date of transition to IFRS and as at December 31, 2016.

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Group reconciliation of equity as at January 1, 2016 (date of transition to IFRS)

x US$ 1,000	Notes	US GAAP previously audited	Restatements	US GAAP restated	Notes	IFRS adjustments	As at January 1, 2016
Assets							
Non-current assets							
Oil, exploration and producing properties	1a	313,175	12,755	325,930	Aiii	156,830	482,760
Refining properties	1b	1,023,452	6,284	1,029,736	Ai, ii	26,556	1,056,292
Other property, plant and equipment	1c	158,374	(3,394)	154,980	Ai	31,676	186,656
Projects in progress	27	205,168	11,040	216,208	Aiii	(216,208)	-
Goodwill		5,447	-	5,447		-	5,447
Other intangible assets	2	12,047	(389)	11,658		-	11,658
Investments in Joint Venture	4	227,964	(3,063)	224,901	B	(7,516)	217,385
Restricted cash	3	-	14,412	14,412		-	14,412
Deferred tax asset	6	10,119	(10,119)	-		-	-
Total non-current assets		1,955,746	27,526	1,983,272		(8,662)	1,974,610
Current assets							
Inventories		71,504	-	71,504	C	885	72,389
Trade receivables	7	118,679	(360)	118,319		-	118,319
Prepayments and other current assets	8	52,277	(8,973)	43,304		-	43,304
Loan receivable short-term	28	1,796	(991)	805		-	805
Short-term investments		6,910	-	6,910		-	6,910
Restricted cash	3	-	6,444	6,444		-	6,444
Cash and short-term deposits	3	54,064	(23,432)	30,632		-	30,632
Total current assets		305,230	(27,312)	277,918		885	278,803
Total assets		**2,260,976**	**214**	**2,261,190**		**(7,777)**	**2,253,413**
Equity and liabilities							
Equity							
Common stock		12,104	-	12,104		-	12,104
Retained earnings		1,095,291	26,386	1,121,677	A,B,C,D, E	(3,589)	1,118,088
Other capital reserves		11,360	-	11,360		-	11,360
Total equity		1,118,755	26,386	1,145,141		(3,589)	1,141,552
Non-current liabilities							
Bond		98,281	-	98,281		-	98,281
Term Loans		623,191	-	623,191		-	623,191
Provisions	9	125,659	(41,720)	83,939	D	(4,819)	79,120
Employee defined benefit liabilities	10	42,545	13,072	55,617	E	(1,902)	53,715
Deferred tax liability	5	-	4,395	4,395	F	2,533	6,928
Other long term liabilities		6,365	-	6,365		-	6,365
Total non-current liabilities		896,041	(24,253)	871,788		(4,188)	867,600
Current liabilities							
Bank overdraft		2,560	-	2,560		-	2,560
Trade payables		110,350	-	110,350		-	110,350
Accruals and other liabilities	11	64,786	(2,509)	62,277		-	62,277
Income tax payable	12	3,683	590	4,273		-	4,273
Short-term portion of loans		64,801	-	64,801		-	64,801
Total current liabilities		246,180	(1,919)	244,261		-	244,261
Total liabilities		1,142,221	(26,172)	1,116,049		(4,188)	1,111,861
Total equity and liabilities		**2,260,976**	**214**	**2,261,190**		**(7,777)**	**2,253,413**

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Group reconciliation of equity as at December 31, 2016

x US$ 1,000	Notes	US GAAP previously audited	Restatements	US GAAP restated	Notes	IFRS adjustments	As at December 31, 2016
Assets							
Non -current assets							
Oil, exploration and producing properties	1a	336,530	12,091	348,621	Aiii	95,714	444,335
Refining properties	1b	999,152	5,103	1,004,255	Ai, ii	58	1,004,313
Other property, plant and equipment	1c	148,454	(2,211)	146,243	Ai, G	2,984	149,227
Projects in progress	27	132,140	1,623	133,763	Aiii	(133,763)	-
Goodwill		5,447	-	5,447		-	5,447
Other intangible assets	2	8,434	407	8,841		-	8,841
Investments in Joint Venture	4	308,719	(3,063)	305,656	B	(20,350)	285,306
Loan receivable long term		14,677	-	14,677		-	14,677
Restricted cash	3	-	11,850	11,850		-	11,850
Deferred tax asset	6	16,062	(5,500)	10,562	F	5,935	16,497
Total non-current assets		1,969,615	20,300	1,989,915		(49,422)	1,940,493
Current assets							
Inventories	13	67,142	(1,273)	65,869		-	65,869
Trade receivables	7	108,606	(6,728)	101,878		-	101,878
Prepayments and other current assets	8	68,387	(23,915)	44,472		-	44,472
Loan receivable short-term	28	8,368	805	9,173		-	9,173
Short-term investments	14	3,754	43	3,797		-	3,797
Restricted cash	3	-	7,370	7,370		-	7,370
Cash and short-term deposits	3	39,166	(21,795)	17,371		-	17,371
Total current assets		295,423	(45,493)	249,930		-	249,930
Total assets		**2,265,038**	**(25,193)**	**2,239,845**		**(49,422)**	**2,190,423**
Equity and liabilities							
Equity							
Common stock		12,104	-	12,104		-	12,104
Retained earnings		1,091,139	(11,162)	1,079,977	A,B,D, E,F,G	(2,700)	1,077,277
Other capital reserves		11,116	-	11,116		-	11,116
Total equity		1,114,359	(11,162)	1,103,197		(2,700)	1,100,497
Non-current liabilities							
Bond		98,475	-	98,475		-	98,475
Term loans		591,646	-	591,646		-	591,646
Provisions	9	135,950	(41,716)	94,234	D	(45,947)	48,287
Employee defined benefit liabilities	10	50,271	14,394	64,665	E	404	65,069
Other long term liabilities	15	6,544	(5,082)	1,462		-	1,462
Total non-current liabilities		882,886	(32,404)	850,482		(45,543)	804,939
Current liabilities							
Bank overdraft		3,713	-	3,713		-	3,713
Trade payables	16	91,994	4,624	96,618		-	96,618
Provisions (short-term)		-	-	-	D	1,600	1,600
Accruals and other liabilities	11	91,316	1,743	93,059	E	221	93,280
Income tax payable	12	11,739	12,006	23,745	H	(3,000)	20,745
Short-term portion of loans		69,031	-	69,031		-	69,031
Total current liabilities		267,793	18,373	286,166		(1,179)	284,987
Total liabilities		1,150,679	(14,031)	1,136,648		(46,722)	1,089,926
Total equity and liabilities		**2,265,038**	**(25,193)**	**2,239,845**		**(49,422)**	**2,190,423**

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Group reconciliation of comprehensive income for the year ended December 31, 2016

x US$ 1,000	Notes	US GAAP previously audited	Restatements	US GAAP restated	Notes	IFRS adjustments	As at December 31, 2016
Revenue	17	368,291	(10,586)	357,705		-	357,705
Cost of sales	17,18	(201,744)	(50,143)	(251,887)	Aii, C	640	(251,247)
Gross profit		**166,547**	**(60,729)**	**105,818**		**640**	**106,458**
Other income/(expense)	19	13,846	(389)	13,457		-	13,457
Expensed projects	17	(1,411)	(948)	(2,359)		-	(2,359)
Exploration expenses	27	(1,524)	(4,983)	(6,507)		-	(6,507)
Selling and distribution expenses	20	(21,898)	(3,079)	(24,977)		-	(24,977)
Other operating expenses	17,21	(81,138)	68,146	(12,992)	Diii, G	1,349	(11,643)
General and administrative expenses	17,22	(28,248)	(1,630)	(29,878)	I	(1,589)	(31,467)
Operating profit (loss)		**46,174**	**(3,612)**	**42,562**		**400**	**42,962**
Finance income	23	4,810	30	4,840		-	4,840
Finance costs	1,17,23	(46,375)	(6,407)	(52,782)	Bi, Eii	(12,340)	(65,122)
Share of profit of Suriname Gold Project JV		8,121	-	8,121	Bii	(7)	8,114
Profit (loss) before income tax		**12,730**	**(9,989)**	**2,741**		**(11,947)**	**(9,206)**
Income tax expense	12	(7,508)	6,196	(1,312)	F	2,921	1,609
Profit (loss) for the year		**5,222**	**(3,793)**	**1,429**		**(9,026)**	**(7,597)**
Attributable to:							
Equity holders of the parent		5,222	(3,793)	1,429		(9,026)	(7,597)
		5,222	(3,793)	1,429		(9,026)	(7,597)
Basic and diluted earnings per ordinary share (US$ per share)		1.04		0.29			(1.52)

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Group reconciliation of other comprehensive income for the year ended December 31, 2016

x US$ 1,000	Notes	US GAAP previously audited	Restatements	US GAAP restated	Notes	IFRS adjustments	As at December 31, 2016
Other comprehensive income not to be reclassified to profit or loss in subsequent periods							
Pensions and other postretirement benefits	24	(6,556)	(4,396)	(10,952)	I	1,845	(9,107)
Tax effect	24	2,360	1,162	3,522	I	(385)	3,137
		(4,196)	(3,234)	(7,430)		1,460	(5,970)
Net other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods		**(4,196)**	**(3,234)**	**(7,430)**		**1,460**	**(5,970)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods							
Unrealized gains and (losses) short-term investments	25	(3,156)	43	(3,113)		-	(3,113)
Tax effect	25	1,136	(127)	1,009		-	1,009
		(2,020)	(84)	(2,104)		-	(2,104)
Currency translation adjustment GOw2	26	(3,159)	(12,147)	(15,306)		-	(15,306)
Tax effect		-	-	-		-	-
		(3,159)	(12,147)	(15,306)		-	(15,306)
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		**(5,179)**	(12,231)	**(17,410)**		**-**	**(17,410)**
Other comprehensive income (loss) for the year net of tax		**(9,375)**	(15,465)	**(24,840)**		**1,460**	**(23,380)**

Notes to the reconciliation of equity as at January 1, 2016 and December 31, 2016 and total comprehensive income for the year ended December 31, 2016

The following restatements and presentation reclassification adjustments were made to the US GAAP consolidated financial statement (in thousands US$).

1 Property, plant and equipment (PP&E)

a. Under US GAAP, Staatsolie has recognized provisions for decommissioning its production field and related facilities, the refinery and the power plant on the basis of discounted expected expenditures. Initially an asset for decommissioning was recognized for the same amount, and amortized using the units of production method (UOP). Under the UOP method the asset is amortized in proportion to the amount of asset usage, as described in the general notes to the

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

consolidated financial statement. The provision for decommissioning increases by unwinding the finance charge to the profit and loss. An evaluation of the decommissioning assets was performed as we re-measured the decommissioning liability, which resulted in revised asset values. US GAAP requires that periodically an evaluation of the assumptions of the decommissioning asset value and provision needs to be performed. Since this was not performed in prior years, this was done as at January 1, 2016 and December 31, 2016. As a result, adjustments were made to decommissioning assets value and the provision in the respective years. The oil, exploration and producing properties were increased by US$11,728 as at January 1, 2016 and with US$ 11,729 as at December 31, 2016, respectively. Additional depreciation was recognized for US$ 674 as at December 31, 2016 due to changes in useful lives.

A reclassification of (US$ 2,035) was made to other intangible assets as at January 1, 2016 and December 31, 2016 respectively. Furthermore a reclassification of US$ 3,063 and US$ 3,071 was made from investment in joint ventures as at January 1, 2016 and December 31, 2016 respectively.

b. The refinery decommissioning assets were increased by US$ 5,970 and US$ 4,468 as at January 1, 2016 and December 31, 2016 respectively. Marketing assets amounting to US$ 314 relating to the asset type other property, plant and equipment were reclassified to refinery assets as at January 1, 2016 and December 31, 2016 from other property, plant and equipment assets. The depreciation included in cost of sales was also decreased with US$ 321 as at December 31, 2016 due to a change in useful life of certain PPE asset categories.

c. Other PPE assets decreased by (US$ 3,394) and (US$ 2,211) as at January 1, 2016 and December 31, 2016 respectively. The adjustment as at January 1, 2016 of (US$ 2,249) was done due to the sale of a parcel of land to a related party, N.V. Energie Bedrijven Suriname (N.V. EBS) in 2014. Staatsolie settled the receivable with GoS through the dividend payable. As of today, the transfer of the asset has not yet been finalized. Furthermore, the power plant decommissioning assets were adjusted for (US$ 831) as at January 1, 2016 and December 31, 2016 respectively. Marketing assets amounting to (US$ 314) were reclassified to refinery assets as at January 1, 2016 and December 31, 2016. The depreciation in cost of sales was also increased with US$ 201 as at December 31, 2016 due to changes in the useful life of certain PPE assets. Furthermore GOw2 assets were decreased as at December 31, 2016 due to the effects of currency translation adjustments for (US$865) with the corresponding entry through cost of sales

2. The amortization of other intangible assets was adjusted for (US$ 2,426) and (US$ 1,629) as at January 1, 2016 and December 31, 2016 respectively to present the amortization in the years they relate

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

to (see also note 22). The corresponding entries were recorded through retained earnings and general and administrative cost respectively. Moreover oil, exploration and producing properties were reclassified for US$ 2,035 (see note 1a above).

3. Restricted cash and cash and short term deposits

a. In accordance with US GAAP ASC 210 and IAS 1, cash held in bank accounts which have legal restrictions that prevent its general use also may be considered restricted. Staatsolie has restricted cash for a period longer than a year which should be classified as non-current assets. This was not done previously, therefore the Group reclassified those amounts from “cash and short term deposits” as current assets to “restricted cash” as non-current assets for US$ 14,412 and US$ 11,850 as at January 1, 2016 and December 31, 2016 respectively. In addition, Staatsolie has restricted cash for a period shorter than a year for US$ 6,444 and US$ 7,370 as at January 1, 2016 and December 31, 2016 respectively which should be identified within the consolidated statement of financial position, therefore the Group reclassified those amounts from “cash and short term deposits” to “restricted cash” within the current assets.

b. In addition, cash and short-term deposits as at January 1, 2016 and December 31, 2016 was reduced by (US$ 2,576). This adjustment included a reclassification of US$ 750 from prepayments and other current assets (see note 8) to cash and an adjustment of (US$ 3,326) to profit and loss due to a system conversion error during the migration process from the previous accounting software to SAP.

4. Investments in joint venture decreased by US$ 3,063 as at January 1, 2016 and December 31, 2016, because the capital investment of POC has been reclassified to oil, exploration and producing properties (see note 1a).

5. Deferred tax liability was recalculated based on the adjustments and separately disclosed under section 3.3.

6. Deferred tax asset was recalculated and separately disclosed under section 3.3.

7. Trade receivables decreased by US$ 360 and US$ 6,728 as at January 1, 2016 and December 31, 2016 respectively. The adjustment as at January 1, 2016 and as at December 31, 2016 included the down payments received from customers amounting to US$ 971 transferred from accrued liabilities and a cash payment from our subsidiary POC amounting to (US$ 1,329) reclassified from trade receivables to prepayments and other current assets. As at December 31, 2016 adjustments were made to increase the provision for doubtful accounts by (US$ 5,094), reclassify US$ 1,201 to prepayment and other current

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assets and record a GOw2 currency translation effect resulting in an increase of US$ 188. Furthermore intercompany adjustments were made resulting in a decrease of US$ 261 as at December 31, 2016.

8. Prepayments and other current assets were adjusted for (US$ 8,973) and (US$ 23,915) as at January 1, 2016 and December 31, 2016 respectively. The adjustment as at January 1, 2016 and December 31, 2016 includes a reclassification of (US$ 750) to cash and short term deposits (see note 3b), a write-off for (US$ 2,211) regarding prepayments in previous years relating to procurement of goods and services and reclassification for a cash payment from trade receivables amounting to US$ 1,329 (see note 7). The adjustments as at January 1, 2016 also includes a reclassification to equity of US$ 2,707, a reclassification of the investments in the Uitkijk project of US$ 11,040 to projects in progress and the reclassification from loan receivables amounting US$ 992.

The adjustment as at December 31, 2016 relates to a reclassification adjustment for (US$ 5,348), a reclassification of the provision for sales tax and wage tax from long-term liabilities totaling (US$ 5,082) (see note 15) and a reclassification of US$ 805 from prepayments to loan receivables.

9. Staatsolie recognized provisions for decommissioning its production field and related facilities, the refinery and the power plant on the basis of discounted expected expenditures. US GAAP requires periodic evaluations of the assumptions used to determine the decommissioning provision. As the evaluation was not performed recently, it was done for fiscal years 2015 and 2016. As a result, adjustments were made to the decommissioning provision in the respective years. The provision for the production field and related facilities decreased by (US$ 39,773) and (US$ 39,836) as at January 1, 2016 and December 31, 2016 respectively. The refinery provision was decreased by (US$ 207) as at January 1, 2016. The power plant provision decreased by (US$ 1,740) and (US$ 1,880) as at January 1, 2016 and December 31, 2016 respectively.

10. Employee benefit liabilities

Under US GAAP, Staatsolie only recognized liabilities for the following employee benefits: 1) employee pension plan, 2) executive pension plan and 3) retirees medical plan. No provision was recorded in prior years for Staatsolie, SPCS and GOw2 for other employee benefits such as jubilee, gratuity, funeral grant gratuity, additional holiday allowances and executive excedent gratuities. The adjustment to record the provision for these other employee benefits for Staatsolie amounted to US$ 11,892 and US$ 12,772 as at January 1, 2016 and December 31, 2016 respectively. Additionally, the directors insured pension plan was increased as at December 31, 2016 by US$ 601 due to a change in the assets of this plan. The adjustments for the other employee liabilities of SPCS amounted to US$ 287 and US$ 508 as at January 1, 2016 and December 31, 2016 respectively. GOw2 only operates jubilee gratuity and retirees medical

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plans. Adjustments of US$ 893 and US$ 513 were made as at January 1, 2016 and December 31, 2016 respectively to record the provision related to the GOw2 employee benefit plans.

11. The accruals and other liabilities were (decreased) / increased by (US$ 2,509) and US$ 1,743 as at January 1, 2016 and December 31, 2016, respectively. The decrease of (US$ 2,509) relates primarily to the settlement of the liability for the land that was sold to EBS NV (see note 1c). The net increase of US$ 1,743 as at December 31, 2016 relates to an increase in GOw2 of US$ 1,532 relating to currency translation adjustment coupled with a reduction in Staatsolie and SPCS of US$ 61 and US$ 222 respectively related to a reclassification. Furthermore an adjustment was made related to an under accrual of personnel costs which resulted in an increase of US$ 492 which was recognized in general and administrative expenses.

12. Income tax expense and the related income tax payable was recalculated for the adjustments made and separately disclosed in section 3.3.

13. Inventories (namely materials and supplies) decreased as at December 31, 2016 by (US$ 1,273) due to the fact that import and transportation costs that were not attributable to purchased materials were expensed. This was recorded in other income / expenses.

14. The short-term investment in shares of Hakrinbank and Assuria increased by US$ 40 as at December 31, 2016 due to revaluations.

15. Reclassification of the provision for sales and wage tax amounting to US$ 5,082 from other long-term liabilities to prepayments and other current assets as at December 31, 2016.

16. Trade payables increased as at December 31, 2016 by US$ 4,624 due to a write-off of a down payment to a vendor of US$ 1,277, increase due to intercompany adjustments of US$ 4,206 and the effects of currency translation adjustment of GOw2 resulting in a decrease of (US$ 860). The corresponding entries as it relates to the write down of payments to vendor and intercompany adjustment were recorded through other income / expenses whereas the currency adjustment was recorded through general and administrative expenses.

17. Consolidated statement of profit or loss presentation

Converting the presentation of the US GAAP audited statement of profit or loss from a presentation by “nature” to a presentation by “function” caused the majority of the amounts in the “re-statement” column. These adjustments do not have any impact on the profit or loss for the year.

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18. Cost of sales

Apart from the profit or loss presentation reclassifications (see note 17), there was a decrease with regards to the refinery expenses amounting to US$ 3,855. Furthermore there was an increase in the production expenses of US$ 1,957. The corresponding entries for both items were recorded through cost of sales.

19. Other income / expense

The decrease of US$ 389 relates to a profit of US$ 2,742 in SurGold GoS share and a (US$ 3,131) loss caused by a write-off of freight costs and uncollectable down payments. There was also a reclassification of foreign exchange gains of US$ 12,905 from finance cost to other income / expenses in 2016.

20. Selling and distribution costs

The increase of US$ 3,077 was mainly caused by a provision made for doubtful accounts for prepayments to vendors. The total provision made as at December 31, 2016 amounted to US$ 3,699.

21. Other operating expenses

The major part of the other operating expenses was reclassified to “Cost of sales”.

22. General and administrative expenses

Within this category the Group had a release of a provision with regards to study grants of US$ 1,413. The other changes to general and administrative expenses were mentioned above.

23. Finance income and costs

The increase in finance income of US$ 30 is caused by the currency translation adjustment from GOw2. The increase in finance cost is caused by the accretion expense of the dismantlement assets amounting to US$ 6,516. In addition, there was an increase in finance cost due to the reclassification of foreign currency gains to other income / expenses of US$ 12,905 in 2016.

24. Pensions and other postretirement benefits – other comprehensive income

The restatement of US$ 4,396 in 2016 relates to evaluation of the pension plans and the introduction of the actuarial evaluation of other long term employee benefits such as jubilee plan, funeral grant plan, additional holiday allowance and pension gratuity plan. The other long term employee benefits plans are also new for the subsidiaries SPCS and GOw2. The tax effect of US$ 1,162 is the 32.4% tax impact on the restatement amount of US$ 4,396 and the effect of the adjustment of the tax rate from 36% to 32.4% on the total unrealized (gains) and losses on the short term investments.

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25. Unrealized (gains) and losses short-term investments

The adjustment of US$ 43 relates to stock-dividend that was received on Hakrinbank shares. Furthermore the tax of US$ 114 relates to the effect of the adjustment of the tax rate from 36% to 32.4%.

26. Currency translation adjustment GOw2

The adjustment of US$ 12,147 relates to revaluation that was performed. Effective January 1, 2016, GOw2's functional currency changed to SRD, however this change was not accurately reflected in the previously reported 2016 consolidated financial statements and accordingly the amounts have been restated.

27. Projects in progress

The Group made a reclassification of the investment in the Uitkijk project from prepayments and other current assets to projects in progress as at January 1, 2016 and December 31, 2016 for US$ 11,040 and US$ 11,047, respectively.

The Weg naar Zee exploration project was evaluated as at December 31, 2016. Based on this evaluation the decision was taken to impair this exploration project. This resulted in a decrease in the projects in progress and an increase in exploration expenses of US$ 5,030 as at December 31, 2016. Projects in progress of GOw2 has been decreased by US$ 4,394 due to the effects of the currency translation adjustment.

28. Loan Receivable short-term

The outstanding receivable relates to the transmission line phase 1 that one was constructed for the related party EBS, which was financed by Staatsolie. From tThe outstanding loan receivable balance US$ 992 was reclassified to prepayments at January 1, 2016 and US$ 805 was reclassified from prepayments to loan receivables short-term as at December 31, 2016.

The following IFRS conversion adjustments were made (in US$ thousands).

A Property, plant and equipment

i. An evaluation of the decommissioning assets was performed under IFRS1 and the Group re-measured the decommissioning liability, which resulted in revised asset values. The production field and related facilities decommissioning assets were adjusted for (US$ 36,276) as at December 31, 2016; no remeasurement was needed as at January 1, 2016. The refinery decommissioning assets were adjusted for (US$ 2,047) and (US$ 3,611) as at January 1, 2016 and December 31, 2016 respectively. The power plant decommissioning assets were adjusted for (US$ 277) and (US$ 109) as at January 1, 2016 and December 31, 2016 respectively.

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ii. On assessing the useful lives of the refinery assets a different depreciation method between IFRS and US GAAP was identified. IFRS requires a component depreciation approach if components of an asset have differing patterns of benefit, whereas US GAAP allowed depreciation on a straight line basis. The component depreciation approach requires that each part of an asset item with a cost that is significant in relation to the total cost of the item should be depreciated separately. Under US GAAP a weighted average of the useful lives of the different components was calculated (23.25 years). In addition, the turnaround and inspections (T&I) is scheduled in 2019 which led to accelerated depreciation for the assets which will be replaced. The net impact is that the accumulated depreciation amounting to US$ 1,176 as at January 1, 2016 and US$ 1,534 as at December 31, 2016 were released to the profit and loss/retained earnings.

iii. The “projects in progress” balance was transferred to the individual property, plant and equipment categories as follows: oil, exploration and production properties US$ 156,837, refining properties US$ 27,426 and other properties and equipment for US$ 31,952 as at January 1, 2016. As at December 31, 2016, the transferred balances amounted to US$ 131,058 to oil, exploration and production properties, US$ 959 to refining properties and US$ 840 to other properties and equipment. This reclassification is made for the consolidated financial statement disclosure purposes.

B. Investments in associate and joint venture

i. Under US GAAP, Staatsolie previously accounted for its 25% interest in the Suriname Gold Project CV (Surgold), as a qualifying asset at net equity value, comprising of the purchase consideration and capitalized financing costs. Under the requirements of IFRS, the investment in Surgold is classified as a financial asset, which is not a qualifying asset per IAS 23 and therefore the finance costs are not allowed to be capitalized. Accordingly, the capitalized finance cost of US$ 7,529 and US$ 12,827 as at January 1, 2016 and December 31, 2016 respectively were written-off through profit and loss in the respective periods.

ii. Furthermore, Newmont Mining Corporation, the controlling-interest party in Surgold, performed a US GAAP to IFRS conversion assessment on its subsidiary Surgold. This assessment resulted in a slightly different IFRS net income compared to US GAAP. Consequently, Staatsolie adjusted its profit share for its investment in Surgold, resulting in a loss of US$ 13 as at January 1, 2016 and a loss of US$ 7 as at December 31, 2016.

C. Inventories

The primary basis of accounting for inventory is cost under both US GAAP and IFRS. As such there are no differences in cost valuation. Due to convergence, US GAAP measured Inventories similar to IFRS at

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lower of cost and net realizable value (NRV) by issuing AS 2015-11. However, before 2017, Inventories are carried at the lower of cost or market (LCM) per US GAAP, whereas under IFRS, Inventories are carried at the lower of cost or NRV. US GAAP defined market as current replacement cost as long as market is not greater than NRV (estimated selling price less reasonable costs of completion, disposal and transportation) and is not less than NRV reduced by a normal sales margin. As at January 1, 2016, the carrying value at cost according to IFRS was slightly higher than the cost under US GAAP, therefore an increase of US$ 885 was made to the inventory balance.

D. Provisions

IAS 37 outlines the accounting for provisions together with contingent assets and contingent liabilities to ensure that provisions are recognized only when (i) there is a present obligation resulting from past events, (ii) payment is probable and (iii) the amount can be estimated reliably.

Based on the above mentioned criteria, the following provisions resulted in re-measurements under IFRS:

i. Staatsolie has recognized provisions for decommissioning its production field and related facilities, the refinery and the power plant on the basis of discounted expected expenditures. Differences between IFRS and US GAAP arose because of differences in the treatment of changes in cost estimates and discount rates associated with the decommissioning liability. The production field and related facilities provision was reduced by (US$ 3,518) as at January 1, 2016 and (US$ 35,628) in 2016. The refinery provision was adjusted for (US$ 2,047) as at January 1, 2016 and (US$ 3,822) in 2016. The power plant provision was adjusted for (US$ 277) as at January 1, 2016 and (US$ 144) in 2016.

ii. A refinery construction claim was settled by arbitrage (Arbitral Tribunal) in 2017 with Ballast Nedam Infra Suriname (BNIS) for an amount of US$ 12,947. Under US GAAP requirements, the claim which originated in fiscal year 2015 was defined as “likely”, and accordingly no provision was recognized as at January 1, 2016. Under IFRS the claim was defined as probable and a provision should be recognized. An adjustment was made at January 1, 2016 and December 31, 2016 for US$ 1,600 with a credit to provision and debit to retained earnings. As at December 31, 2016, this amount was shown as a current liability because this case was settled in fiscal year 2017.

iii. GOw2 accounted for its environmental provision in accordance with US GAAP at the expected value of future cash outflows. The expected value was not discounted to present value, because the time horizon in which the environmental cleanup was planned to be completed was one-to-two years. During the IFRS conversion, the time horizon was revised and therefore the provision was properly discounted, using real discount rates, as the expenditures are not expected to be incurred for some

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time. The provision was decreased and released to the retained earnings as at January 1, 2016 for US$ 577. In 2016 the provision increased with finance charges for US$ 149 recorded through profit and loss.

E. Employee defined benefit liabilities

IAS 19 *Employee Benefits* outlines the accounting requirements for employee benefits, including short-term benefits, post-employment benefits such as retirement benefits, other long-term benefits and termination benefits. The standard establishes the principle that the cost of providing employee benefits should be recognized in the period in which the benefit is earned by the employee, rather than when it is paid or payable, and outlines how each category of employee benefits are measured, providing detailed guidance in particular about post-employment benefits.

Based on the above mentioned criteria, the following provisions resulted in re-measurements under IFRS:

i. Under both US GAAP and IFRS, Staatsolie maintained the following post-employment benefit plans: 1) employee pension plan, 2) directors insured pension plan and 3) retirees medical plan. The calculation of this provision is based on an actuarial evaluation. IAS 19 Employee benefits requires actuarial evaluation of these long-term benefits which included a number of variables such as discount rate assumptions and accounting for actuarial gains and losses. The application of IAS 19 resulted in a decrease in the defined benefit obligation as at January 1, 2016 by US$ 2,443 which is recognized through retained earnings.

ii. In addition, the discount rate used in calculating the jubilee plan benefits, differs between the two accounting standards. This resulted in an increase in the provision of US$ 540 as at January 1, 2016 and US$ 552 as at December 31, 2016. These amounts were released to the profit and loss/retained earnings.

iii. Lastly, the power plant (SPCS) employee savings fund balance of US$ 221 as at December 31, 2016 was reclassified out of employee defined benefits liabilities to accruals and other liabilities.

F. Income tax

Income tax (expenses) / income and deferred tax asset / liability was recalculated and separately disclosed under section 3.3.

G. Hyperinflation accounting

Suriname has been identified as a hyperinflationary economy based on the three year cumulative inflation rates of 98% and 108%, measured at year end 2016 and 2017 respectively. Other hyperinflationary

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characteristics of the economic environment were identified, such as (i) the general population regards monetary amounts in terms of a relatively stable foreign currency as prices are often quoted in stable foreign currency, (ii) sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power, and (ii) the general population prefers to keep wealth in non-monetary assets or in a relatively stable foreign currency.

The functional currency of GOw2, a wholly owned subsidiary of Staatsolie, is the Surinamese dollar, therefore the non-monetary assets and liabilities of GOw2 had to be revalued. IAS 29 Financial Reporting in Hyperinflationary Economies requires management to restate the financial statements of entities whose functional currency is the currency of a hyperinflationary economy, into the current purchasing power at the balance sheet date. The restatements resulted in an increase in PPE amounting to US$ 2,252, an increase in shared premiums of US$ 755 and a monetary gain of US$ 1,497 as at December 31, 2016 which is recognized in the consolidated statement of profit or loss.

H. Income tax payable was recalculated for IFRS conversion adjustments (see section 3.3).

I. Under US GAAP (ASC 715) the actuarial gains / losses for other long-term benefit plans are recognized as other comprehensive income, while that differs per IAS 19 under IFRS. Because the measurement of other long-term employee benefits is not usually subject to the same degree of uncertainty as the measurement of post-employment benefits, the actuarial gains / losses are recorded in the consolidated statement of profit or loss. This difference in treatment led to a conversion adjustment of the jubilee and additional holiday allowance plans under IFRS of US$610 and US$508 respectively as at December 31, 2016. The total adjustment amounted to US$1,118 gross of 32.4% deferred tax and the tax impact amounted to US$362 which are both recognized in the consolidated statement of profit or loss. In addition, prior service cost of US$602 for the executive pension plan of 2016 is included in the OCI under US GAAP while that is not the case under IFRS. The tax impact is 32.4% equaling to US$ 195.

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2.5 Significant accounting judgments, estimates and assumptions

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

Judgments

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

Operating lease commitments — group as lessee

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

Investment in Joint Venture

Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, including the approval of the annual capital and operating expenditure work program and budget for the joint arrangement, and the approval of chosen service providers for any major capital expenditure as required by the joint operating agreements applicable to the entity's joint arrangements. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries, as set out in Note 2.3b. Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

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

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

Estimates and assumptions

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

Functional currency

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

Decommissioning liability

Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, estimates of the extent and costs of decommissioning activities, the emergence of new restoration techniques or experience at other production sites, cost increases as compared to the inflation rates of 3% (2016: 3%), and changes in discount rates of 8% (2016: 10%). The expected timing, extent and amount of expenditure may also change, for example, in response to changes in oil and gas reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

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Environmental risk liability

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

Contingent liabilities

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

Recoverability of assets

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

Units of production (UOP) depreciation of oil assets

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

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

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

Defined benefit plans (pension benefits)

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

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

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries. Further details about pension obligations are provided in Note 4.8.

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Hydrocarbon reserve and resource estimates

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

The economic tests for the December 31, 2017 reserve volumes were based on a future projection of crude oil prices using crude oil prices forecasted by PIRA Energy group as the reference price.

Average price of actual crude sales and the PIRA price premise for 2017 are the same requiring no adjustment for price differential. The same oil price premise was applied for all reserve categories less a transfer premium. A shrinkage factor of 1% was also applied to capture losses in delivery of crude to the refinery.

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Average price differential between the PIRA crude price forecast and actual crude price realized by the Group in 2016 was US$ 0.24/Bbl. The current long-term PIRA crude oil prices used in the estimation of the commercial reserves are listed in the table below.

Year	US$/Bbl
2018	48.74
2019	44.62
2020	36.42
2021	41.00
2022	44.26
2023	47.19
2024	50.21
2025	52.88
2026	55.28
2027	57.30
2028	59.05
2029	60.94
2030	62.65
2031	64.29
2032	65.87
2033	67.57
2034	69.21
2035	70.88

The carrying amount of oil properties at December 31, 2017 and 2016 is shown in Note 4.1.

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

- The carrying value of exploration and evaluation assets; oil properties; property, plant and equipment; and goodwill may be affected due to changes in estimated future cash flows.
- Depreciation and amortization charges in the consolidated statement of profit or loss may change where such charges are determined using the UOP method, or where the useful life of the related assets change (Note 4.1).
- Provisions for decommissioning may require revision - where changes to reserves estimates affect expectations about when such activities will occur and the associated cost of these activities (Note 4.7).
- The recognition and carrying value of deferred tax assets may change due to changes in the judgments regarding the existence of such assets and in estimates of the likely recovery of such assets (Note 3.3).

Deferred tax

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

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

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Oil properties

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment to determine whether future economic benefits are likely from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is, in itself, an estimation process that involves varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalized amount is written off in the statement of profit or loss in the period when the new information becomes available.

2.5.1 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after January 1, 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments have no effect on the Group's consolidated financial position and the consolidated statement of cash flows

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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The Group applied amendments retrospectively. However, the amendments have no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. As at December 31, 2017 the Group classified its interest in Suriname Gold Project CV, a 25% participating interest, as a joint venture (see Note 4.4), but these amendments did not affect the Group's consolidated financial statements.

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Section 3. Results for the year

This section provides additional information that is most relevant in explaining the Group's consolidated performance during the year.

- Segment information (Note 3.1)
- Information about key items comprising operating profit/loss (Note 3.2)
- The calculation of income tax (Note 3.3)
- Earnings per share (Note 3.4)
- Dividends paid and proposed (Note 3.5)

3.1 Segment information

For management purposes, Staatsolie is organized into reportable segments that include three operating segments and a corporate segment.

The three operating segments are:

- Upstream: this segment is responsible for exploring, developing, producing and transporting crude oil to the refinery.
- Downstream: is responsible for refining the crude oil, marketing, selling, and distributing the related oil products. Furthermore, trading which is related to trading fuel products and selling these products to wholesale, retail and bunkering customers. Lastly, part of this segment is also the 96 megawatt thermal power plant operation, which delivers the electric power to the single source customer, the national electricity company EBS.
- Gold Mining: the Group has an investment in a joint venture that is involved in the exploration, development and exploitation of the Merian Gold mine which regularly reviewed by the Chief Operating Decision Maker ("CODM").

These functions have been defined as the operating segments of the Group 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 executive directors to make decisions about resources to be allocated to the segment and assess its performance.
3. For which discrete financial information is available.

The corporate segment are the functional departments of the Group that consists of Petroleum Contracts and all other corporate administrative functions.

The board of executive directors (which collectively is considered to be the Chief Operating Decision Maker) monitors the operating results of its business units separately for the purpose of making decisions

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about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

x US$ 1,000 Year ended December 31, 2017	**Upstream**	**Downstream**	**Gold mining**	**Corporate**	**Total segments**	**Corporate - adjustments & eliminations**	**Consolidated**
Revenue							
External customers	-	433,678	-	-	433,678	-	433,678
Inter segment crude	272,697	(272,697)	-	-	-	-	-
Inter segment other	-	156,313	-	-	156,313	(156,313)	-
Total revenue	272,697	317,294	-	-	589,991	(156,313)	433,678
Income/(expenses)							
Depreciation	(38,436)	(54,108)	-	(755)	(93,299)	-	(93,299)
Amortization	(2,037)	-	-	(780)	(2,817)	-	(2,817)
Accretion	(4,118)	(579)	-	-	(4,697)	-	(4,697)
Share of profit of Suriname Gold Project JV	-	-	63,725	-	63,725	-	63,725
EBITDA*	213,683	22,974	91,995	(26,320)	302,332	(16,915)	285,417
Segment profit (loss) (before tax)	**169,091**	**(34,133)**	**63,725**	**(87,498)**	**111,185**	**(16,915)**	**94,270**
Income tax expense	-	(9,380)	-	(23,945)	(33,325)	206	(33,119)
Segment net profit (loss) for the year	**169,091**	**(43,513)**	**63,725**	**(111,443)**	**77,860**	**(16,709)**	**61,151**
Total assets	**626,766**	**1,274,676**	**277,306**	**459,664**	**2,638,412**	**(427,525)**	**2,210,887**
Other disclosures							
Investments in Suriname Gold Project JV	-	-	277,306	-	277,306	-	277,306
Capital expenditure	111,450	20,690	-	221	132,361	-	132,361

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

x US$ 1,000 Year ended December 31, 2016	Upstream	Downstream	Gold mining	Corporate	Total segments	Corporate - adjustments & eliminations	Consolidated
Revenue							
External customers	-	357,705	-	-	357,705	-	357,705
Inter segment crude	181,571	(181,571)	-	-	-	-	-
Inter segment other	-	118,966	-	-	118,966	(118,966)	-
Total revenue	181,571	295,100	-	-	476,671	(118,966)	357,705
Income/(expenses)							
Depreciation and impairment of PPE	(38,016)	(56,317)	-	(1,295)	(95,628)	-	(95,628)
Amortization of intangible assets	-	-	-	(2,817)	(2,817)	-	(2,817)
Accretion	(5,434)	(595)	-	-	(6,029)	-	(6,029)
Share of profit of Suriname Gold Project JV	-	-	8,114	-	8,114	-	8,114
EBITDA*	131,062	21,719	12,494	(2,336)	162,939	(9,088)	153,851
Segment profit (loss) (before tax)	**87,662**	**(38,691)**	**8,114**	**(57,203)**	**(118)**	**(9,088)**	**(9,206)**
Income tax expense	-	(9,993)	-	11,602	1,609	-	1,609
Segment net profit (loss) for the year	**87,662**	**(48,684)**	**8,114**	**(45,601)**	**1,491**	**(9,088)**	**(7,597)**
Total assets	**588,669**	**1,289,535**	**285,306**	**383,291**	**2,546,801**	**(354,962)**	**2,191,839**
Other disclosures							
Investments in Suriname Gold Project JV	-	-	285,306	-	285,306	-	285,306
Capital expenditure	39,456	6,589	-	436	46,481	-	46,481

Adjustments and eliminations

- Finance income and costs, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.
- Capital expenditure consists of additions of property, plant and equipment and intangible assets including assets from the acquisition of subsidiaries.
- Inter-segment revenues are eliminated on consolidation

*Explanation of non-IFRS measures

The Group discloses one financial measure, namely earnings before interest, taxes, depreciation and amortization (EBITDA), that is not prepared in accordance with IFRS and is therefore considered a non-IFRS financial measure. The Group calculated EBITDA by taking the net income and adding back interest, taxes, depreciation, and amortization. As EBITDA is used by management as a key performance indicator, the Group believes that it is useful to be presented to the readers of the consolidated financial statements.

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Geographic information

Revenues from external customers

x US$ 1,000	**2017**	**2016**
Suriname	234,178	175,426
Guyana	79,838	54,408
Other Caribbean Territories	54,650	41,876
Trinidad and Tobago	45,673	68,572
United States	11,355	9,431
Europe	3,984	4,715
Middle East and Asia	4,000	3,277
Total revenue per consolidated statement of profit or loss	**433,678**	**357,705**

The revenue information above is based on the location of the customers. In addition, revenue from one customer domiciled in Guyana amounted to US$ 57,884 (2016: US$ 44,431), arising from sales by the downstream operating segment.

Non-current operating assets

x US$ 1,000	**2017**	**2016**	**As at January 1, 2016**
Suriname	1,624,306	1,603,972	1,734,571
Trinidad and Tobago	2,669	2,744	2,795
Total	**1,626,975**	**1,606,716**	**1,737,366**

Non-current assets for this purpose consist of property, plant and equipment and intangible assets. Only Ventrin, the subsidiary domiciled in Trinidad and Tobago, has non-current operating assets outside of Suriname.

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Components of Revenue

xUS$ 1,000	**2017**	**2016**
Own refined products (gross)	368,595	259,800
Intersegment sales	(129,923)	(103,464)
Local refined products (net)	238,672	156,336
Trading activities (gross)	156,899	170,598
Intersegment sales	(10,581)	(12,067)
Trading activities (net)	146,318	158,531
Electric energy (gross)	64,189	50,094
Intersegment sales	(15,801)	(11,059)
Electric energy (net)	48,388	39,035
Other revenues (gross)	307	5,066
Intersegment sales	(7)	(1,263)
Other revenues (net)	300	3,803
Total revenues	**433,678**	**357,705**

Revenues consist of the sales of petroleum products, electric energy and trade activities of petroleum products. Petroleum products are generally being sold at prevailing market prices. Revenues are recognized when products are delivered, which occurs when the customer has taken title and has assumed the risks and rewards of ownership, prices are fixed or determinable and collectability is reasonably assured.

Sales between group companies (intersegment sales) are based on prices generally equivalent to commercially available prices.

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

3.2 Information about key items comprising operating profit/loss

Selling and distribution expenses

x US$ 1,000	2017	2016
Freight	(12,367)	(13,853)
Employee benefits expense*	(2,641)	(2,590)
Bad debt expense	-	(4,823)
External services	(3,683)	(2,785)
Depreciation and amortization of PPE	(65)	(130)
Maintenance expense	(616)	(219)
Insurance costs	(97)	(127)
Utility expenses	(11)	(11)
Donations	-	(8)
Travel expenses	(18)	(3)
Other expenses	(427)	(428)
Total	**(19,925)**	**(24,977)**

General and administrative expenses

x US$ 1,000	2017	2016
Employee benefits expense*	(17,012)	(14,547)
External services	(4,500)	(10,363)
Depreciation and amortization of PPE	(1,573)	(4,131)
Maintenance expense	(299)	(232)
Insurance costs	(880)	(391)
Freight	(817)	-
Utility expenses	(554)	(321)
Donations	(278)	(107)
GOw2 rebranding	(89)	(212)
Travel expenses	(54)	(12)
Other expenses	(1,111)	(1,151)
Total	**(27,167)**	**(31,467)**

** When compared with the "Employee benefits expense" disclosure, the amounts differ due to the additional presentation of "car lease benefit expense".*

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Employee benefits expense

x US$ 1,000	2017	2016
Included in cost of sales		
Wages, salaries, emoluments and other benefits	(34,090)	(29,281)
Employers contribution of employee pension benefits	(3,861)	(3,578)
Medical expenses	(1,634)	(981)
Safety and traning expenses	(989)	(1,033)
Car lease benefit	(2,766)	(2,635)
Other personnel expenses	(557)	(274)
Sub total	(43,897)	(37,782)
Included in Exploration expenses		
Wages, salaries, emoluments and other benefits	(1,026)	(983)
Employers contribution of employee pension benefits	(97)	(120)
Medical expenses	(35)	(25)
Safety and traning expenses	(5)	-
Car lease benefit	(78)	(93)
Sub total	(1,241)	(1,221)
Included in Selling and distribution expenses		
Wages, salaries, emoluments and other benefits	(2,321)	(2,253)
Employers contribution of employee pension benefits	(212)	(240)
Medical expenses	(85)	(52)
Safety and traning expenses	(20)	(42)
Car lease benefit	(101)	(117)
Other personnel expenses	(3)	(3)
Sub total	(2,742)	(2,707)
Included in Other operating expenses		
Wages, salaries, emoluments and other benefits	(1,483)	(1,020)
Other personnel expenses	(190)	(120)
Sub total	(1,673)	(1,140)
Included in General and administrative expenses		
Wages, salaries, emoluments and other benefits	(13,824)	(11,239)
Employers contribution of employee pension benefits	(918)	(1,156)
Medical expenses	(1,520)	(1,735)
Safety and traning expenses	(531)	(43)
Car lease benefit	(483)	(970)
Other personnel expenses	(220)	(375)
Sub total	(17,496)	(15,518)
Grand total	**(67,049)**	**(58,368)**

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Depreciation of PPE and amortization of intangible assets

x US$ 1,000	2017	2016
Included in cost of sales		
Depreciation and amortization upstream	(40,455)	(37,957)
Depreciation downstream	(54,000)	(56,163)
Sub total	(94,455)	(94,120)
Included in Exploration expenses including dry holes		
Depreciation upstream-exploration	(17)	(59)
Sub total	(17)	(59)
Included in Selling and distribution expenses		
Depreciation downstream	(65)	(130)
Sub total	(65)	(130)
Included in General and administrative expenses		
Depreciation and amortization corporate	(1,535)	(4,112)
Depreciation downstream	(38)	(19)
Sub total	(1,573)	(4,131)
Included in Other operating expenses		
Depreciation downstream	(6)	(5)
Sub total	(6)	(5)
Grand total	**(96,116)**	**(98,445)**

Finance income

x US$ 1,000	2017	2016
Interest income on loans	959	3,460
Other interest income	1,059	1,380
Total finance income	**2,018**	**4,840**

Finance costs

x US$ 1,000	2017	2016
Interest on borrowings	(63,800)	(58,600)
Accretion expenses	(4,697)	(6,067)
Bank and other finance charges	(280)	(455)
Total finance costs	**(68,777)**	**(65,122)**

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Other (expense)/income

x US$ 1,000	2017	2016
Sales tax provision	(6,389)	-
Government of Suriname share in SurGold	(11,985)	2,742
Settlement of BNIS claim	(9,440)	-
Third party claims	(1,486)	-
Interest on late payments	(2,619)	-
Insurance claim income	2,000	-
(Loss) / Gain on foreign currency transactions	(1,364)	8,445
Disposal of fixed assets	-	(618)
Sale of lease data package	-	(1,200)
Other income	7,646	4,088
Total other (expense)/income	**(23,637)**	**13,457**

Other (expense) / income as at December 31, 2017 and 2016 comprise income / (expense) from several sources. The significant items in 2017 relates to: 1) management evaluated the sales tax receivable taken in the sales tax returns for previous years and based on communication and confirmation received from the tax authority, recognized a provision of US$ 6,389; 2) the GoS share in SurGold which was an expense of US$ 11,985 for Staatsolie because the revenues which GoS earned with their 4.8% participating interest, exceeded their part of the cash calls paid and 3) BNIS had a claim against Staatsolie regarding civil technical tasks they performed for the refinery expansion project. The claim was settled with a net impact of US$ 9,440.

The significant items in 2016 relate to: 1) a gain on foreign currency transactions on sales and purchases executed in SRDs and 2) the GoS' share in SurGold which was an income of US$ 2,742 because the cash calls exceeded the 4.8% participating interest in SurGold.

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

3.3 Income tax

The major components of income tax for the year ended 2017 are as follows:

Consolidated statement of profit or loss

x US$ 1,000	2017	2016
Current income tax:		
Current tax expense	(25,726)	(8,333)
Tax expense (income) relating to changes in accounting policies (IFRS) and restatements and equity items	(6,480)	(9,539)
Deferred tax:		
Income relating to origination and reversal of temporary differences	(913)	19,481
Income tax (expense)/credit reported in the consolidated statement of profit or loss	**(33,119)**	**1,609**

A reconciliation between tax expense and the accounting profit / (loss) multiplied by Staatsolie's domestic tax rate is as follows.

x US$ 1,000	2017	2016
Accounting profit / (loss) before income tax	94,270	(9,206)
At Staatsolie's statutory tax rate of 32.4% for Staatsolie and 36% for the subsidiaries	(33,119)	1,609
Tax expense (income) relating to changes in accounting policies and corrections of errors	-	-
Effect of unrecognized credits	-	-
Tax (expense)/credit at the effective income tax rate reported in the consolidated statement of profit or loss	**(33,119)**	**1,609**
Effective tax rate	35.1%	17.5%

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Consolidated statement of other comprehensive income

x US$ 1,000	2017	2016
Deferred tax related to items recognized in other comprehensive income during the year:		
Net loss/gain on gains and losses from equity instruments	(14)	1,009
Net loss/gain on remeasurement gains and losses on defined benefit plans	(8,255)	3,137
Income tax recognized in other comprehensive income	**(8,269)**	**4,146**

Reconciliation of deferred tax asset / (liability)

x US$ 1,000	2017	2016
Opening balance as of January 1	16,497	(6,928)
Tax income/(expense) during the period recognized in profit or loss	(913)	19,279
Tax (expense)/income during the period recognized in other comprehensive income	(8,269)	4,146
Closing balance as at December 31	**7,315**	**16,497**

Deferred income tax at December 31 relates to the following:

	Consolidated statement of financial position	
x US$ 1,000	2017	2016
Deferred tax assets		
Short-term investments	(649)	(635)
Other property, plant and equipment	(1,314)	(647)
Accruals and other liabilities	-	638
Provisions	(1,528)	(1,013)
Employee defined benefit liabilities	10,806	18,154
Deferred tax asset (net) related to income tax	**7,315**	**16,497**

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Tax losses carry forward

Ventrin is subject to the fiscal regime of Trinidad and Tobago, and has accumulated tax losses of approximately US$ 16,453 as at December 31, 2017, (2016: US$ 15,254) available for offset against future taxable profits. These losses have no expiry date. As at year end, no deferred tax asset was recognized for these tax losses as it is not probable that sufficient future taxable profit will be available to allow the deferred tax asset to be utilized.

3.4 Earnings per share

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

	2017	**2016**
Net profit (loss) attributable to ordinary shareholders (US$'000)	61,151	(7,597)
Weighted average number of ordinary shares (number of shares - million)	5,000	5,000
Basic earnings (loss) per ordinary share (US$ cents per thousand shares)	**12.23**	**(1.52)**

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

3.5 Dividends paid and proposed

x US$1,000	2017	2016
Declared and paid during the year:		
Cash dividends on ordinary shares:		
Final dividend for 2016 : US$ 0.0 per share (2015: US$ 1.45)	-	7,228
Interim dividend for 2017: US$ 0.0 per share (2016: US$ 0.0 per share)	-	-
	-	**7,228**
Proposed for approval at the annual general meeting:		
Note: below dividends have been recognized in the Financial statements in line with the dividend policy with the shareholders		
Dividends on ordinary shares:		
Final (proposed) dividend for 2017: US$ 0.0 per share (2016:US$ 0.0 per share)	-	-

Final dividends on ordinary shares are subject to approval at the annual general shareholders’ meeting.

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016
(continued)

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Section 4. Invested capital

4.1 Oil, exploration and producing properties

xUS$ 1,000	Land & Lease hold improvement	Building and Structure	Machine & Equipment	Abandonment Costs	Well & Equipment	Pipelines	Other Fixed Assets	Exploration & Evaluation	Production Projects in Progress	Exploration Projects in Progress	Grand Total
Cost											
At January 1, 2016	**7,357**	**20,359**	**50,800**	**73,668**	**607,298**	**11,264**	**4,320**	**526**	**78,599**	**79,258**	**933,449**
Additions	-	2	23	-	65	-	3	-	39,219	142	39,454
Adjustments *	-	-	-	(31,415)	-	-	-	-	7	-	(31,408)
Capitalized from PIP to PPE current Year	1,919	46	1,940	-	52,481	-	6	6	(57,231)	(2,049)	(2,882)
Disposals /Desinvestment current year	-	-	(32)	-	(15)	-	(13)	(1)	-	-	(61)
Internal transfers	-	-	-	-	-	-	(4)	-	-	-	(4)
Expense to P&L	-	-	-	-	-	-	-	-	(1,105)	(4,461)	(5,566)
At December 31, 2016	**9,276**	**20,407**	**52,731**	**42,253**	**659,829**	**11,264**	**4,312**	**531**	**59,489**	**72,890**	**932,982**
Additions	-	6	316	-	-	-	92	89	109,933	1,013	111,449
Adjustments *	-	-	-	(2,383)	-	-	(98)	-	-	-	(2,481)
Capitalized from PIP to PPE current Year	-	1,053	(157)	37,237	87,286	-	7	-	(124,984)	-	442
Disposals /Desinvestment current year	-	-	-	-	(36)	-	(2)	-	-	-	(38)
Internal transfers	-	-	(122)	-	(5)	-	-	-	-	-	(127)
Expense to P&L	-	-	-	-	-	-	-	-	(1,157)	(1,613)	(2,770)
At December 31, 2017	**9,276**	**21,466**	**52,768**	**77,107**	**747,074**	**11,264**	**4,311**	**620**	**43,281**	**72,290**	**1,039,457**
Depreciation											
At January 1, 2016	**-**	**(16,241)**	**(43,383)**	**(36,548)**	**(338,917)**	**(11,264)**	**(3,822)**	**(514)**	**-**	**-**	**(450,689)**
Depreciation current year	-	(765)	(3,871)	(3,973)	(29,150)	-	(247)	(11)	-	-	(38,017)
Depreciation disinvestment current year	-	-	32	-	9	-	13	1	-	-	55
Internal transfers	-	-	-	-	-	-	4	-	-	-	4
At December 31, 2016	**-**	**(17,006)**	**(47,222)**	**(40,521)**	**(368,058)**	**(11,264)**	**(4,052)**	**(524)**	**-**	**-**	**(488,647)**
Depreciation current year	-	(703)	(2,197)	(170)	(35,163)	-	(185)	(17)	-	-	(38,435)
Depreciation disinvestment current year	-	-	-	-	19	-	2	-	-	-	21
Internal transfers	-	-	121	-	3	-	-	-	-	-	124
At December 31, 2017	**-**	**(17,709)**	**(49,298)**	**(40,691)**	**(403,199)**	**(11,264)**	**(4,235)**	**(541)**	**-**	**-**	**(526,937)**
Net book value:											
At January 1, 2016	**7,357**	**4,118**	**7,417**	**37,120**	**268,381**	**-**	**498**	**12**	**78,599**	**79,258**	**482,760**
At December 31, 2016	**9,276**	**3,401**	**5,509**	**1,732**	**291,771**	**-**	**260**	**7**	**59,489**	**72,890**	**444,335**
At December 31, 2017	**9,276**	**3,757**	**3,470**	**36,416**	**343,875**	**-**	**76**	**79**	**43,281**	**72,290**	**512,520**

* *Adjustments to abandonment cost relates to changes in the decommissioning provision*

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4.2 Refining properties

x US$ 1,000	Land & Lease hold improvement	Building and Structure	Machine & Equipment	Abandon ment Costs	Pipelines	Other Fixed Assets	Projects in Progress	Grand Total
Cost								
At January 1, 2016	**9,774**	**1,083,786**	**11,983**	**8,559**	**33,249**	**2,567**	**27,427**	**1,177,345**
Additions	-	-	-	-	-	1	-	1
Adjustments*	-	-	-	(3,730)	-	-	-	(3,730)
Capitalized from PIP to PPE and Expensed current Year	-	23,389	607	-	-	14	(24,310)	(300)
Disposals /Desinvestment current year	-	(1,767)	-	-	-	(5)	-	(1,772)
Expense to P&L	-	-	-	-	-	-	(1,820)	(1,820)
At December 31, 2016	**9,774**	**1,105,408**	**12,590**	**4,829**	**33,249**	**2,577**	**1,297**	**1,169,724**
Additions	-	-	-	-	-	37	16,720	16,757
Adjustments*	-	(9,277)	-	2,776	-	-	-	(6,501)
Capitalized from PIP to PPE and Expensed current Year	-	14,769	155	-	-	-	(14,933)	(9)
Expense to P&L	-	-	-	-	-	-	(1,949)	(1,949)
At December 31, 2017	**9,774**	**1,110,900**	**12,745**	**7,605**	**33,249**	**2,614**	**1,135**	**1,178,022**
Depreciation								
At January 1, 2016	**(1,666)**	**(103,736)**	**(8,698)**	**-**	**(4,523)**	**(2,430)**	**-**	**(121,053)**
Depreciation current year	-	(47,400)	(879)	(342)	(1,240)	(90)	-	(49,951)
Adjustments	-	2,878	322	-	-	-	-	3,200
Depreciation disinvestment current year	-	2,388	-	-	-	5	-	2,393
At December 31, 2016	**(1,666)**	**(145,870)**	**(9,255)**	**(342)**	**(5,763)**	**(2,515)**	**-**	**(165,411)**
Depreciation current year	-	(45,131)	(915)	(187)	(1,240)	(51)	-	(47,524)
Adjustments	-	1,043	-	-	-	-	-	1,043
Depreciation disinvestment current year	-	-	-	-	-	-	-	-
At December 31, 2017	**(1,666)**	**(189,958)**	**(10,170)**	**(529)**	**(7,003)**	**(2,566)**	**-**	**(211,892)**
Net book value:								
At January 1, 2016	**8,108**	**980,050**	**3,285**	**8,559**	**28,726**	**137**	**27,427**	**1,056,292**
At December 31, 2016	**8,108**	**959,538**	**3,335**	**4,487**	**27,486**	**62**	**1,297**	**1,004,313**
At December 31, 2017	**8,108**	**920,942**	**2,575**	**7,076**	**26,246**	**48**	**1,135**	**966,130**

* *Adjustments to abandonment cost relates to changes in the decommissioning provision*

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4.3 Other property, plant and equipment

x US$ 1,000	Land & Leasehold Improvement	Building and Structure	Machine & Equipment	Abandonment costs	Well & Equipment	Other Fixed Assets	Projects in Progress	Grand Total
Cost								
At January 1, 2016	**36,660**	**38,272**	**124,388**	**203**	**1,869**	**12,531**	**31,952**	**245,875**
Additions	-	1,246	1,141	-	-	338	4,301	7,026
Capitalized from PIP to PPE and Expensed current Year	-	21	(13)	-	-	137	(2,533)	(2,388)
Translation adjustment on Cost	(387)	(2,462)	(5,205)	-	-	(940)	(1,291)	(10,285)
Internal transfers	-	-	4,157	-	-	4	(30,967)	(26,806)
Expense to P&L	-	-	-	-	-	-	(99)	(99)
Disposals /Desinvestment current year	-	-	(1,720)	(121)	(957)	(20)	-	(2,818)
At December 31, 2016	**36,273**	**37,077**	**122,748**	**82**	**912**	**12,050**	**1,363**	**210,505**
Additions	-	146	163	97	-	405	3,343	4,154
Capitalized from PIP to PPE and Expensed current Year	-	-	-	-	-	2	(707)	(705)
Translation adjustment on Cost	143	550	1,417	-	-	(174)	(3,031)	(1,095)
Internal transfers	-	-	121	-	5	-	-	126
Expense to P&L	-	-	-	-	-	-	(101)	(101)
Disposals /Desinvestment current year	-	-	(5)		-	(2)	-	(7)
At December 31, 2017	**36,416**	**37,773**	**124,444**	**179**	**917**	**12,281**	**867**	**212,877**
Depreciation and impairment 1 January 2016	**(575)**	**(15,718)**	**(29,890)**	**-**	**(1,494)**	**(11,542)**	**-**	**(59,219)**
Depreciation current year	(16)	(1,592)	(8,481)	(21)	(28)	(722)	-	(10,860)
Depreciation disinvestment current year	-	-	542	-	824	19	-	1,385
Translation adjustment on Accummulated Depreciation	98	2,308	4,117	-	-	897	-	7,420
Internal transfer	-	-	-	-	-	(4)	-	(4)
At December 31, 2016	**(493)**	**(15,002)**	**(33,712)**	**(21)**	**(698)**	**(11,352)**	**-**	**(61,278)**
Depreciation current year	(15)	(1,665)	(6,258)	(2)	(13)	(430)	-	(8,383)
Translation adjustment on Accummulated Depreciation	(32)	(90)	(593)	-	-	-	-	(715)
Internal transfer	-	-	(121)	-	(4)	-	-	(125)
Depreciation Disinvestment/Internal transfer current year	-	-	(77)	-	-	2	-	(75)
At December 31, 2017	**(540)**	**(16,757)**	**(40,761)**	**(23)**	**(715)**	**(11,780)**	**-**	**(70,576)**
Net book value:								
At January 1, 2016	**36,085**	**22,554**	**94,498**	**203**	**375**	**989**	**31,952**	**186,656**
At December 31, 2016	**35,780**	**22,075**	**89,036**	**61**	**214**	**698**	**1,363**	**149,227**
At December 31, 2017	**35,876**	**21,016**	**83,683**	**156**	**202**	**501**	**867**	**142,301**

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4.4 Capital Investment in joint venture

On 14 November 2014 Staatsolie entered as a limited partner with an interest of 25% into the partnership 'Suriname Gold Project C.V.'. Newmont Suriname LLC, a subsidiary of Newmont Mining Corporation, is the managing partner with a 75% interest in this partnership. Newmont Suriname LLC is a limited liability company formed pursuant to the laws of the State of Delaware, United States of America.

The Suriname Gold Project C.V. encompasses the exploration, development and exploitation of the gold mine 'Merian', which is a gold deposit located in the eastern part of Suriname close to the French Guiana border. Construction of the Merian Gold project (the current mine) began after the right of exploitation was granted. Suriname Gold Project C.V. commenced commercial gold production on October 1, 2016.

The Suriname Gold Project CV partnership is financed through monthly cash calls (capital contributions) which is the mechanism to fund approved operating costs and capital expenditures. Each partner is responsible for funding the partnership for its portion based on its participating interest.

Monthly the partnership allocates capital contributions which is the total compensation received by the partnership in exchange for selling the partnership's gold production attributable to each partner in proportion to its respective participating interest. Staatsolie's maximum exposure to loss from its interest in the Suriname Gold Project CV partnership equals the annual capital contributions.

The Group's interest in the Suriname Gold Project CV is accounted for in the consolidated financial statements using the equity method. The summarized financial information of the joint venture and reconciliation with the carrying amount of the investment and share in the profit of the JV in the consolidated financial statements are set out below:

xUS$ 1,000	2017	2016	As at January 1, 2016
Summarized statement of financial position of Suriname Gold Project CV:			
Current assets, including cash and cash equivalents $26,700 (2016: $50,488) and inventories $78,691 (2016: $55,555)	132,384	166,030	39,417
Non-current assets	1,063,955	1,067,057	876,221
Current liabilities, including accounts payable $22,125 (2016: $9,521) and due to related parties $19,053 (2016: $46,534)	(69,079)	(80,497)	(34,666)
Non-current liabilities	(18,037)	(11,368)	(11,432)
Partnership capital	**1,109,223**	**1,141,222**	**869,540**
Proportion of the Group's ownership	25%	25%	25%
Carrying amount of the investment	277,306	285,306	217,385

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xUS$ 1,000	**2017**	**2016**
Summarised statement of profit or loss of Suriname Gold Project CV:		
Revenue	643,136	117,154
Cost of Sales	(237,710)	(33,810)
Administrative expenses, including depreciation $109,818 (2016: $17,520)	(136,224)	(47,698)
Management Fee	(14,302)	(3,189)
Profit before tax	**254,900**	**32,457**
Group's share of the profit for the year	**63,725**	**8,114**

The Group had no contingent liabilities or capital commitments relating to its interest in the Suriname Gold Project CV as at December 31, 2017 and 2016 and January 1, 2016. The joint venture had no contingent liabilities or capital commitments as at December 31, 2017 and 2016 and January 1, 2016.

Taking into account the structure and control of this partnership, Staatsolie's interest is accounted for at the net equity value. The contribution of GoS of US$ 63,087, which represents a 4.8% beneficial ownership in Suriname Gold Project C.V., relates to their financial contributions made in 2016 on Staatsolie's behalf to the limited partnership agreement with Newmont Suriname LLC. These financial contributions were made by GoS as Staatsolie had limited funds available due to the sharp decline in oil prices in 2016. Those contributions are recognized as a current account with GoS as disclosed in note 6.4 and was repaid in 2018 (note 8.1). The Suriname Gold Project C.V. as at December 31, 2017 and 2016, were based on audited figures.

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4.5 Goodwill and other intangible assets

x US$ 1,000	Goodwill	Other intangible assets: ERP implementation	Other intangible assets: E&P Data Information Management system	Total
Cost				
At 1 January 2016	5,447	12,048	2,037	19,532
Additions	-	-	-	-
Acquisition of a sbusidiary	-	-	-	-
At 31 December 2016	5,447	12,048	2,037	19,532
Additions	-	-		-
Acquisition of a sbusidiary	-	-	-	-
Discontinued operations	-	-	-	-
At 31 December 2017	**5,447**	**12,048**	**2,037**	**19,532**
Amortization and impairment				
At 1 January 2016	-	1,205	1,222	2,427
Amortization	-	2,410	407	2,817
At 31 December 2016	-	3,615	1,629	5,244
Amortization	-	2,409	408	2,817
Impairment	-	-	-	-
At 31 December 2017	**-**	**6,024**	**2,037**	**8,061**
Net book value				
At 31 December 2017	5,447	6,024	-	11,471
At 31 December 2016	5,447	8,433	408	14,288
At 1 January 2016	5,447	10,843	815	17,105

Other intangible assets

The balance at December 31, 2017 and 2016 of other intangible assets represents capitalized computer software with regard to ERP implementation of SAP and is amortized on a straight line basis over a remaining period of 3 years.

Impairment testing of goodwill

The Group performed its annual impairment test as at December 31, 2017 and 2016. The Group considered the overall decline in crude oil prices, oil construction and development activities around the world in 2015 and 2016 as potential indicators for impairment.

Goodwill acquired through business combinations with indefinite live has been allocated to one CGU (GOw2). The carrying value (net assets including Goodwill) of this CGU is US$ 38,344 as at December 31, 2017, US$ 32,089 as at December 31, 2016 and US$ 34,756 as at January 1, 2016.

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The recoverable amount of the GOw2 CGU of US$ 44,415 as at January 1, 2016, US$ 61,637 as at December 31, 2016 and US$ 69,570 as at December 31, 2017 has been determined based on a value-in-use (VIU) calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the decreased demand for finished oil products. The post-tax weighted average cost of capital (WACC) discount rate applied to the cash flow projections is 12.27% (2016: 12.40%), and cash flows beyond the five-year period are extrapolated using a 2% growth rate that is the same as the long-term average fuel consumption growth rate for the petroleum products sector. As a result of the analysis, management did not identify an impairment for this CGU. The GOw2 CGU forms part of the downstream reportable segment. Applying a pre-tax WACC discount rate 20.04% (2016: 19.39%) to the cash flow projections provides the same VIU for the CGU.

Key assumptions used in value-in-use calculations

The calculation of VIU for the GOw2 CGU is most sensitive to the following key assumptions:

- Gross margin
- Discount rates
- Oil prices
- Market share during the budget period
- Growth rate used to extrapolate cash flows beyond the budget period

Gross margins

Gross margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated improvements in the efficiency of operations. An increase of 2% per annum was applied based on economic growth (quantities) of the CGU.

Discount rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its WACC, with appropriate adjustments made to reflect the risks specific to the CGU. The WACC takes into account both debt and equity, weighted 47.21% (2016: 46.83%) debt versus 52.79% (2016: 53.17%)equity, due to the debt to equity structure of the Group. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to

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service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Oil prices

Long term forecasted oil prices are based on management's estimates and available market data.

Market share assumptions

These assumptions are important because as well as using industry data for growth rates (as noted below), management assesses how the CGU's position, relative to its competitors, might change over the forecast period. Management expects the Group's share of the oil retail products market to be stable over the forecast period.

Growth rate estimates

Rates are based on economic growth rates, growth domestic product and relevant published research.

Sensitivity to changes in assumptions

With regard to the assessment of VIU for the GOw2 CGU, management believes that there are no reasonably possible changes in any of the above key assumptions that would cause the carrying value of the CGU to materially exceed its recoverable amount.

4.6 Impairment testing of other non-current assets

Management considered the overall decline in crude oil prices, oil construction and development activities around the world in 2015 and 2016 as potential indicators for impairment, therefore an impairment analysis for two CGUs (three oil fields and the refinery) was performed. As a result of the analysis, management did not identify an impairment for the CGUs.

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(continued)

4.7 Provisions

x US$ 1,000	Decomissioning production field & facilities	Decomissioning refinery	Decomissioning power plant	Environmental risk	Other provisions	Total
At January 1, 2016	66,283	8,559	203	2,475	1,600	79,120
Arising during the year	-	-	-	149	-	149
Write-back of unused provisions	-	-	-		-	-
Discount rate adjustment & imputed interest	(31,563)	(3,729)	(121)	(36)	-	(35,449)
Unw inding of discount	5,342	709	16	-	-	6,067
Utilisation	-	-	-	-	-	-
At December 31, 2016	40,062	5,539	98	2,588	1,600	49,887
Arising during the year	-	-	-	157	1,758	1,915
Write-back of unused provisions	-	-	-		-	-
Discount rate adjustment & imputed interest	35,242	2,776	101	36	-	38,155
Unw inding of discount	4,118	569	10	-	-	4,697
Utilisation	-	-	-	-	(1,600)	(1,600)
At December 31, 2017	79,422	8,884	209	2,781	1,758	93,054
Comprising:						
Current at January 1, 2016	-	-	-	-	-	-
Non-current at January 1, 2016	66,283	8,559	203	2,475	1,600	79,120
	66,283	8,559	203	2,475	1,600	79,120
			-			
Comprising:						
Current at December 31, 2016	-	-	-	-	1,600	1,600
Non-current at December 31, 2016	40,062	5,539	98	2,588	-	48,287
	40,062	5,539	98	2,588	1,600	49,887
Comprising:						
Current at December 31, 2017	-	-	-	-	-	-
Non-current at December 31, 2017	79,422	8,884	209	2,781	1,758	93,054
	79,422	8,884	209	2,781	1,758	93,054

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Decommissioning provision

The Group makes full provision for the future cost of decommissioning oil wells and production facilities, on a discounted basis on the installation of those wells and facilities. The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to 2055, when the producing oil properties are expected to cease operations. These provisions have been created based on the Group's internal estimates.

In addition, the Group makes full provision for the future cost of decommissioning the refinery, on a discounted basis on the installation of the refinery. The decommissioning provision represents the present value of decommissioning costs relating to the refinery, which are expected to be incurred up to 2040, when the refinery expected to cease operations. This provision has been created based on the Group's internal estimates utilizing a third party estimating the dismantlement cost.

Lastly, the Group makes full provision for the future cost of decommissioning the power plant, on a discounted basis on the installation of the power plant. The decommissioning provision represents the present value of decommissioning costs relating to the power plant, which are expected to be incurred up to 2055, when the power plant expected to cease operations. This provision has been created based on the Group's internal estimates utilizing a third party estimating the dismantlement cost.

Assumptions based on the current economic environment have been made, which management believes form a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain.

The discount rate used in the calculation of the provision as at December 31, 2017 is 8.38% (2016: 10.28%).

Other provisions

A provision at fair value of US$ 1,758 as at December 31, 2017 (US$ 1,600 as of December 31, 2016 and January 1, 2016) mainly comprise provisions for litigation or contractual claims. The claims are subject to legal arbitration and are not expected to finalize during 2018. This amount remained unchanged at the reporting date.

Environmental risk provision

GOw2 purchased Chevron in 2011 which included their marketing activities in Suriname of 22 petrol stations and 3 oil terminals. These sites will be remediated in a nine year timeframe. The present value of the estimated costs as at December 31, 2017 is US$ 2,781 (December 31, 2016 is US$ 2,588 and

January 1, 2016 is US$ 2,475). The amount recognized is the best estimate calculated by management of the expenditure required.

4.8 Employee defined benefit liabilities

The Group has three types of employee benefit plans, namely pensions, post-employment benefits and other long-term employee benefit plans. A summary of the net employee benefit liabilities for the different benefits are shown in the table below.

x US$ 1,000	**As at December 31, 2017**	**As at December 31, 2016**	**As at January 1, 2016**
Pension Plans			
Employee pension plan	13,487	34,121	29,231
Executive pension plan	646	1,197	628
GOw2 retiree pension plan	96	112	129
Post-employment benefit plans	-		-
Retiree Medical Plan Staatsolie	13,506	15,441	10,116
Retiree Medical plan GOw2	492	424	783
Retiree Medical Plan SPCS	240	222	143
Pension gratuity Staatsolie	2,965	2,734	2,522
Pension gratuity SPCS	18	15	12
Funeral grant plan Staatsolie	894	833	763
Funeral grant plan SPCS	8	7	5
Supplementary Provision Board members	733	646	589
Other long-term employee benefit plans	**-**		**-**
Jubilee gratuity Staatsolie	6,602	6,430	6,072
Jubilee gratuity SPCS	103	87	71
Jubilee gratuity GOw2	93	89	111
Additional holiday allowance Staatsolie	2,839	2,681	2,485
Additional holiday allowance SPCS	30	30	55
Total	**42,752**	**65,069**	**53,715**

Pensions and other post-employment benefit plans

The Group has two defined benefit pension plans (funded), one for the employees and one for the directors. The employee pension plan is a final salary plan and requires contributions to be made to a separately administered fund. The directors' pension plan is an insured plan. In addition, the Group provides certain post-employment benefits to employees (unfunded) such as healthcare, excedent gratuity, funeral grants, pension gratuity, jubilee and additional holiday allowances.

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Pensions

Employee pension plan

The employee pension plan provides entitlements to retirement and disability pension for the benefit of the participant and widow's, widower's and orphans' pension for the benefit of the survivors. The pension entitlements are accrued time-proportionately.

The pension entitlements are determined according to a formula based on the pensionable salary and an employee accrual rate of 2% per annum. The last pensionable salary also applies to past service. Hence, increase of pensionable salary in future years will lead to an increase of accrued pension entitlements. According to the formal terms of the plan, for every year the pensionable salary is determined by the Board of the pension fund according to a formula.

The pension base percentage for financial year 2016 has been set at l00% of the base salary. The pension base percentage for financial year 2017 has not yet been determined by the Board of the pension fund. The annual actuarial valuation, taking into account the funding as at December 31, 2016 and the salary increased as at January 1, 2017, has led to the conclusion that a pension base percentage of 100% is possible for financial year 2017. Therefore, it is assumed that pensionable salary for 2017 will be set at 100% of the salary as at January 1, 2017.

The retirement pension commences upon reaching the retirement age of 60. However, a retirement age of 55 applies to employees in certain special categories. The retirement pension amounts to a maximum of 70% of the pension base on the retirement date. The pension accrual rate is 2%.

Annually, the pensions in payment and deferred pensions are adjusted on the basis of excess interest, which is the difference between the return on the pension assets and the actuarial interest of 4%, which is used to determine the present value of the pension obligations of the fund.

The employee pension plan is administered by the "Stichting Pensioenfonds voor Werknemers of Staatsolie Maatschappij Suriname N.V." (Pension Fund for Employees of Staatsolie Maatschappij Suriname N.V.), for which Staatsolie has entered into an agreement with the fund.

The plan is financed by contributions and by the returns on the plan assets. The employer's and employee's contributions are limited to a maximum percentage of the participant's salary as set by the labor agreement.

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Employee pension plan

2017 changes in the defined benefit obligation and fair value of the plan assets.

		Pension cost charged to profit or loss				Remeasurement gains/(losses) in other comprehensive income							
x US$ 1,000	**1.1.2017**	Service cost	Net Interest expense	**Sub-total included in profit or loss**	**Benefits paid**	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	**Sub total included in OCI**	**Contribution by employer**	**Contribution by employee**	**31.12.2017**
Defined benefit obligation	**(139,070)**	(7,159)	(6,258)	**(13,417)**	1,172	-	-	23,707	1,807	**25,514**	-	-	**(125,801)**
Fair value of plan assets	**104,949**		4,849	**4,849**	(1,172)	(3,099)	-	-	-	**(3,099)**	5,090	1,697	**112,314**
Benefit liability	**(34,121)**	(7,159)	(1,409)	**(8,568)**	-	(3,099)	-	23,707	1,807	**22,415**	5,090	1,697	**(13,487)**

2016 changes in the defined benefit obligation and fair value of the plan assets.

	1.1.2016	Service cost	Net Interest expense	**Sub-total included in profit or loss**	**Benefits paid**	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	**Sub total included in OCI**	**Contribution by employer**	**Contribution by employee**	**31.12.2016**
Defined benefit obligation	**(122,487)**	(6,297)	(5,634)	**(11,931)**	947	-	-	(5,266)	(333)	**(5,599)**	-	-	**(139,070)**
Fair value of plan assets	**93,256**		4,442	**4,442**	(947)	629	-	-	-	**629**	5,677	1,892	**104,949**
Benefit liability	**(29,231)**	(6,297)	(1,192)	**(7,489)**	-	629	-	(5,266)	(333)	**(4,970)**	5,677	1,892	**(34,121)**

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

The major categories of the employee pension plan assets at fair value are, as follows:

x US$ 1,000	**2017**	**2016**	**January 1, 2016**
Investments quoted in active markets:			
Securities in foreign mutual funds	6,625	5,964	6,227
Unquoted investments:			
Equity instruments (international)	5,997	5,817	6,447
Available-for-sale instruments	1,876	475	447
Property	44,499	44,499	39,145
Loans receivables	26,071	28,012	28,964
Term deposits	14,404	11,404	6,904
Net other receivables	447	2,818	72
Cash and cash equivalents	12,395	5,960	5,050
Fair value of assets	**112,314**	**104,949**	**93,256**

Executive pension plan

The executive pension plan is a final pay scheme; the pension base is equal to the salary. The pension plan provides entitlements to retirement and disability pension for the benefit of the participant and their widow's/widower's and orphans' pension for the benefit of their spouse and children.

The retirement pension commences upon reaching the age of 60 and amounts to:

1. for Board members designated by Staatsolie: at retirement 70% of the last salary;
2. for other Board members: per year of service, up to a maximum of 28 years of service, 2.5% of the last salary.

The pension entitlements are accrued time-proportionately. The disability pension is equal to the potential retirement pension. The widow's/widower's pension is 70% of the (potential) retirement pension. Upon termination of employment of a participant who has participated in the scheme for less than 3 years, the contributions paid by the director shall be refunded. As soon as a participant who has participated in the plan for at least 3 years, the director shall be entitled to the pension entitlements accrued up to the date of termination of employment. It is noted that the 3-year period on the basis of the "Wet Pensioenfondsen en Voorzieningsfondsen" should be reduced to one year or less.

Pensions in payment and deferred pensions may be increased in the event of a "general increase in the cost of living". This possibility has not been applied yet. Pensions in payment and deferred pensions shall, in any case, be adjusted annually on the basis of profit sharing based on excess interest, arising from the agreement with the insurance company.

The pension entitlements arising from the plan are insured with Assuria Levensverzekeringen N.V. (Assuria), for which Staatsolie has entered into an agreement with, which provides for profit sharing based on excess interest on assets of Assuria.

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

The participants and Staatsolie contribute to the financing of this plan. The participants contribute a set percentage of their salary. Other costs of the plan are fully borne by Staatsolie.

The plan asset value for this insured executive pension plan consist of the insurance policy covering participants. As the insurance policy exactly matches the amount and timing of the accrued pension entitlements of the participants, the fair value of the insurance policy has been set at the present value of the related obligations excluding any effects of future salary increases.

x US$ 1,000	**2017**	**2016**	**January 1, 2016**
Fair value of assets	3,947	2,818	2,520

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016
(continued)

Executive pension plan

2017 changes in the defined benefit obligation and fair value of the plan assets.

		Pension cost charged to profit or loss				**Remeasurement gains/(losses) in other comprehensive income**							
x US$ 1,000	**1.1.2017**	Service cost	Net Interest expense	**Sub-total included in profit or loss**	**Benefits paid**	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	**Sub total included in OCI**	**Contribution by employer**	**Contribution by employee**	**31.12.2017**
Defined benefit obligation	**(4,015)**	(254)	(181)	**(435)**	-	-	-	(220)	77	**(143)**	-		**(4,593)**
Fair value of plan assets	**2,818**	-	155	**155**	-	(282)				**(282)**	1,224	32	**3,947**
Benefit liability	**(1,197)**	(254)	(26)	**(280)**	-	(282)	-	(220)	77	**(425)**	1,224	32	**(646)**

2016 changes in the defined benefit obligation and fair value of the plan assets.

	1.1.2016	Service cost	Net Interest expense	**Sub-total included in profit or loss**	**Benefits paid**	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	**Sub total included in OCI**	**Contribution by employer**	**Contribution by employee**	**31.12.2016**
Defined benefit obligation	**(3,146)**	(769)	(142)	**(911)**	-	-		(58)	100	**42**	-		**(4,015)**
Fair value of plan assets	**2,518**		117	**117**		22	-	-	-	**22**	131	30	**2,818**
Benefit liability	**(628)**	(769)	(25)	**(794)**	-	22	-	(58)	100	**64**	131	30	**(1,197)**

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

GOw2 retiree pension plan

GOw2 has a long-term pension obligation regarding eight former Chevron retirees and widowers. The payment to those retirees are made by GOw2 out of funds deposited by Chevron at the time of the acquisition in 2011. The remaining balance as at December 31, 2017 is US$ 95, while the remaining balance as at December 31, 2016 and January 1, 2016 are US$ 112, and US$ 129, respectively.

Post-employment benefits

Retiree medical plan

Retired employees of Staatsolie, GOw2 and SPCS whose employment was terminated due to reaching the retirement age after a specified number of years of service, as well as those who are part of their family, shall be entitled to medical care at the expense of the Group. Entitlements shall also be granted to retired employees of Staatsolie whose employment was terminated due to disability with the entitlement to a disability pension, as well as those who are part of their family at that time. There is no requirement for a minimum service.

Pension gratuity plan

Staatsolie and SPCS employees are eligible for a gratuity upon retirement. The amount of the gratuity depends on the years of service. Permanent employees whose service until the retirement date is at least 10 years, shall be eligible for the gratuity.

Funeral grants plan

In the event of death of a retired employee of Staatsolie and SPCS, whose employment was terminated due to reaching the retirement age after a specified number of service years and in the event of death of their spouse, a funeral grant shall be paid by Staatsolie. Retired employees whose employment was terminated due to disability with the entitlement to a disability pension, as well as those who are part of their family at that time are also eligible to the funeral grant plan and there is no requirement for a minimum service.

Excedent gratuity plan (Supplementary provision for board members)

Board members shall be eligible for an excedent gratuity upon retirement or earlier honorable termination of employment with Staatsolie. The amount of the excedent gratuity shall depend on the number of years of service, including years of service at Staatsolie before the date of appointment as board member, if applicable.

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Retiree medical plan Staatsolie

2017 changes in the defined benefit obligation and fair value of the plan assets.

		Pension cost charged to profit or loss				Remeasurement gains/(losses) in other comprehensive income						
x US$ 1,000	**1.1.2017**	Service cost	Net Interest expense	**Sub-total included in profit or loss**	**Benefits paid**	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Change in exchange rate	**Sub total included in OCI**	**Contribution by employer**	**31.12.2017**
Defined benefit obligation	**(21,834)**	(1,249)	(975)	**(2,224)**	122	-	3,338	152	240	**3,730**	-	**(20,206)**
Fair value of plan assets	**6,393**	-	291	**291**	(116)	(89)	-	-	-	**(89)**	221	**6,700**
Benefit liability	**(15,441)**	(1,249)	(684)	**(1,933)**	6	(89)	3,338	152	240	**3,641**	221	**(13,506)**

2016 changes in the defined benefit obligation and fair value of the plan assets.

	1.1.2016	Service cost	Net Interest expense	**Sub-total included in profit or loss**	**Benefits paid**	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Change in exchange rate	**Sub total included in OCI**	**Contribution by employer**	**31.12.2016**
Defined benefit obligation	**(16,165)**	(907)	(722)	**(1,629)**	112	-	(3,765)	(387)	-	**(4,152)**	-	**(21,834)**
Fair value of plan assets	**6,049**	-	275	**275**	(103)	(59)	-	-	-	**(59)**	231	**6,393**
Benefit liability	**(10,116)**	(907)	(447)	**(1,354)**	9	(59)	(3,765)	(387)	-	**(4,211)**	231	**(15,441)**

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

The plan asset value of the Staatsolie retiree medical plan is provided by the insurance company where the plan assets are incorporated in an annuity insurance policy. The fair value of plan assets is the sum of the surrender value and the estimated excess interest, as shown below:

x US$ 1,000	**2017**	**2016**	**January 1, 2016**
Surrender value	6,621	6,276	5,951
Excess interest	81	117	98
Fair value of assets	6,702	6,393	6,049

Retiree medical plan others	**2017**			**2016**		
in US$	**GOw2**	**SPCS**	**Total**	**GOw2**	**SPCS**	**Total**
Defined benefit obligation as at January 1	(423,847)	(221,957)	(645,804)	(783,047)	(143,393)	(926,440)
Interest cost	(47,968)	(9,889)	(57,857)	(48,233)	(6,453)	(54,686)
Current service cost	(36,750)	(36,455)	(73,205)	(35,033)	(22,009)	(57,042)
Net benefit expense(recognized in P&L)	(84,718)	(46,344)	(131,062)	(83,266)	(28,462)	(111,728)
Benefits paid	2,146	-	2,146	1,082	-	1,082
Currency translation	4,222	2,211	6,433	361,390	-	361,390
Experience different than assumed	7,965	(12,192)	(4,227)	26,509	(5,802)	20,707
Changes in assumptions	2,543	38,320	40,863	53,485	(44,300)	9,185
Sub total included in OCI	14,730	28,339	43,069	441,384	(50,102)	391,282
Defined benefit obligation as at December 31	**(491,689)**	**(239,962)**	**(731,651)**	**(423,847)**	**(221,957)**	**(645,804)**

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Funeral grant benefits	**2017**			**2016**		
in US$	**Staatsolie**	**SPCS**	**Total**	**Staatsolie**	**SPCS**	**Total**
Defined benefit obligation as at January 1	(832,772)	(6,620)	(839,392)	(763,419)	(5,291)	(768,710)
Interest cost	(37,360)	(298)	(37,658)	(34,247)	(238)	(34,485)
Current service cost	(41,047)	(1,090)	(42,137)	(37,845)	(796)	(38,641)
Net benefit expense(recognized in P&L)	(78,407)	(1,388)	(79,795)	(72,092)	(1,034)	(73,126)
Benefits paid	879	-	879	-	-	-
Experience different than assumed	(10,031)	(364)	(10,395)	(12,009)	(209)	(12,218)
Changes in assumptions	26,806	244	27,050	14,748	(86)	14,662
Sub total included in OCI	16,775	(120)	16,655	2,739	(295)	2,444
Defined benefit obligation as at December 31	**(893,525)**	**(8,128)**	**(901,653)**	**(832,772)**	**(6,620)**	**(839,392)**

Pension gratuity benefits	**2017**			**2016**		
x US$1	**Staatsolie**	**SPCS**	**Total**	**Staatsolie**	**SPCS**	**Total**
Defined benefit obligation as at January 1	(2,734,095)	(15,041)	(2,749,136)	(2,522,391)	(11,797)	(2,534,188)
Interest cost	(120,970)	(677)	(121,647)	(111,073)	(531)	(111,604)
Current service cost	(161,902)	(2,140)	(164,042)	(143,977)	(1,717)	(145,694)
Net benefit expense(recognized in P&L)	(282,872)	(2,817)	(285,689)	(255,050)	(2,248)	(257,298)
Benefits paid	75,927	-	75,927	68,055	-	68,055
						-
Experience different than assumed	(23,558)	(83)	(23,641)	40,434	(227)	40,207
Changes in assumptions	-	-	-	(65,143)	(769)	(65,912)
Sub total included in OCI	(23,558)	(83)	(23,641)	(24,709)	(996)	(25,705)
Defined benefit obligation as at December 31	**(2,964,598)**	**(17,941)**	**(2,982,539)**	**(2,734,095)**	**(15,041)**	**(2,749,136)**

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Supplementary provision board members		
x US$1	**2017**	**2016**
Defined benefit obligation as at January 1	(646,212)	(588,938)
Interest cost	(29,079)	(26,502)
Current service cost	(38,632)	(37,277)
Net benefit expense(recognized in P&L)	(67,711)	(63,779)
Benefits paid	-	-
Experience different than assumed	(19,326)	16,067
Changes in assumptions	-	(9,562)
Sub total included in OCI	(19,326)	6,505
Defined benefit obligation as at December 31	**(733,249)**	**(646,212)**

Other long-term employee benefits

Jubilee gratuity plan

Staatsolie, SPCS and GOw2 employees are eligible to receive a jubilee gratuity based on a specified number of service years. The amount of the gratuity depends on the jubilee and varies with the numbers of service years as stated in the labor agreement.

Jubilee benefits	2017				2016			
x US$1	**Staatsolie**	**SPCS**	**GOw2**	**Total**	**Staatsolie**	**SPCS**	**GOw2**	**Total**
Defined benefit obligation as at January 1	(6,429,764)	(87,307)	(88,708)	(6,605,779)	(6,072,395)	(70,605)	(110,857)	(6,253,857)
Interest cost	(195,105)	(3,929)	(9,674)	(208,708)	(179,644)	(3,177)	(6,865)	(189,686)
Current service cost	(513,215)	(11,620)	(8,488)	(533,323)	(447,343)	(10,143)	(4,982)	(462,468)
Net benefit expense(recognized in P&L)	(708,320)	(15,549)	(18,162)	(742,031)	(626,987)	(13,320)	(11,847)	(652,154)
Benefits paid	962,453	-	6,895	969,348	884,634	-	-	884,634
Currency translation	-	-	883	883	-	-	51,163	51,163
Experience different than assumed	(378,782)	(444)	5,865	(373,361)	(576,828)	(1,909)	(16,239)	(594,976)
Changes in assumptions	(47,565)	-	-	(47,565)	(38,188)	(1,473)	(928)	(40,589)
Sub total included in the P&L	(426,347)	(444)	6,748	(420,043)	(615,016)	(3,382)	33,996	(584,402)
Defined benefit obligation as at December 31	**(6,601,978)**	**(103,300)**	**(93,227)**	**(6,798,505)**	**(6,429,764)**	**(87,307)**	**(88,708)**	**(6,605,779)**

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Additional holiday allowances

Staatsolie and SPCS employees are eligible for an additional holiday allowance for a set number of months of salary based on their years of service as stated in the labor agreement.

Additional holiday allowance	**2017**			**2016**		
x US$1	**Staatsolie**	**SPCS**	**Total**	**Staatsolie**	**SPCS**	**Total**
Defined benefit obligation as at January 1	(2,680,707)	(29,703)	(2,710,410)	(2,485,054)	(55,465)	(2,540,519)
Interest cost	(89,298)	(910)	(90,208)	(78,643)	(1,540)	(80,183)
Current service cost	(1,243,907)	(12,359)	(1,256,266)	(1,080,187)	(8,580)	(1,088,767)
Net benefit expense(recognized in P&L)	(1,333,205)	(13,269)	(1,346,474)	(1,158,830)	(10,120)	(1,168,950)
Benefits paid	1,530,076	20,938	1,551,014	1,471,270	40,529	1,511,799
Experience different than assumed	(354,859)	(8,068)	(362,927)	(503,878)	(4,612)	(508,490)
Changes in assumptions	-	-	-	(4,215)	(35)	(4,250)
Sub total included in the P&L	(354,859)	(8,068)	(362,927)	(508,093)	(4,647)	(512,740)
Defined benefit obligation as at December 31	**(2,838,695)**	**(30,102)**	**(2,868,797)**	**(2,680,707)**	**(29,703)**	**(2,710,410)**

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

The significant assumptions used in determining pension, post-employment healthcare and other long-term employee benefit obligations for the Group's plans are shown below:

	2017	2016	January 1, 2016
	%	%	%
Discount rate:			
Staatsolie employee pension plan	4.6%	4.5%	4.2%
Staatsolie retiree medical plan	12.5%	4.5%	4.5%
Staatsolie funeral grant plan for retirees	4.5%	4.5%	4.5%
Staatsolie pension gratuity	4.5%	4.5%	4.5%
Staatsolie jubilee benefits	3.1%	3.2%	3.1%
Staatsolie periodic additional holiday allow ance	4.5%	4.5%	4.5%
Executive pension plan	4.5%	4.5%	4.5%
Supplementary Provision Board members	4.5%	4.5%	4.5%
GOw 2 retiree medical plan	12.5%	11.5%	11.5%
GOw 2 jubilee benefits	12.5%	11.5%	11.5%
SPCS retiree medical plan	12.5%	4.5%	4.5%
SPCS funeral grant plan for retirees	4.5%	4.5%	4.5%
SPCS pension gratuity	4.5%	4.5%	4.5%
SPCS jubilee benefits	4.5%	4.5%	4.5%
SPCS periodic additional holiday allow ance	4.5%	4.5%	4.5%
Future consumer price index increases:			
Staatsolie employee pension plan & Executive pension plan	3.0%	3.0%	3.0%
Staatsolie jubilee benefits	3.0%	3.0%	3.0%
Staatsolie & SPCS retiree medical plan	11.0%	3.0%	3.0%
Staatsolie & SPCS funeral grant plan for retirees	3.0%	3.0%	3.0%
Staatsolie & SPCS pension gratuity	3.0%	3.0%	3.0%
Staatsolie & SPCS periodic additional holiday allow ance	3.0%	3.0%	3.0%
Supplementary Provision Board members	3.0%	3.0%	3.0%
GOw 2 retiree medical plan	11.0%	10.0%	10.0%
GOw 2 jubilee benefits	11.0%	10.0%	10.0%
Future salary increases:			
Staatsolie employee pension plan & Executive pension plan	3.0% + age related merit - for all three years		
Staatsolie & SPCS jubilee benefits	3.0% + age related merit - for all three years		
Staatsolie & SPCS pension gratuity	3.0% + age related merit - for all three years		
Staatsolie & SPCS periodic additional holiday allow ance	3.0% + age related merit - for all three years		
Supplementary Provision Board members	3.0% + age related merit - for all three years		
GOw 2 jubilee benefits	26% + merit	26% + merit	21% + merit
Healthcare cost increase rate:			
Staatsolie & SPCS retiree medical plan	13.0%	5.0%	5.0%
GOw 2 retiree medical plan	13.0%	10.0%	10.0%
Life expectation for retirees at the age of 60:	**Years**	**Years**	**Years**
Staatsolie employee pension plan & Executive pension plan			
Male	18.4	18.4	17.8
Female	21.0	21.0	20.7
Post-employment healtcare & other long-term benefit plans			
Male	18.4	18.4	17.8
Female	21.0	21.0	20.7

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

The average duration of the various employee benefit obligations at the end of the reporting periods is presented below.

	2017	**2016**	**January 1, 2016**
Weighted average life of the plans:			
Staatsolie employee pension plan	19	20	21
Staatsolie retiree medical plan	22	21	21
Staatsolie funeral grant plan for retirees	27	27	27
Staatsolie pension gratuity	9	9	9
Staatsolie jubilee benefits	7	7	7
Staatsolie periodic additional holiday allowance	1	1	1
Executive pension plan	15	16	17
Supplementary Provision Board members	5	6	7
GOw 2 retiree medical plan	19	20	20
GOw 2 jubilee benefits	7	7	8
SPCS retiree medical plan	34	35	36
SPCS funeral grant plan for retirees	41	42	42
SPCS pension gratuity	21	22	22
SPCS jubilee benefits	10	11	11
SPCS periodic additional holiday allowance	3	2	1

A quantitative sensitivity analysis for significant assumptions on the pension, post-employment healthcare and other long-term employee benefits as at December 31, 2017 and 2016 is shown below. The sensitivity analyses are presented in US$.

Staatsolie employee pension plan

The effect of a 1 percentage point change in the assumed discount rate, the assumed salary increases and the pension adjustment on the defined benefit obligation are:

Assumptions	**Pension adjustment**		**Discount rate**		**Future salary increases**	
Sensitivity level	1% Increase	1% Decrease	1% Increase	1% Decrease	1% Increase	1% Decrease
2017	15,989,569	(13,457,090)	(20,194,171)	25,996,374	9,577,072	(8,438,706)
2016	20,203,549	(16,748,469)	(23,807,170)	31,003,560	10,961,542	(9,669,060)

Staatsolie Maatschappij Suriname N.V.

Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Executive pension plan

The effect of a 1 percentage point change in the assumed discount rate and the assumed salary increases on the defined benefit obligation are:

Assumptions	**Discount rate**		**Future salary increases**	
Sensitivity level	1% Increase	1% Decrease	1% Increase	1% Decrease
2017	(595,536)	728,625	234,617	(220,421)
2016	(554,220)	681,790	245,949	(229,740)

Staatsolie medical retiree plan

The effect of a 1 percentage point change in the assumed discount rate and assumed medical cost inflation on the defined benefit obligation are:

Assumptions	**Discount rate**		**Medical cost inflation**	
Sensitivity level	1% Increase	1% Decrease	1% Increase	1% Decrease
2017	(3,561,356)	4,669,039	4,452,180	(3,478,493)
2016	(3,928,231)	5,186,001	5,101,720	(3,944,694)

GOw2 medical retiree plan

The effect of a 1 percentage point change in the assumed discount rate and assumed medical cost inflation on the defined benefit obligation are:

Assumptions	**Discount rate**		**Medical cost inflation**	
Sensitivity level	1% Increase	1% Decrease	1% Increase	1% Decrease
2017	(78,229)	100,826	95,850	(76,144)
2016	(68,814)	88,795	84,397	(66,986)

SPCS medical retiree plan

The effect of a 1 percentage point change in the assumed discount rate and assumed medical cost inflation on the defined benefit obligation are:

Assumptions	**Discount rate**		**Medical cost inflation**	
Sensitivity level	1% Increase	1% Decrease	1% Increase	1% Decrease
2017	(63,971)	91,495	88,073	(63,179)
2016	(61,980)	90,249	87,246	(61,461)

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Staatsolie funeral grant plan

The effect of a 1 percentage point change in the assumed discount rate and assumed funeral grant increase on the defined benefit obligation are:

Assumptions	**Discount rate**		**Funeral grant increase**	
Sensitivity level	1% Increase	1% Decrease	1% Increase	1% Decrease
2017	(195,922)	270,373	260,695	(193,198)
2016	(185,916)	257,608	248,569	(183,473)

SPCS funeral grant plan

The effect of a 1 percentage point change in the assumed discount rate and assumed funeral grant increase on the defined benefit obligation are:

Assumptions	**Discount rate**		**Funeral grant increase**	
Sensitivity level	1% Increase	1% Decrease	1% Increase	1% Decrease
2017	(2,574)	3,956	3,863	(2,571)
2016	(2,134)	3,310	3,235	(2,133)

Staatsolie pension gratuity plan

The effect of a 1 percentage point change in the assumed discount rate and assumed salary increase on the defined benefit obligation are:

Assumptions	**Discount rate**		**Future salary increases**	
Sensitivity level	1% Increase	1% Decrease	1% Increase	1% Decrease
2017	(232,138)	267,703	283,256	(249,663)
2016	(226,174)	260,950	275,346	(242,482)

SPCS pension gratuity plan

The effect of a 1 percentage point change in the assumed discount rate and assumed salary increase on the defined benefit obligation are:

Assumptions	**Discount rate**		**Future salary increases**	
Sensitivity level	1% Increase	1% Decrease	1% Increase	1% Decrease
2017	(3,197)	3,993	4,083	(3,314)
2016	(2,778)	3,494	3,568	(2,876)

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Staatsolie jubilee plan

The effect of a 1 percentage point change in the assumed discount rate and assumed salary increase on the defined benefit obligation are:

Assumptions	**Discount rate**		**Future salary increases**	
Sensitivity level	1% Increase	1% Decrease	1% Increase	1% Decrease
2017	(448,557)	513,033	537,075	(478,662)
2016	(432,375)	493,553	517,627	(462,147)

SPCS jubilee plan

The effect of a 1 percentage point change in the assumed discount rate and assumed salary increase on the defined benefit obligation are:

Assumptions	**Discount rate**		**Future salary increases**	
Sensitivity level	1% Increase	1% Decrease	1% Increase	1% Decrease
2017	(8,902)	10,472	10,931	(9,451)
2016	(8,118)	9,572	9,954	(8,582)

GOw2 jubilee plan

The effect of a 1 percentage point change in the assumed discount rate and assumed salary increase on the defined benefit obligation are:

Assumptions	**Discount rate**		**Future salary increases**	
Sensitivity level	1% Increase	1% Decrease	1% Increase	1% Decrease
2017	(5,554)	6,247	6,364	(5,762)
2016	(5,359)	6,008	6,018	(5,470)

Staatsolie periodic additional holiday allowance plan

The effect of a 1 percentage point change in the assumed discount rate and assumed salary increase on the defined benefit obligation are:

Assumptions	**Discount rate**		**Future salary increases**	
Sensitivity level	1% Increase	1% Decrease	1% Increase	1% Decrease
2017	(34,511)	35,469	49,027	(48,464)
2016	(33,995)	34,988	47,753	(47,148)

SPCS periodic additional holiday allowance plan

The effect of a 1 percentage point change in the assumed discount rate and assumed salary increase on the defined benefit obligation are:

Assumptions	**Discount rate**		**Future salary increases**	
Sensitivity level	1% Increase	1% Decrease	1% Increase	1% Decrease
2017	(847)	882	1,019	(993)
2016	(493)	515	652	(636)

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Supplementary provision board members plan

The effect of a 1 percentage point change in the assumed discount rate and assumed salary increase on the defined benefit obligation are:

Assumptions	**Discount rate**		**Future salary increases**	
Sensitivity level	1% Increase	1% Decrease	1% Increase	1% Decrease
2017	(34,444)	37,295	41,132	(38,583)
2016	(36,094)	39,310	42,734	(39,828)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The following payments are expected contributions to the defined benefit plan (employee pension plan) in future years:

x US$ 1,000	**2017**	**2016**	**January 1, 2016**
Within the next 12 months (next annual reporting period)	5,397	5,087	5,238
Between 2 and 5 years	25,081	23,641	22,284
Between 5 and 10 years	38,506	37,180	35,698
Beyond 10 years	85,417	93,580	101,505
Total expected payments	**154,401**	**159,488**	**164,725**

The following payments are expected contributions to the defined benefit plan (executive pension plan) in future years:

x US$ 1,000	**2017**	**2016**	**January 1, 2016**
Within the next 12 months (next annual reporting period)	134	1,224	131
Between 2 and 5 years	579	563	1,640
Between 5 and 10 years	828	803	780
Beyond 10 years	959	1,135	1,305
Total expected payments	**2,500**	**3,725**	**3,856**

4.9 Capital commitments and other contingencies

Operating lease commitments

The Group has entered into operating leases on certain motor vehicles and vessels.

These leases have an average life of three years with renewal terms.

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Future minimum lease payments under non-cancellation operating leases as at December 31, 2017 and 2016 are, as follows:

x US$ 1,000	**2017**	**2016**
Within one year	6,295	6,764
After one year but not more than five years	5,457	4,118
	11,752	10,882

Other contractual obligations / commitments

x US$ 1,000	**2017**	**2016**
Within one year	6,916	3,563
After one year but not more than five years	844	3,045
	7,760	6,608

Sales contractual obligations

The Group has sales obligations of US$ 13,986 as at December 31, 2017

x US$ 1,000	**2017**	**2016**
Within one year	9,816	29,088
After one year but not more than five years	4,170	4,131
	13,986	33,219

Legal claim contingency

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

The Group currently has legal claims amounting to US$ 1,384 (exclusive of interest and judicially imposed penalties) relating to labor related matters pending in the courts of Suriname of which a provision of US$ 190 as at December 31, 2017 is recorded in these consolidated financial statements. Based on legal advice obtained, management is of the view that the Group is in a strong and defendable position and that no further provision is required.

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Section 5. Capital and debt structure

5.1 Issued capital and reserves

The authorized share capital of Staatsolie as the parent of the Group amounts to US$12,104 as at December 31, 2017 and is divided into 5 million shares of which each amount to US$12.23 per thousand shares. During the year, the authorized share capital remained unchanged.

Issued capital is as follows:

xUS$ 1,000	**2017**	**2016**	**As at January 1, 2016**
Ordinary share capital			
5,000,000 ordinary shares	12,104	12,104	12,104

Reserve for environment risk

The environmental risk reserve is a reserve taken against environmental risk claims based on damages which may result from an environmental disaster in the execution of ocean freight cargo deliveries. In addition, damages to the environment due to onshore well operations are also appropriated for in this reserve. Based on historical information and experience, the Group believes that an annual addition of US$ 500,000 is sufficient, which is decided by the board of directors.

Reserve for committee of sports facilities

As decided by the shareholder, a portion of the profit attributable to the shareholder is retained in a Sport Fund to support corporate social responsibility in the area of sports. On behalf of the sole shareholder, the GoS, a committee “Sport Development Fund” was established on April 2013 to conform to governance principles. The committee, composed of representatives from the GoS and Staatsolie, provides guidelines for submission of proposals, approves and monitors the allocation of funds. Every year, the shareholder decides how much to withdraw from this reserve.

Other allocation / (withdrawal)

Included in the other reserves as at December 31, 2017 is an amount of US$ 13,520, net of tax, which is a credit to the Government of Suriname (“GoS”) for amounts previously invoiced by, and paid to, SPCS for energy delivered, but that, ultimately, was less than the minimum energy output, as specified in the Power Purchase Agreement (PPA) between GoS and SPCS.

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

5.2 Capital management

For the purpose of the Staatsolie's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders. The main objective of the capital management of Staatsolie is to ensure a financial structure that optimizes the cost of capital, maximizes the performance of its shareholder and allows access to financial markets at a competitive cost to cover its financing needs that supports sustainable growth and ensuring healthy capital ratios to be in compliance with the financial covenants to support the business.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets the financial covenants attached to its interest-bearing loans and borrowings that form part of its capital structure requirements. Breaches in the financial covenants would permit the lenders to immediately call interest-bearing loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current or prior period.

The two main financial covenants monitored by the Group are:

- The interest coverage ratio which is calculated by dividing the consolidated EBITDA by the financial expenses and income. For 2017 this ratio was 4.60 (2016: 2.84); the minimum permitted is 3.50.
- Consolidated leverage ratio which is calculated by dividing the consolidated Total Debt by the consolidated EBITDA. For 2017 this ratio was 1.58 (2016: 3.28); the maximum permitted is 2.50.

In 2016 Staatsolie requested lenders to waive any default or event of default arising from such failure to deliver the audited consolidated financial statements and the compliance certificate with the covenants. A waiver was executed to the credit agreement to reflect the requests.

5.3 Financial instruments

Interest-bearing loans and borrowings

Bond

x US$ 1,000	**Maturity**	**2017**	**2016**	**As at January 1, 2016**
Local Bond	May-20	98,668	98,475	98,281

Term loans

x US$ 1,000	**Maturity**	**2017**	**2016**	**As at January 1, 2016**
Loan facility DSB	Jan-18	9,657	8,468	-
Corporate term loan	Nov-19	259,844	296,353	570,686
Loan SPCS	Nov-21	78,288	97,798	117,306
Loan Government of Suriname	Oct-26	258,412	258,058	-
Balance as at December 31		**606,201**	**660,677**	**687,992**
Current portion of the loans		105,361	69,031	64,801
Non current portion of the loans		500,840	591,646	623,191

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Local Bond

The five-year 7% unsecured coupon bond matured on May 14, 2015. On this day Staatsolie issued a second five-year 7.75% unsecured coupon bond and raised US$ 99,142. The applicable annual interest rate is 7.75%. A coupon was sold for US$ 100 each. The maturity date of this second bond is May 14, 2020. Interest will be paid semi-annually on May 14 and November 14 each year.

As at December 31, 2017, unamortized debt arrangement fees amounted to US$ 474. The amortization of debt arrangement fees for 2017 amounted US$ 193 (2016: US$ 194) and is presented under finance cost in the consolidated statement of profit or loss.

Term loans

Loan facility

This regards a bullet loan of US$ 9,657 obtained in June 2016 from “De Surinaamsche Bank N.V”. The initial maturity date of the loan was December, 30 2017. This was extended with one month to January 30, 2018. The applicable annual interest rate is 7.0%. The interest is being paid on a quarterly basis. A parcel of unoccupied land was given as a collateral to the bank.

Corporate term loan

On September 28, 2015 Staatsolie refinanced the corporate five year loan for an initial amount of US$ 600,000. The total loan amount consisted of US$ 575,000 term loan and US$ 25,000 revolving loan. Repayment of the term loan was planned for 13 quarterly installments, to commence in the fourth quarter of 2016. On November 16, 2016 Staatsolie refinanced and prepaid the corporate loan for the total amount of US$ 294,218. This prepayment included the first quarterly installment of 2016. The outstanding corporate loan as of December 31, 2016 amounted to US$ 305,783 which consists of US$ 280,783 term loan and US$ 25,000 revolving loan. Repayment of the term loan is planned for 13 quarterly installments. A new amortization schedule is agreed and the last repayment is due in November 2019 with a bullet payment. The outstanding amount as of December 31, 2017 amounted to US$ 265,782 which consist of US$ 240,783 term loan and US$ 25,000 revolving loan. The applicable annual interest rate is 4.875% plus 3 months LIBOR.

With regard to the term loan, the financial institutions required security for Staatsolie’s payment obligations. The security mainly consists of the offshore receivables. Staatsolie also has to comply with several affirmative and negative covenants. As at December 31, 2017 Staatsolie is in compliance with the covenants.

As at December 31, 2017, unamortized debt arrangement fees amounted to US$ 6,627 (2016: US$ 10,024). The amortization of debt arrangement fees for 2017 amounted US$ 3,397 (2016: US$ 3,152) and is presented under finance cost in the consolidated statement of profit or loss.

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Loan SPCS

In September 2013, SPCS entered into a seven year loan with Credit Suisse for the expansion of the power plant. On November 17, 2014, SPCS restated and amended its credit agreement of US$ 74,000 to US$ 120,000. The outstanding loan balance as at December 31, 2017 amounted to US$ 80,064. With a grace period of 4 quarters, a total of US$ 20 million was repaid in 2017. Repayment of the loan is planned for 24 quarterly installments. The maturity date of the loan is November 2021. The applicable annual interest rate is 5.50% plus 3 months LIBOR.

Staatsolie acts as guarantor for this loan and will make the repayments in US dollars. As collateral the bank requested 100% of SPCS's fixed assets, all rights and benefits gained in the Power Purchase Agreement (PPA) as well as the establishment of various offshore collateral accounts.

As at December 31, 2017, unamortized debt arrangement fees amounted to US$ 1,776 (2016: US$ 2,234). The amortization of debt arrangement fees for 2017 amounted to US$ 458 (2016: US$ 460) and is expensed in the consolidated statement of profit or loss.

Loan from the Government of Suriname

In November 2016 Staatsolie refinanced the secured long term bank loan with a secured loan from the GoS. The GoS garnered these proceeds from an international bond issued on October 26, 2016. One coupon was sold for US$ 100,000 each. The loan amounts to US$ 261,534, disclosed in section 7, related party disclosures, bears 9.25% semi-annual interest payable in April and October and requires a bullet repayment in November 2026.

As at December 31, 2017, unamortized debt arrangement fees amounted to US$3,122 (2016: US$3,475). The amortization of debt arrangement fees for 2017 amounted to US$353 (2016: US$ 55) and is expensed in the consolidated statement of profit or loss.

Loan receivables

In accordance with the Power Purchase Agreement dated March 1, 2013 (with latest amendment in April 2016) by and between SPCS and the GoS, SPCS constructed a transmission line to the grid of EBS. The aggregated cost of US$27,293 was divested in favor of GoS in 2016, and accordingly derecognized in the books of SPCS. In 2017 and 2016, US$ 4,249 of the principal balance was repaid by GoS. The remaining balance is to be considered as long term loan with interest rate of 5.76% p.a., payable in quarterly installment with maturity date of November 2021. As at December 31, 2017, the short term portion of this loan amounts to US$8,368 (2016: US$9,173) and the long term portion amounts to US$11,007 (2016: US$14,677). The loan receivable is disclosed in section 7, related party disclosures.

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In addition, the Group previously issued an 8% loan of US$ 1,404 to N.V. Energie Bedrijven Suriname (N.V. EBS) for the substation at Tout Lui Faut. The outstanding loan receivable balance as at December 31, 2016 was US$ 805 which was repaid in the fourth quarter of 2017, therefore there is no outstanding balance as of December 31, 2017.

Fair Value

The initial recognition of the loans and bonds is at fair value while the subsequent measurement is at amortized cost, assuming the contractual interest rate equals the effective interest rate. The local financial market consists of traditional bank loans for business, and is not capable to provide for the capital needed for Staatsolie's growth strategy. Staatsolie's finance structure comprises financing by the GoS and bespoke credit agreements by a consortium of international banks, which is considered the principal or most advantageous market.

Staatsolie uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the uses of relevant inputs and minimizing the use of unobservable inputs.

All assets and liabilities, for which fair value is measured or disclosed in the consolidated financial statements, are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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Financial risk management objectives and policies

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commodity price risk, interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, trade receivables, trade payables and accrued liabilities.

Market risks due to interest rate (LIBOR) risk have been accepted and is evaluated and managed as part of the portfolio risk management policies. In addition Staatsolie monitors a desired ratio for its available cash in US$ to fulfill its foreign currency business obligations. Furthermore Staatsolie accepts the risks of price fluctuations of oil products, while takes into account a conservative low price for its work program and budget.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s long-term debt obligations with floating interest rates.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group’s profit before tax is affected through the impact on floating rate borrowings, as follows:

x US$ 1	**Increase / decrease in basis points**	**Effect on profit before tax Corporate term loan**	**Effect on profit before tax Loan SPCS**
2017			
US dollar	+60	1,595	470
	-60	(1,595)	(470)
2016			
US dollar	+60	1,778	587
	-60	(1,778)	(587)

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities of subsidiary GOw2 (as revenues and expenses are denominated in a foreign currency).

The Group manages trade transactions by offsetting local payments and local receivables in SRD creating a natural hedge for the SRD transactions.

Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of oil products it produces. The Group's policy is to manage these risks through the use of contract-based prices with customers. As mentioned in the market risk section above, Staatsolie takes a conservative low price approach for its work program and budget.

The analysis is based on the assumption that changes in the crude oil price result in a change of 10% in the sale prices of the oil products, with all other variables held constant. Reasonably possible movements in commodity prices were determined based on a review of the last two years' historical prices and economic forecasters' expectations.

x US$ 1,000

Increase / decrease in crude oil prices	Effect on profit before tax for the year ended 31 December 2017 (increase/decrease)	Effect on profit before tax for the year ended 31 December 2016 (increase/decrease)
+10%	38,025	28,493
-10%	(38,025)	(28,493)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group manages its liquidity risk based on reporting covenants, encompassing sensitivity analysis for production and conservative price assumptions, and restrained capital expenditures. Furthermore, optional debt is available within the credit agreement in accordance with the debt basket. Cash in excess is being managed by the corporate treasury department through "intercompany cash pooling" agreements with its subsidiaries.

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The table below summarizes the maturity profile of the Group's financial liabilities as at December 31:

x US$ 1000	**1 year**	**2 to 4 years**	**> 4 years**	**Total**
2017				
Bond and term loans	56,820	534,056	379,371	970,247
Trade payable	90,570	-	-	90,570
Accrued liabilities	95,709	-	-	95,709
Other liabilities	1,816	-	-	1,816
2016				
Bond and term loans	48,474	523,375	501,007	1,072,856
Trade payable	96,618	-	-	96,618
Accrued liabilities	87,839	-	-	87,839
Other liabilities	5,441	-	-	5,441

Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to a financial loss.

The Group trades with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, which include an assessment of credit rating, short-term liquidity and financial position. In addition, receivable balances are monitored on an on-going basis and GoS receivables are settled with GoS payables. Note 6.2 shows an analysis of the trade receivable ageing.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash, short-term investments and short term deposits, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of the financial assets disclosed in section 6.2 as shown below:

x US$ 1,000	2017	2016	As at January 1, 2016
Trade receivables	107,248	101,878	118,319
Prepayments and other current assets	27,175	44,472	43,304
	134,423	146,350	161,623

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Fair values

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

x US$ 1,000	Carrying amount			Fair value		
	2017	2016	As at January 1, 2016	2017	2016	As at January 1, 2016
Financial Liabilities						
Local Bond	98,668	98,475	98,281	101,125	99,142	100,133
Loan Government of Suriname	258,412	258,058	-	279,679	260,880	-
Total	357,080	356,533	98,281	380,804	360,022	100,133

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

- *Local Bond*: The fair value as of each reporting date was obtained from the officially published numbers from the Suriname stock exchange; the official exchange in the country. There is a meeting every two weeks where the market price is determined.
- *Loan Government of Suriname*: The loan was obtained from the proceeds of a government issued bond in October 2016.The fair value as at December 31, 2016 and 2017 was obtained from the Luxembourg Stock Exchange; the coupon price is implicitly tied to this loan.

Financial Assets

AFS financial assets – quoted equity shares

The Group has short-term investments in locally listed equity securities of local companies. The fair value of the quoted equity shares is determined by reference to published price quotations in an active market.

x US$ 1,000	2017	2016	As at January 1, 2016
AFS financial assets at fair value through OCI:			
Quoted equity shares	3,838	3,797	6,910
Total	3,838	3,797	6,910

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Section 6. Working capital

This section provides additional information that the directors consider is most relevant in understanding the composition and management of the Group's working capital:

- Cash and short-term deposits (Note 6.1)
- Trade and other receivables (Note 6.2)
- Inventories (Note 6.3)
- Trade payables, accruals and other liabilities (Note 6.4)

6.1 Cash and short–term deposits

x US$ 1,000	2017	2016	As at January 1, 2016
Cash at banks and on hand	41,005	11,787	25,048
Short-term deposits	5,516	5,584	5,584
	46,521	17,371	30,632

Cash at banks earns interest at floating rates based on daily interest rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

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

x US$ 1,000	2017	2016	As at January 1, 2016
Cash at banks and on hand	41,005	11,787	25,048
Short - term deposits	5,516	5,584	5,584
Cash and short -term deposits	46,521	17,371	30,632
Bank overdrafts	(3,713)	(3,713)	(2,560)
Cash and cash equivalents	42,808	13,658	28,072

Restricted cash of US$ 27,462 as at December 31, 2017 of which US$ 10,611 is current (December 31, 2016 of US$ 19,220 of which US$ 7,370 is current and January 1, 2016 of US$ 20,856 of which US$ 6,444 is current) relates to:

- Collateral with reference to Staatsolie's long term loans and funding for interest and loan (re)payment US$ 11,351.
- Collateral with reference to the SPCS loan and funding of interest and loan (re)payment of US$ 10,611.
- Corporate parent guarantees of Staatsolie to secure Ventrin's operational activities US$ 5,500.

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

6.2 Trade and other receivables

x US$ 1,000	2017	2016	As at January 1, 2016
Trade receivables	107,248	101,878	118,319
Prepayments and other current assets	27,175	44,472	43,304
	134,423	146,350	161,623

For terms and conditions relating to related party receivables, refer to Note 7. Trade receivables are non-interest bearing and are generally on terms of 30–90 days net of provisions.

Movements in the provision for impairment of receivables:

x US$ 1,000	2017	2016
As at January 1	11,288	6,690
Addition	813	5,203
Amounts written off	(687)	(127)
Unused amounts reversed	(3,433)	(478)
As at December 31	7,981	11,288

The ageing analysis of the trade receivables (net of provision for impairment) is, as follows:

				Past due but not impaired			
x US$ 1,000	**Total**	**Neither past due nor impaired**	**< 30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**
2017	107,248	30,490	8,845	9,614	1,339	2,674	54,286
2016	101,878	28,588	11,330	3,680	1,679	4,971	51,630
As at January 1, 2016	118,319	14,338	22,933	2,712	5,159	5,099	68,078

Included in the accounts receivable amount of US$ 107,248 as at December 31, 2017 is a balance of US$ 82,394 for the delivery of electricity to GoS and oil deliveries to N.V. EBS. The outstanding payable to PDVSA Petróleo, S.A. ("PDVSA") amounting to US$ 49,658 has been used as a settlement with GoS, based on the written confirmation from GoS that all payment obligations of Staatsolie due to PDVSA pursuant to the contract will be assigned to GoS. The remainder of US$ 32,736 will be settled by applying the amounts payable to GoS at December 31, 2017. After these settlements, the net payable balance to GoS amounts to US$ 11,230.

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

In determining the recoverability of a trade or other receivable, the Group performs a risk analysis considering the type and age of the outstanding receivable and the creditworthiness of the counterparties.

Prepaid expenses and other current assets consisted of the following:

x US$ 1,000	2017	2016	As at January 1, 2016
Receivable from personnel	18	10	440
Prepaid to puchasing agents	-	-	750
Prepaid insurance costs	805	916	832
Receivable from Surgold	-	8,660	-
Interim dividend	6,000	-	-
Downpayment vendors	4,246	12,631	16,630
Prepaid purchased goods, services and other	8,714	4,562	5,407
Net sales tax receivable	7,392	17,693	19,245
	27,175	44,472	43,304

6.3 Inventories

x US$ 1,000	2017	2016	As at January 1, 2016
Petroleum products	3,089	22,943	20,829
Materials and supplies	58,674	39,755	43,699
Ordered goods	461	3,171	7,861
Carrying value at NRV	62,224	65,869	72,389

During 2017, US$ 950 was recognized as an expense for inventories to recognize a provision for obsolete inventories. During 2016 US$ 194 was released from the provision for obsolete inventories.

During 2017, US$ 236,866 (2016: US$ 242,163) was recognized as an expense for inventories carried at cost. This is recognized in cost of sales.

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

6.4 Trade payables, accruals and other liabilities

x US$ 1,000	2017	2016	As at January 1, 2016
Trade payables	90,570	96,618	110,350
Accrued liabilities	95,709	87,839	49,014
Other liabilities	1,816	5,441	13,263
	188,095	189,898	172,627

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 30-day terms.
- Accruals consist mainly of a current account with the GoS amounting to US$ 63,087 (2016: US$ 63,087), accrued interest on loans and allowances payable to management and personnel. All items are non-interest bearing and are normally settled on 30-day terms.
- Other liabilities include sales, dividend and payroll tax payables and are non-interest bearing.

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Section 7. Group information and related party disclosures

Information about subsidiaries

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

Subsidiaries	Activities	Country of in Corporation	% Equity Interest	
			2017	2016
GOw2	Distributions and Trading	Suriname	100	100
Ventrin	Distributions and Trading	Trinidad and Tobago	100	100
POC	Exploration activities	Suriname	100	100
SPCS	Electricity Generator	Suriname	99.99	99.99

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

Joint arrangement in which the Group is a joint venture

The Group has a 25% interest in Suriname Gold Project C.V. (2016: 25%, January 1, 2016: 25%).

During the year, the Group entered into the following transactions, in the ordinary course of business with related parties. These transactions consist of sale and delivery of petroleum products and electricity, purchase of electricity, and rendering of maritime services from the Maritieme Autoriteit Suriname. The following companies are all state-owned enterprises and therefore are related parties due to the common ownership:

N.V. Energie Bedrijven Suriname (EBS)

x US$ 1,000	Sales of goods	Purchases of goods	Trade receivables	Trade payables
2015	44,894	5,960	33,178	547
2016	32,648	33,293	1,716	334
2017	36,168	11,013	16,593	380

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Suriname American Industries Limited (SAIL)

x US$ 1,000	Sales of goods	Purchases of goods	Trade receivables	Trade payables
2015	428	-	1,975	-
2016	351	-	1,939	-
2017	626	-	1,952	-

Melkcentrale Paramaribo N.V.

x US$ 1,000	Sales of goods	Purchases of goods	Trade receivables	Trade payables
2015	44	-	3	-
2016	36	-	6	-
2017	73	-	7	-

Maritieme Autoriteit Suriname (MAS, the maritime authority of Suriname)

x US$ 1,000	Sales of goods	Purchases of goods	Trade receivable	Trade payable
2015	-	5	-	1
2016	15	7	-	3
2017	10	12	-	-

Loans from/to related parties

x US$ 1000

From:	**To:**		**Interest charges**	**Amounts owed by related parties**
Government of Suriname	Staatsolie	2017	24,192	258,412
		2016	-	258,058
		As at January 1, 2016	-	-
SPCS	Government of Suriname	2017	959	19,375
		2016	1,278	23,044
		As at January 1, 2016	-	-
Staatsolie	EBS	2017	-	-
		2016	64	805
		As at January 1, 2016	64	805

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Dividend to related parties

The Group made an interim payment, subject to approval, regarding dividend to their shareholders, GoS, of US$ 6,000 in 2017 regarding fiscal year 2017 (refer to note 6.2).

Trade receivables from / trade payables to shareholder (GoS)

As at December 31, 2017, the Group had a trade receivable balance of US$ 82,394 due from their shareholders, while the trade payable balance due to their shareholders was US$ 63,087 (refer to notes 6.2 and 6.4 respectively).

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made in the ordinary course of business. There is an arrangement with GoS for the settlement of the trade receivables from EBS and GoS the outstanding payables to GoS.

One guarantee has been provided to Ventrin in the amount of US$ 5,500. This guarantee is with the First Caribbean International Bank. For the year ended December 31, 2017 and 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties, except for one related party namely SAIL. The receivable amounted to US$ 1,952 as at December 31, 2017 of which the amount is fully provided. The outstanding amount of Melkcentrale was paid in January 2018.

Compensation of key management personnel of the Group:

xUS$ 1,000	**2017**	**2016**
Short term employee benefits	2,432	2,109
Post-employment pension and medical benefits	827	892
Total Compensation paid to key management personnel	3,259	3,001

There are no other related party transactions.

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

Section 8. Other

8.1 Events after the reporting period

On 25 May, 2018 Staatsolie commenced its loan diversification strategy by refinancing its loan portfolio with a seven years US$ 625 million term loan, bearing 5.125% interest + 3 months LIBOR (comprising a grace period of 18 months). The outstanding corporate term loan balances were redeemed for US$ 298 million (including SPCS loan for US$ 70 million), and the loan to the Government of Suriname was repaid for US$ 261.5 million. Simultaneously a new seven-year term loan for US$ 625 million was executed on the same date. The refinancing also included the buyback of the 4.8% stake of the GoS related to their financial contributions made in 2016 on Staatsolie's behalf to the limited partnership agreement with Newmont Suriname LLC.

8.2 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of Staatsolie's consolidated financial statements are disclosed below. These are the changes that Staatsolie reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date. Staatsolie intends to adopt these standards and interpretations, if applicable, when they become effective. Standards and interpretation that are issued but not yet effective as at year end that are not expected to have an impact to the Group consolidated financial statement have not been listed below.

1. **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not compulsory. Staatsolie plans to adopt the new standard on the required effective date.

During 2016, Staatsolie has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analysis or additional reasonable and supportable information being made available to Staatsolie in the future.

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

(a) Classification and measurement

Overall, Staatsolie expects the adoption of IFRS 9 may have an effect on the classification and measurement of its financial assets, but no significant impact on the classification and measurement of the financial liabilities or equity.

Staatsolie will consider whether any of the sales contracts contain an embedded derivative, but do not meet the normal sales and purchases exemption. Under IAS 39, where provisionally priced sales contracts contain an embedded derivative that is considered to be closely related to the host contract, this is not separated from the host contract until delivery into the contract for accounting purposes under IAS 39. Accordingly, the embedded derivative, which does not qualify for hedge accounting, is recognized at fair value, with subsequent changes in fair value recognized in the statement of profit or loss and other comprehensive income each period until final settlement. The initial estimate of fair value and subsequent changes in fair value up until final settlement, are estimated by reference to forward market prices.

On adoption of IFRS 9, embedded derivatives will no longer be separated from the host receivable as these receivables are not expected to give rise to cash flows that represent solely payments of principal and interest. Instead, the receivables will be accounted for as one instrument and measured at fair value through profit or loss with subsequent changes in fair value recognized in the statement of profit or loss and other comprehensive income each period until final settlement. This will mean that the quantum of the fair value movements may be different under IFRS 9, because the fair value of the receivable will factor in the impact of credit and interest rates.

Other non-provisionally priced trade receivables are considered to be held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Staatsolie expects that these will continue to be measured at amortized cost under IFRS 9. However, Staatsolie will analyze the contractual cash flow characteristics of these instruments in more detail before concluding whether all these instruments meet the criteria for amortized cost measurement under IFRS 9. For other financial assets currently measured at fair value, e.g., derivative financial assets, Staatsolie expects to continue measuring these at fair value.

There will be no impact on financial liabilities.

(b) Impairment

IFRS 9 requires to now use an expected credit loss model for its trade receivables measured at amortized cost, either on a 12-month or lifetime basis. Staatsolie expects to apply the simplified approach and record lifetime expected losses on all trade receivables measured at amortized cost. Given the short-term nature of these receivables, Staatsolie does not expect these changes will have a significant impact.

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

(c) Hedge accounting

The changes in IFRS 9 relating to hedge accounting will have no impact as Staatsolie does not currently apply hedge accounting.

2. IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

Staatsolie plans to adopt the new standard on the required effective date using the modified retrospective method.

During 2017, Staatsolie commenced its preliminary assessment of IFRS 15, which may be subject to changes as more detailed analysis is completed. Furthermore, Staatsolie is considering the clarifications issued by the IASB in April 2016 and will monitor any further development.

Staatsolie is in the business of exploring for, developing, producing, refining and selling oil and electricity to customers in various locations around the world. To date, Staatsolie has identified the following issues that require consideration:

(a) Provisionally priced sales

As discussed under IFRS 9 Financial Instruments above, from time to time Staatsolie may enter into contracts contain provisional pricing features which are considered to be embedded derivatives.

Under IAS 18 Revenue, revenue is recognized at the estimated fair value of the total consideration received or receivable when the crude oil is shipped and risks and rewards are considered to have passed. This fair value is based on the most recently determined estimate of crude oil price given the specific quality of the crude and the estimated forward price which the entity expects to receive. The initial estimate of the fair value of the embedded derivative, and subsequent changes in fair value up until final settlement, are also estimated by reference to forward market prices. The subsequent changes in fair value are recognized in the statement of profit or loss and other comprehensive income each period until final settlement.

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IFRS 15 will not change the assessment of the existence of embedded derivatives. IFRS 15 states that if a contract is partially within scope of this standard and partially in the scope of another standard, an entity will first apply the separation and measurement requirements of the other standard(s). Therefore, to the extent that provisional pricing features are considered embedded derivatives that require separation from their host contract, they will continue to be outside the scope of IFRS 15 and entities will be required to account for these in accordance with IFRS 9. Revenue in respect of the host contract will be recognized when control passes to the customer (which has been determined to be the same point in time, i.e., when the crude oil is physically transferred into a vessel, pipe or other delivery mechanism) and will be measured at the amount the entity expects to be entitled – being the estimate of the price expected to be received, based on the most recently determined estimate of crude quality differential and the estimated forward price (which is consistent with current practice). As noted above in the discussion on the potential impact of IFRS 9, the embedded derivative will no longer be separated from the host contract. This is because the existence of the provisional pricing features will mean the receivable will fail to meet the requirements to be measured at amortized cost and instead the entire receivable will be measured to fair value with subsequent movements being recognized in the statement of profit or loss and other comprehensive income.

When it comes to the presentation of amounts arising from such provisionally priced contracts, IFRS 15 requires “revenue from contracts with customers” to be disclosed separately from other types of revenue. This means that revenue recognized from the initial sale must be separately disclosed in the consolidated financial statements from any revenue/income recognized from subsequent movements in the fair value of the related receivable.

(b) Other presentation and disclosure requirements

In addition to the presentation and disclosure requirements discussed above, IFRS 15 contains other presentation and disclosure requirements which are more detailed than current IFRS. The presentation requirements represent a significant change from current practice and will increase the volume of disclosures required in Staatsolie’s consolidated financial statements. Many of the disclosure requirements in IFRS 15 are completely new. In 2017 Staatsolie started to consider the new systems, internal controls, policies and procedures necessary to collect and disclose the required information.

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Notes to the Consolidated financial statements for the years ended December 31, 2017 and 2016 (continued)

3. IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, Staatsolie is currently assessing the potential effect of IFRS 16 on its consolidated financial statements.

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