



***Petrolinvest***

**CONSOLIDATED  
QUARTERLY REPORT  
OF PETROLINVEST GROUP  
FOR 3rd QUARTER 2008  
ENDED ON 30 SEPTEMBER 2008**

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CONSOLIDATED QUARTERLY REPORT OF PETROLINVEST GROUP FOR 3rd QUARTER 2008  
ENDED ON 30 SEPTEMBER 2008

**1. SELECTED FINANCIAL DATA**

**1.1. Selected financial data of PETROLINVEST Group**

	<i>for 9 months</i>		<i>for 9 months</i>	
	<i>ended 30 September</i>		<i>ended 30 September</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>PLN '000</i>		<i>EUR '000</i>	
Net revenue from the sale of products, goods and materials	171 882	136 437	50 189	35 611
Profit (loss) from operations	(36 980)	(22 645)	(10 798)	(5 910)
Gross profit (loss)	(30 072)	(14 719)	(8 781)	(3 842)
Net profit (loss) attributable to equity holders of the parent	(31 297)	(18 783)	(9 139)	(4 902)
Cash flows from operating activities	(45 767)	(18 749)	(13 364)	(4 894)
Cash flows from investing activities	(150 983)	(301 067)	(44 086)	(78 580)
Cash flows from financing activities	161 688	371 789	47 212	97 039
Net cash flows, total	(35 062)	51 973	(10 238)	13 565
Weighted average number of shares issued in units	6 057 464	5 397 810	6 057 464	5 397 810
Number of diluting potential ordinary shares	89 376	89 376	89 376	89 376
Earnings (loss) per share (in PLN/EUR)	(5.17)	(3.48)	(1.51)	(0.91)
Diluted earnings (loss) per share (in PLN/EUR)	(5.09)	(3.42)	(1.49)	(0.89)
	<i>as at</i>		<i>as at</i>	
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>PLN '000</i>		<i>EUR '000</i>	
Total assets	1 140 210	1 035 776	334 539	289 161
Liabilities and provisions for liabilities	776 429	674 412	227 805	188 278
Non-current liabilities	641 201	546 380	188 129	152 535
Current liabilities	135 228	128 032	39 676	35 743
Equity attributable to equity holders of the parent	363 661	360 876	106 699	100 747
Share capital	61 635	58 730	18 084	16 396
Weighted average number of shares issued in units	6 057 464	5 517 584	6 057 464	5 517 584
Number of diluting potential ordinary shares	89 376	89 376	89 376	89 376
Book value per share (in PLN/EUR)	60.04	65.40	17.61	18.26
Diluted book value per share (in PLN/EUR)	59.16	64.36	17.36	17.97
Declared or paid dividend per share (in PLN/EUR)	0.00	0.00	0.00	0.00

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ENDED ON 30 SEPTEMBER 2008

**1.2. Selected financial data of PETROLINVEST S.A.**

	<i>for 9 months</i>		<i>for 9 months</i>	
	<i>ended 30 September</i>		<i>ended 30 September</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>PLN '000</i>		<i>EUR '000</i>	
Net revenue from the sale of products, goods and materials	171 859	136 360	50 182	35 590
Profit (loss) from operations	(22 974)	(13 417)	(6 708)	(3 502)
Gross profit (loss)	(18 733)	(16 259)	(5 470)	(4 244)
Net profit (loss) attributable to equity holders of the parent	(18 243)	(18 597)	(5 327)	(4 854)
Cash flows from operating activities	(20 475)	(9 308)	(5 979)	(2 429)
Cash flows from investing activities	(168 077)	(294 100)	(49 078)	(76 760)
Cash flows from financing activities	157 325	367 392	45 938	95 890
Net cash flows, total	(31 227)	63 984	(9 118)	16 700
Weighted average number of shares issued in units	6 057 464	5 397 810	6 057 464	5 397 810
Number of diluting potential ordinary shares	89 376	89 376	89 376	89 376
Earnings (loss) per share (in PLN/EUR)	(3.01)	(3.45)	(0.88)	(0.90)
Diluted profit (loss) per share (in PLN/EUR)	(2.97)	(3.39)	(0.87)	(0.88)
	<i>as at</i>		<i>as at</i>	
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>PLN '000</i>		<i>EUR '000</i>	
Total assets	1 084 202	932 281	318 106	260 268
Liabilities and provisions for liabilities	569 650	514 511	167 136	143 638
Non-current liabilities	490 546	427 302	143 927	119 291
Current liabilities	79 104	87 209	23 209	24 346
Equity attributable to equity holders of the parent	514 552	417 770	150 970	116 630
Share capital	61 635	58 730	18 084	16 396
Weighted average number of shares issued in units	6 057 464	5 517 584	6 057 464	5 517 584
Number of diluting potential ordinary shares	89 376	89 376	89 376	89 376
Book value per share (in PLN/EUR)	84.95	75.72	24.92	21.14
Diluted book value per share (in PLN/EUR)	83.71	74.51	24.56	20.80
Declared or paid dividend per share (in PLN/EUR)	0.00	0.00	0.00	0.00

**2. AVERAGE PLN/EUR EXCHANGE RATE FIXED BY NBP**

	<i>for 9 months</i>	
	<i>ended 30 September</i>	
	<i>2008</i>	<i>2007</i>
average rate in the period	3.4247	3.8314
	<i>as at</i>	
	<i>30 September</i>	<i>31 December</i>
	<i>2008</i>	<i>2007</i>
rate at the end of the period	3.4083	3.5820

### 3. GENERAL INFORMATION REGARDING THE ISSUER AND THE ISSUER'S GROUP

PETROLINVEST S.A. Group is comprised of parent entity - PETROLINVEST S.A. (the "Company") as well as subsidiary companies (see point 4). For the needs of this Report, the parent company, its subsidiaries and jointly-controlled entities (see point 4) shall be referred to as PETROLINVEST Group (the Group).

PETROLINVEST S.A., the parent entity of PETROLINVEST Group, was incorporated pursuant to Resolution of the Shareholders' Meeting of Petrolinvest Sp. z o.o. (limited liability company) dated 22 December 2006 regarding its transformation into Spółka Akcyjna (a joint stock company). The Company was registered with the National Court Register kept by the District Court, VIII Economic Department of the National Court Register under entry no. KRS 0000270970 on 29 December 2006. The Company was granted statistical REGON number 190829082.

On 16 July 2007, rights to shares of PETROLINVEST S.A. were first quoted on the Warsaw Stock Exchange.

The Company's registered office is located in Poland, at Podolska 21, Gdynia.

The parent entity and the other entities of the Group have an unlimited period of operation.

The main areas of business activities of PETROLINVEST Group include:

- activities incidental to oil and gas exploration and extraction,
- wholesale of solid, liquid and gaseous fuels and related products,
- retail sale of automotive fuel,
- manufacture of gaseous fuel,
- services connected with installation of metal structures,
- gas fittings and installations.

Gas trading activities are carried out by the Company' branch with a self-balancing set of accounts: PETROLINVEST Spółka Akcyjna – Oddział LPG (LPG Branch) headquartered in Gdynia. The Branch was separated on 1 July 2008. The Branch was granted statistical REGON number 190829082-00022.

As of the date of publication of this Quarterly Report, the largest shareholder of PETROLINVEST S.A. is Prokom Investments S.A. The controlling entity of PROKOM INVESTMENTS S.A. is Mr. Ryszard Krauze.

As set out in the Company's statutes, if the management board is composed of two or three persons, Prokom Investments S.A. has personal powers to appoint and dismiss the president of the management board while Mr. Ryszard Krauze, one of the shareholders of PETROLINVEST S.A., has personal powers to appoint and dismiss the vice president. The number of board members is determined by Prokom Investments S.A. The supervisory board is composed of five members, two of them (including the chairman and deputy chairman of the supervisory board) are appointed and dismissed by Prokom Investments S.A. while one member of the supervisory board is appointed and dismissed by Mr. Ryszard Krauze.

### 4. ENTITIES OF THE GROUP SUBJECT TO CONSOLIDATION IN 3rd QUARTER 2008

PETROLINVEST Group is composed of the parent entity, subsidiaries and jointly-controlled entities with the following profiles: prospecting and extraction, trade and service.

As of 30 September 2008, PETROLINVEST S.A. possessed stock/shares in the following companies:

Company name	Share capital	Shareholding	Consolidation method
Occidental Resources, Inc. (U.S.A.) (*)	199 332.77 USD	50%	Proportional
TOO EMBA JUG NIEFT (Republic of Kazakhstan)	145 000.00 KZT	50%	Proportional
TOO COMPANY PROFIT (Republic of Kazakhstan)	164 600.00 KZT	50%	Proportional
OOO SIEWIERGEOFIZYKA (Russian Federation)	100 000.00 RUB	59.999%	Full
OOO NIEFTIEGOSERWIS (Russian Federation)	10 000.00 RUB	59.99%	Full
ZAO Pechora-Petroleum (Russian Federation)	20 000.00 RUB	59%	Full
UAB Petrolinvest Mockavos Perpyla (Lithuania)	2 000 000.00 LTL	87%	Full
TPG GAZ S.A. (Poland)	15 720 325.00 PLN	100%	Full

(\*) Occidental Resources, Inc. owns 100% of the shares in OilTechnoGroup, registered in the Republic of Kazakhstan.

After the period covered by this Report, on 7 November 2008, the Company's shareholding in the share capital of Occidental Resources Inc. was increased from 50% to 88.10%.

**5. MATERIAL EVENTS OCCURRING AFTER THE END OF THE PERIOD WHICH HAD NOT BEEN REFLECTED IN THE CONSOLIDATED FINANCIAL STATEMENTS FOR 3rd QUARTER 2008**

- ✓ On 2 October 2008, the Company published the **Management Board Reports on non-cash contributions of shares** of Occidental Resources Inc. representing 48.27% of all its shares issued, TOO EMBA JUG NIEFT representing 50% of its share capital, and Caspian Services Inc. representing 26.07% of all its shares issued—contributed towards the share capital increase of the Company, together with Independent Certified Auditor's Opinions regarding the truthfulness and fairness of the Management Board Report and asserting whether the value of the non-cash contributions is equal to at least the issue price of the Company shares issued in exchange for those contributions in the amount of 4,512,950 shares.
- ✓ On 13 October 2008, **trial production of crude oil** was commenced in the area of the Zhangurshi Concession (Aktau-Tranzit) based on a trial exploitation project of the Zhangurshi field approved by the CKR RK protocol no. 50 dated 24 April 2008. Seven out of ten wells will be exploited in which industrial oil flows had been obtained earlier; other wells will follow closely. Mining infrastructure constructed in the years 2007-2008 is used for oil recovery.

Drilling and testing of two new wells is ongoing in the area of the Tyubedzhik Concession. It is also planned that trial exploitation of the Tyubedzhik field will begin in the nearest future.

**The Zhangurshi Concession and the Tyubedzhik Concession** owned by Aktau Tranzit were **prolonged** by two years to 8 October 2010 after appropriate annexes had been signed. The minimum work programme amounts to (i) USD 2,770 thousand and USD 2,000 thousand in the first and second year of the prolongation period, respectively, for the Zhangurshi Concession and (ii) USD 1,459 thousand and USD 1,500 thousand in the first and second year of the prolongation period, respectively, for the Tyubedzhik Concession. The Zhangurshi Concession and the Tyubedzhik Concession are exploration concessions and give Aktau-Tranzit the right to trial production of oil within the licensed areas.

The Company has an option to buy 35% of the shares in Aktau Tranzit or one of the companies controlling Aktau Tranzit.

- ✓ On 20 October 2008, the Company was granted **permission by the bank Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna** ("PKO BP S.A."), acting as the Facility Agent for the facility granted to the Company under a credit facility agreement dated 21 March 2007 as amended, to carry out activities following from the annexes dated 12 September 2008 to the following agreements: the investment agreement of 16 January 2008 concluded between the Company and the shareholders of Occidental Resources Inc., the investment agreement of 16 January 2008 concluded between the Company and Dzhumageldy Rakhishevich Amankulov, Atameken-Prommash LLP, GEOKAPITAL LLP and MARBURG OIL LLP, and the investment agreement of 29 February 2008 between the Company and Mars International Worldwide Inc.

PKO BP S.A. gave its consent for the Company to acquire:

- 48.27% of the shares in Occidental Resources Inc. in exchange for 3,310,573 shares of the Company issued at an issue price of PLN 225 per share;
- 50% of the shares in TOO EMBA JUG NIEFT in exchange for 772,315 shares of the Company issued at an issue price of PLN 225 per share and an additional issue of 271,517 Company shares if the prospective resources located on the EMBA JUG NIEFT concession area reach at least 160 million barrels of oil in the future; and
- 26.07% of the shares in Caspian Services Inc. in exchange for 430,062 shares of the Company issued at an issue price of PLN 225 per share.

The consent of PKO BP S.A. was one of the conditions precedent of the investment agreements referred to above.

- ✓ On 27 October 2008, the Company signed a **letter of intent with MI Energy Corporation** (henceforth "MI Energy") which envisages financing of the Company's activities by MI Energy and working towards merging the businesses of both companies. The Parties agreed as follows:
  - They will join their efforts to prepare the structure of the transaction of merging the businesses of both companies and commence mutual due diligence.
  - In order to co-ordinate the due diligence and merger-related work, the parties will set up working groups devoted to financial, geological and legal matters composed of the same number of representatives from each side.
  - Immediately after the letter of intent has been signed, the parties shall call up a committee to supervise the Company's prospecting activities in Kazakhstan, composed of two management board members of the Company and two representatives of the highest executives of MI Energy.
  - The letter of intent does not hold up or rule out other work that the Company may perform in order to increase its share capital or obtain appropriate financing for its investment programme.
  - The parties agreed that MI Energy should participate in financing the Company's operations via:

- a. Extending a loan of USD 5-10 million, convertible into Petrolinvest shares issued at a price not higher than the issue price for the European Bank for Reconstruction and Development or any other financial investors,
  - b. Contribution to the share capital increase in the Company of USD 25-50 million, paid up in cash.
- The parties agreed to take all actions necessary to float the shares of the combined entity on the London or Hong Kong stock exchange, or any other developed market, in parallel to the listing on the Warsaw Stock Exchange.
  - The Company's share capital is to be increased within the framework of the financing provided on the basis of the letter of intent signed on 16 September 2008 with the European Bank for Reconstruction and Development and the fund Blue Oak Capital Limited.

MI Energy is an oil extraction company which produces crude in the provinces of Jilin and Shandong, P.R. China. It has four production sharing contracts concluded in 2001 with PetroChina Company Ltd. and another four contracts with Sinopec Corporation. Daan, the largest oilfield operated by MI Energy, has over 750 million barrels of oil-in-place confirmed by the Chinese Oil and Gas Special Interest Committee of the State Mineral Resources Commission.

MI Energy is managed by an international team of managers with many years of experience in the oil industry, and it has offices in China (Beijing and Jilin) and Huston, Texas.

As of the end of June 2008, the aggregate production of crude oil from the reserves operated by MI Energy was 11.3 million barrels, including 3.63 million barrels recovered in 2007. According to information provided by MI Energy, the company's projected production is expected to pass 5.2 million barrels in 2008. MI Energy specialises in technologies which increase the production of crude oil from low permeability reserves.

The letter of intent signed with MI Energy to finance prospecting and production work in Kazakhstan and to structure the merger of the businesses is a large step forward towards building a strong international extraction company that enjoys high levels of prospective resources, confirmed reserves and stable cash flows.

- ✓ On 3 November 2008, the Company was informed that the competent authorities of the Republic of Kazakhstan (Zapkazniedra) had approved the **trial exploitation plan for the Zhubantam deposit** and recommended the plan for consideration by the Central Commission for Reserves of the Kazakh Republic. The Zhubantam deposit lies within the Zhubantam-Zhusalysay Concession owned by TOO EMBA JUG NIEFT. Detailed information about the size of confirmed geological reserves is provided in point 8 herein.
  - ✓ On 6 November 2008, in connection with the execution of the following agreements:
    - Investment agreement between the Company and Dzhumageldy Rakhishevich Amankulov, Atameken-Prommash LLP, GEOKAPITAL LLP and MARBURG OIL LLP regarding the purchase by the Company of 50% of the shares in TOO EMBA JUG NIEFT, a company incorporated under Kazakhstan law ("EMBA"), in which the Company already owns 50% of the shares ("Investment Agreement I"); and
    - Investment agreement between the Company and the shareholders of Occidental Resources Inc., a company incorporated under Utah state law ("ORI"), regarding the purchase by the Company of 48.27% of the shares in ORI, in which the Company already owns 50% of the shares ("Investment Agreement II");
- the Company **concluded the following agreements:**
- in connection with the execution of Investment Agreement I:
    - a. Share subscription agreement with Dzhumageldy Rakhishevich Amankulov, under which he took up 47,304 Company H-series shares, and in exchange pledged himself to make it so that the Company becomes the owner of 3.06248% of the shares in EMBA by 16 November 2008;
    - b. Share subscription agreement with Atameken-Prommach LLP, incorporated in Kazakhstan, under which it took up 118,261 Company H-series shares, and in exchange pledged itself to make it so that the Company becomes the owner of 7.65627% of the shares in EMBA by 16 November 2008;
    - c. Share subscription agreement with GEOKAPITAL LLP, incorporated in Kazakhstan, under which it took up 177,391 Company H-series shares, and in exchange pledged itself to make it so that the Company becomes the owner of 11.48437% of the shares in EMBA by 16 November 2008;
    - d. Share subscription agreement with MARBURG OIL LLP, incorporated in Kazakhstan, under which it took up 248,348 Company H-series shares, and in exchange pledged itself to make it so that the Company becomes the owner of 16.07815% of the shares in EMBA by 16 November 2008;
    - e. Share subscription agreement with Capital Vario CR. S.A., incorporated in Costa Rica, under which it took up 181,011 Company H-series shares, and in exchange pledged itself to make it so that the Company becomes the owner of 11.71873% of the shares in EMBA by 16 November 2008.
  - in connection with the execution of Investment Agreement II:
    - a. Share subscription agreement with Darnley International Ltd., incorporated in the British Virgin Islands, under which it took up 237,307 Company G-series shares, and in exchange pledged itself to make it so that the Company becomes the owner of 6,896,948 of ORI shares, representing 3.46% of ORI share capital, by 16 November 2008;

- b. Share subscription agreement with Raycliffe Resources Ltd., incorporated in the British Virgin Islands, under which it took up 700,297 Company G-series shares, and in exchange pledged itself to make it so that the Company becomes the owner of 20,353,053 of ORI shares, representing 10.21% of ORI share capital, by 16 November 2008;
- c. Share subscription agreement with Landsgate Marketing Ltd., incorporated in the British Virgin Islands, under which it took up 655,548 Company G-series shares, and in exchange pledged itself to make it so that the Company becomes the owner of 19,052,480 of ORI shares, representing 9.56% of ORI share capital, by 16 November 2008;
- d. Share subscription agreement with Fischer Properties Ltd., incorporated in the British Virgin Islands, under which it took up 655,548 Company G-series shares, and in exchange pledged itself to make it so that the Company becomes the owner of 19,052,481 of ORI shares, representing 9.56% of ORI share capital, by 16 November 2008;
- e. Share subscription agreement with Penbro Investments S.A., incorporated in the British Virgin Islands, under which it took up 7,455 Company G-series shares, and in exchange pledged itself to make it so that the Company becomes the owner of 216,666 of ORI shares, representing 0.11% of ORI share capital, by 16 November 2008;
- f. Share subscription agreement with Munivac Global Ventures Inc., incorporated in the British Virgin Islands, under which it took up 141,859 Company G-series shares, and in exchange pledged itself to make it so that the Company becomes the owner of 4,122,901 of ORI shares, representing 2.07% of ORI share capital, by 16 November 2008;
- g. Share subscription agreement with Steen Trading Inc., incorporated in the British Virgin Islands, under which it took up 34,407 Company G-series shares, and in exchange pledged itself to make it so that the Company becomes the owner of 1,000,000 of ORI shares, representing 0.5% of ORI share capital, by 16 November 2008;
- h. Share subscription agreement with Laitingen Financial Inc., incorporated in the British Virgin Islands, under which it took up 570,618 Company G-series shares, and in exchange pledged itself to make it so that the Company becomes the owner of 16,584,137 of ORI shares, representing 8.32% of ORI share capital, by 16 November 2008;
- i. Share subscription agreement with Jaksen Tcherdabayev, under which he took up 34,407 Company G-series shares, and in exchange pledged himself to make it so that the Company becomes the owner of 1,000,000 of ORI shares, representing 0.5% of ORI share capital, by 16 November 2008;
- j. Share subscription agreement with Mars International Worldwide Inc., incorporated in the British Virgin Islands, under which it took up 13,763 Company G-series shares, and in exchange pledged itself to make it so that the Company becomes the owner of 400,000 of ORI shares, representing 0.2% of ORI share capital, by 16 November 2008;
- k. Share subscription agreement with Teka Products Inc., incorporated in Belize, under which it took up 259,364 Company G-series shares, and in exchange pledged itself to make it so that the Company becomes the owner of 7,538,000 of ORI shares, representing 3.78% of ORI share capital, by 16 November 2008.

The signing of the agreements listed above was the fulfilment of the last condition precedent of the Investment Agreement I and the last condition precedent of the Investment Agreement II.

Upon execution of the subscription agreements described above, the Company will become the owner of 100% of the shares in EMBA and shares representing 98.27% of ORI share capital.

- ✓ On 7 November 2008, in connection with the execution of share subscription agreements for G-series Petrolinvest shares concluded on 6 November 2008 with Darnley International Ltd., Raycliffe Resources Ltd., Landsgate Marketing Ltd., Munivac Global Ventures Inc., Steen Trading Inc., Laitingen Financial Inc., Mars International Worldwide Inc., and Teka Products Inc., as described above, **the Company received the following number of shares in Occidental Resources Inc.**, a company incorporated under Utah state law:
- a. Darnley International Ltd. transferred to the Company the ownership of 6,896,948 of ORI shares, representing 3.46% of ORI share capital;
  - b. Raycliffe Resources Ltd. transferred to the Company the ownership of 20,353,053 of ORI shares, representing 10.21% of ORI share capital;
  - c. Landsgate Marketing Ltd. transferred to the Company the ownership of 19,052,480 of ORI shares, representing 9.56% of ORI share capital;
  - d. Munivac Global Ventures Inc. transferred to the Company the ownership of 4,122,901 of ORI shares, representing 2.07% of ORI share capital;
  - e. Steen Trading Inc. transferred to the Company the ownership of 1,000,000 of ORI shares, representing 0.5% of ORI share capital;
  - f. Laitingen Financial Inc. transferred to the Company the ownership of 16,584,137 of ORI shares, representing 8.32% of ORI share capital;

- g. Mars International Worldwide Inc. transferred to the Company the ownership of 400,000 of ORI shares, representing 0.2% of ORI share capital;
- h. Teka Products Inc. transferred to the Company the ownership of 7,538,000 of ORI shares, representing 3.78% of ORI share capital.

On 7 November 2008, as required by Utah state law, appropriate dispositions were made, as a result of which the ownership of 75,947,519 ORI shares was transferred to the Company. The shares thus acquired constitute 38.10% of ORI share capital and carry 38.10% of votes at the company's general meeting.

Occidental Resources Inc. is a company incorporated in the State of Utah, USA. ORI is the owner of 100% of the shares in a Kazakh law company OilTechnoGroup LLP, involved in prospecting for and extracting oil. The latter company owns an oil exploration and production concession covering an area located in the northwest of Kazakhstan. The concession covers West Kazakhstan Oblast and Aktobe Oblast with a coverage of 9.512 sq. km.

ORI shares were acquired by the Company as a non-cash contribution, pursuant to subscription agreements which were made public by current report no. 70/2008. The Company treats the acquisition of ORI shares as a long-term investment.

The nominal value of each ORI share is USD 0.001. The nominal value of all ORI shares acquired is USD 75,947.52.

The entities transferring the ownership of ORI shares to the Company were minority shareholders of ORI. Mars International Worldwide Inc. is also a party to the following agreements concluded with the Company:

- The investment agreement of 16 January 2008 regarding the acquisition by the Company of shares in Capital Energy (see current report no. 3/2008 and 52/2008);
- The investment agreement of 21 February 2008 regarding the acquisition by the Company of shares in Kazakhstancaspishelf JSC (see current report no. 10/2008 and 52/2008);
- The investment agreement of 28 February 2008 regarding the acquisition by the Company of shares in Caspian Services (see current report no. 10/2008 and 52/2008);
- The loan agreement of 15 April 2008 regarding a USD 2,000 thousand loan to Mars International Worldwide Inc.

Munivac Global Ventures Inc. is a party to the following agreements with the Company:

- The investment agreement of 21 February 2008 regarding the acquisition by the Company of shares in Kazakhstancaspishelf JSC (see current report no. 10/2008 and 52/2008); and
- The investment agreement of 16 January 2008 regarding the acquisition by the Company of shares in Capital Energy (see current report no. 3/2008 and 52/2008).

The Company is not aware of any other links existing between the Company, or its directors or supervisors, and the entities transferring the ownership of ORI shares to the Company.

The acquired ORI shares were deemed significant value assets because their value exceeded 10 percent of the Company's equity.

As a result of the acquisition described above and together with ORI shares held to date, the Company came to hold shares representing 88.10% of ORI share capital and carrying 88.10% of votes at the company's general meeting.

- ✓ On 7 November 2008 the District Court for Gdańsk-Północ of Gdańsk, VIII Economic Department of the National Court Register, in a secret ballot registered the share capital increase of the Company effected by way of an issue of 184,616 ordinary bearer F-series shares with a nominal value of PLN 10 each.

In consequence:

- the Company's share capital after the registration is PLN 63,480,920, and
- the total number of votes attached to all Company shares issued, following the registration, is 6,348,092.

#### **6. CHANGES IN THE STRUCTURE OF THE COMPANY, INCLUDING MERGERS, ACQUISITIONS OR DISPOSALS OF THE ISSUER'S GROUP UNDERTAKINGS, LONG-TERM INVESTMENTS, DE-MERGERS, RESTRUCTURING AND DISCONTINUED OPERATIONS**

- ✓ On 1 July 2008, a **self-balancing branch of the Company** was established pursuant to a Resolution of the Management Board dated 30 June 2008 under the name of PETROLINVEST Spółka Akcyjna – Oddział LPG with its registered office in Gdynia to handle the Company's gas trading activities.

The Management Board decided to change the structure of the Company with a view to make the organisation more suited to the business activities currently performed in order to increase effectiveness and rationalise the Company's property management.

- ✓ In the third quarter of 2008, the Company continued work related to the finalisation of five conditional investment agreements concluded at the beginning of 2008 (amended on 12 September 2008—details in point 8 herein), which— if executed—will have a significant impact on the current sector coverage, structure and size of the Group. After the

period covered by this Report, the Company concluded share subscription agreements tantamount to the execution of two of the above-mentioned investment agreements—details are provided in points 5 herein. On 7 November 2008, appropriate dispositions were made as a result of which the Company acquired 38.10% of the share capital of Occidental Resources.

#### **7. EXPLANATIONS REGARDING SEASONALITY OR CYCLICALITY OF THE ISSUER'S OPERATIONS IN THE PERIOD**

As far as the Company's trading activities are concerned, which involve trading in LPG, selected product groups show a high seasonality.

The demand for automotive gas is higher in the months from May to September due to higher seasonal activity of motor vehicle users. In the winter months, there is less vehicular traffic, which is reflected by a decrease in sales of automotive gas.

The demand for gas for heating purposes concentrates in the period before the start of the winter season and throughout that season. The sales of gas for heating purposes are greatly limited in the spring and summer months.

The phenomena discussed above have a material impact on the Company's results generated on those operations. The third quarter of 2008 is always a period of strong sales and better results generated on those operations.

#### **8. BRIEF DESCRIPTION OF SIGNIFICANT ACHIEVEMENTS OR FAILURES OF THE ISSUER DURING THE PERIOD COVERED BY THE REPORT, INCLUDING A LIST OF THE MOST SIGNIFICANT EVENTS RELATED TO SUCH ACHIEVEMENTS OR FAILURES**

##### **PROSPECTING AND EXTRACTION**

In the third quarter of 2008, PETROLINVEST Group continued its prospecting and research work, the scope of which is presented below.

##### OOO SIEWIERGEOFIZYKA

The following works were carried out in the third quarter of 2008:

- ✓ Prospective resources of crude oil were classified according to Russian Federation standards under categories C3 and D1, based on the results of the interpretation of the 3D seismic image. For the Vysovskye concession area and the part of the image that had already been interpreted, oil reserves were estimated at 11.134 million tons in category C3. For the remaining part of the concession area, based on the results of a 2D seismic image, prospective resources in D1lok+D1 categories were estimated at 29 million tons. The quantities were registered in the Balance Sheet of Reserves of the Russian Federation.

##### OOO NIEFTIEGEOSEWIS

The following works were carried out in the third quarter of 2008:

- ✓ Based on the results of the interpretation of the 3D seismic image, prospective resources of crude oil were classified according to Russian Federation standards under categories C3 and D1. Oil reserves for the Yermolovskye concession were estimated at 9.0 million tons in category C3 and 3.3 million tons in categories D1lok+D1. The quantities were registered in the Balance Sheet of Reserves of the Russian Federation.
- ✓ Oil reserves for the Yuzhno-Nyertsovskye concession were estimated at 2.0 million tons in category C3 and 1.9 million tons in categories D1lok+D1.

##### ZAO PECHORA-PETROLEUM

The following works were carried out in the third quarter of 2008:

- ✓ Based on the results of the interpretation of the 2D seismic image, prospective resources of crude oil were classified according to Russian Federation standards<sup>1</sup> under categories C3 and D1. Oil reserves for the Porozhskye concession were estimated at 3.5 million tons in category C3 and 41.5 million tons in categories D1lok+D1.
- ✓ Based on the results of the interpretation of the 2D seismic image, prospective resources of crude oil and natural gas were classified according to Russian Federation standards under categories C3 and D1. Reserves for the Vyerkhnye-Pechorskyye concession in D1lok+D1 categories were estimated at 14 million tons of oil and 14 bn cubic metres of gas.

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<sup>1</sup> Reserves classification systems used in the Russian Federation and Kazakhstan are different from international standards. They are based on an analysis of geological characteristics of hydrocarbons discovered or expected to be discovered, with a smaller focus on their commercial profitability. Resources that have been discovered and developed are classified as categories A, B and C1. Category C2 also comprises resources that have been discovered but are less recognised. Prognostic resources are classified as categories C3, D1 or D2, depending on how well documented they are.

#### TOO EMBA JUG NIEFT

The following works were carried out in the third quarter of 2008:

- ✓ Working documentation of reserves for the Zhubantam deposit was prepared and approved. The operational (initial) geological reserves of hydrocarbons (confirmed by the competent authorities after the end of the period covered by this Report) comprise: 4,665 thousand tons of crude oil (incl. 1,164 thousand tons of category C1 and 3,501 thousand tons of category C2) and 49 million cubic metres of natural gas (incl. 12.2 million cubic metres of category C1 and 36.8 million cubic metres of category C2), while recoverable reserves comprise: 582 thousand tons of crude oil (incl. 233 thousand tons of category C1 and 349 thousand tons of category C2) and 6.2 million of cubic metres of natural gas (incl. 2.5 million cubic metres of category C1 and 3.7 million cubic metres of category C2).
- ✓ The plan of trial exploitation of the Zhubantam deposit was drawn up. It provides that exploitation will be carried out over two years using five wells (after the period covered by this Report, the Company was informed that the plan, including the confirmation of operational geological reserves of hydrocarbons, had been approved by competent authorities of the Republic of Kazakhstan (Zapkazniedra) and recommended for consideration by the Central Commission for Reserves of the Kazakh Republic—details in point 5 herein).
- ✓ Two geological projects of appraisal and exploration work were drawn up, involving the construction of 13 new wells in total.
- ✓ Technical designs were drawn up for new drillings to be made in accordance with the geological projects.
- ✓ A report from interpretation of 3D seismic data was obtained.
- ✓ Result reports from drillings G-4D and G-14D were prepared and approved.
- ✓ An associated gas utilisation programme was prepared for the Zhubantam oil deposit. It is presently subject to authorisation.
- ✓ Field work on a new 3D seismic image was performed in the northwest part of the contract area.
- ✓ Processing of the 3D seismic data from the northwest part of the contract area was commenced.

#### TOO COMPANY PROFIT

The following works were carried out in the third quarter of 2008:

- ✓ Geochemical research aimed at defining prognostic resources of crude oil and natural gas was completed.
- ✓ Work was ongoing to draw up a new exploration plan for the contract area.
- ✓ Prospectivity analysis was continued in respect of the extended (pursuant to Annex no. 1 to the Contract for prospecting for hydrocarbons in the Kyzylorda oblast, the Republic of Kazakhstan) territory of the Dautskoye Licence, as well as works relating to estimation of the project's budget resulting from the above-mentioned extension.

#### OIL TECHNO GROUP (subsidiary of Occidental Resources, Inc.)

The following works were carried out in the third quarter of 2008:

- ✓ Drilling of the deep Koblanda 3 well (K-3) was finished. End depth 6,737 m.
  - ✓ Work was ongoing to prepare the Koblanda 3 well for testing (piping and cementing the exploitation column).
  - ✓ Comprehensive geophysical measurements were taken in the Koblanda 3 well.
  - ✓ Comprehensive interpretation was carried out of the geophysical measurements taken in the Koblanda 3 well and other data obtained during drilling.
  - ✓ Based on the results of the interpretation, the degree of hydrocarbon saturation was determined for a drilled-through over-420-metre thickness of a series of sub-salt formations of Lower Permian, Carboniferous and Devonian and five horizons were indicated for perforation with a total thickness of ca. 80 m.
  - ✓ Preparation and authorisation of the project of sampling the Koblanda 3 well was ongoing.
  - ✓ Preparations were ongoing to commence the drilling of the Shyrak 1 well, including the preparation of access roads and the site for drilling devices.
  - ✓ Geological and technical designs were made of the Shyrak 1 well to a depth of 7,000 m.
  - ✓ Interpretation of 2D and 3D seismic data, as well as gravimetric and microseismic data from the Koblanda, Tamdy, Bestau, Shyrak and Sarkol areas was continued.
- ✓ On 18 September 2008, the independent expert McDaniel & Associates Consultants Ltd. drew up a report on the appraisal of additional reserves in the Shyrak area located within OTG Contract.

Based on seismic research performed by the Company in recent months, the independent Expert estimated the unrisks mean of additional recoverable prospective resources on top of those covered by the report published by the Company in January 2008 (current report no. 4/2008 dated 17 January 2008) in respect of OTG Contract at a level of 302.25 mmbœ located in prospecting structures in the Shyrak area, northeast part of the Contract area. Thus, the aggregate prospective resources for OTG Contract, described in both Expert reports, amount to 1,269.13 mmbœ.

The Company's indirect share in OTG Contract as at the date of the Report is presently 88.1%.

- ✓ Management and the Company's geological team believe that the results obtained to date confirm that resources recoverable from the structures drilled through by K-3 may reach 200-300 mmbbl. The Company is planning to run a production test before the end of the fourth quarter 2008.

The results of the drillings confirm the considerable geological potential of the concession and, after the issuance of an independent expert's report, will allow the Company to reclassify the prospective resources to the category of confirmed resources (P1/P2/P3) and to prepare to start trial production from the drillings.

#### GAS SALES

- ✓ On 7 July 2008, the President of the Energy Regulatory Office issued a decision **prolonging the concession of PETROLINVEST S.A. for trading in liquid fuels** for the period from 1 March 2009 to 28 February 2029.
- ✓ On 1 July 2008, a **self-balancing branch of the Company** was set up under the name of PETROLINVEST Spółka Akcyjna – Oddział LPG with its registered office in Gdynia.
- ✓ On 30 September 2008, the Company concluded an LPG supply **agreement with Morgan Stanley Capital Group Inc** ("Morgan Stanley"); hence, the aggregate value of agreements concluded with this client in the period of 12 months preceding the publication of the current report referring thereto (no. 59/2008 of 1 October 2008) was USD 26,964,000. The agreement with the highest value among all the agreements concluded by the Company with Morgan Stanley in the period of the 12 months defined above is the significant agreement mentioned above, the estimated value of which is some USD 13,221,600. The terms and conditions of the agreement are similar to market terms and conditions, the delivery of LPG will be effected using the "CIF Gdynia" formula in accordance with Incoterms 2000. Agreements concluded with Morgan Stanley in the period defined above are significant agreements because the value of their subject matter exceeds 10% of the Company's equity.

#### ACQUISITIONS

- ✓ On 28 July 2008, the Company was granted permission by the bank Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, acting as the Facility Agent for the facility granted to the Company under a credit facility agreement dated 21 March 2007 as amended, to carry out activities following from the conditional investment agreements concluded by the Company to acquire a 48.8% stake in Occidental Resources Inc., a 50% stake in TOO EMBA JUG NIEFT (agreements dated 16 January 2008), a 45% stake in Kazakhstancaspishelf JSC (agreement dated 21 February 2008), and a 26.07% stake in Caspian Services Inc. (agreement dated 28 February 2008). After the period covered by this Report, on 20 October 2008, in connection with the conclusion of annexes to the conditional investment agreements on 12 September 2008, the Company was given another consent by PKO BP S.A. to carry out activities reflecting the amendments introduced by the annexes (details in point 5 herein).
- ✓ On 12 September 2008, the Company concluded **annexes to the following significant investment agreements:**
  - Investment agreement between the Company and Dzhumageldy Rakhishevich Amankulov, Atameken-Prommash LLP, GEOKAPITAL LLP and MARBURG OIL LLP of 16 January 2008 regarding the purchase by the Company of 50% of the shares in TOO EMBA JUG NIEFT, a company incorporated under Kazakhstan law ("EMBA"), in which the Company already owns 50% of the shares ("Investment Agreement I"). The Annex to the Investment Agreement I amended the number of Company shares that are to be issued in exchange for 50% of EMBA shares. Following the amendment, the Company agreed to issue 772,315 shares at an issue price of PLN 225 per share. The terms and conditions of a potential additional issue of Company shares remained unchanged. The Annex to the Investment Agreement I provides a list of all entities authorised to take up Company shares in exchange for 50% of EMBA shares.  
The Investment Agreement I is a significant agreement because the value of its subject matter exceeds 10% of the Company's equity.  
On 6 November 2008, in order to execute the agreement referred to above, the Company concluded share subscription agreements described in point 5 herein.
  - Investment agreement between the Company and the shareholders of Occidental Resources Inc., a company incorporated under Utah state law, United States ("OCR"), of 16 January 2008 regarding the purchase by the Company of 48.8% of OCR shares, in which the Company already owns 50% of the shares ("Investment Agreement II"). The Annex to the Investment Agreement II set forth the number of OCR shares acquired by the Company at 48.27%. In addition, the Annex to the Investment Agreement II also amended the number of Company shares that are to be issued in exchange for 48.27% of OCR shares. Following the amendment, the Company agreed to issue 3,310,573 shares at an issue price of PLN 225 per share.  
The Investment Agreement II is a significant agreement because the value of its subject matter exceeds 10% of the Company's equity.

On 6 November 2008, in order to execute the agreement referred to above, the Company concluded share subscription agreements described in point 5 herein.

- Investment agreement between the Company and Pruner Group Limited, Mars International Worldwide Inc. and Munivac Global Ventures Inc. of 16 January 2008 ("Investment Agreement III") regarding the purchase by the Company of 100% of the shares in Capital Energy S.A., a company incorporated under British Virgin Islands law ("CE"). The Annex to the Investment Agreement III amended the number of Company shares that are to be issued in exchange for 100% of CE shares or at the Company's discretion:
  - a. 50% of the shares in Erkin Oil LLP and/or
  - b. 100% of the shares in Maksat Munai LLP and/or
  - c. 65% of the shares in Bolz LLP and/or
  - d. 75% of the shares in InvestTechno Group LLP or 75% of the shares in BMB Munai LLP.

Following the amendment, the Company agreed to issue 1,371,292 shares at an issue price of PLN 225 per share, provided, however, that the final number of shares issued will be determined on the basis of an assessment performed by McDaniel & Associates Consultants Ltd of the resources belonging to those companies of Capital Energy Group that the Company shall decide to acquire.

The Investment Agreement III is a significant agreement because the value of its subject matter exceeds 10% of the Company's equity.

- Investment agreement of 21 February 2008 between the Company and Mars International Worldwide Inc. and Munivac Global Ventures Inc. ("Investment Agreement IV") regarding the purchase by the Company of 45% of the shares in Kazakhstancaspishelf JSC, a company incorporated under Kazakh law ("KCS"), entitling the Company to 50% of the votes at the general meeting of KCS. The Annex to the Investment Agreement IV amended the number of Company shares that are to be issued in exchange for 45% of KCS shares. Following the amendment, the Company agreed to issue 500,892 shares at an issue price of PLN 225 per share. The Investment Agreement IV is a significant agreement because the value of its subject matter exceeds 10% of the Company's equity.

- Investment agreement of 28 February 2008 between the Company and Mars International Worldwide Inc. ("Investment Agreement V") regarding the purchase by the Company of 26.07% of the shares in Caspian Services Inc., a company incorporated under Nevada State law, United States ("CS"), entitling the Company to 26.07% of the votes at the general meeting of CS. The Annex to the Investment Agreement V amended the number of Company shares that are to be issued in exchange for 26.07% of CS shares. Following the amendment, the Company agreed to issue 430,062 shares at an issue price of PLN 225 per share. CS shares will be available for purchase in two tranches of 24.99% CS shares and 1.08% CS shares. The Investment Agreement V is a significant agreement because the value of its subject matter exceeds 10% of the Company's equity.

In connection with the amendments introduced to Investment Agreement I and Investment Agreement II, the Company pointed to the necessity of correcting the Management Board report with respect to non-monetary contributions of EMBA shares and OCR shares contributed to the Company and the related Independent Auditor's Opinion published in current report no. 32/2008 of 30 May 2008.

Parties to Investment Agreement I and Investment Agreement II agreed that the transactions shall be closed by 30 October 2008 or some other date set by the Company, provided that all conditions precedent stipulated in Investment Agreement I and Investment Agreement II will have been fulfilled by that date, in particular appropriate resolutions will have been taken by the General Shareholder's Meeting of the Company.

The new issue price of the Company shares is approximately equal to the average price between the signing of the Investment Agreements and the date of the Annexes and approximately corresponds to the price at which the Company shares were available in the first public offering. The Management Board would like to accentuate that the signing of the annexes referred to above was the last step in building the largest investment platform for assets connected with the oil industry in the Caspian sea, with a geological potential exceeding 1.3 million barrels of oil, and opens doors to further acquisitions of assets in the region.

Upon finalising all formal actions connected with the execution of the above-mentioned agreements, the Company will become one of the largest private Kazakh capital investments in the European Union.

- ✓ On 12 September 2008, the Management Board of PETROLINVEST S.A. was **informed that the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan decided to renounce its priority rights** with respect to 50% of the shares in TOO EMBA JUG NIEFT. The granting of such consent was the last regulatory requirement of the Kazakh law being a condition precedent to the execution of the investment agreement pertaining to the acquisition by the Company of 50% of the shares in TOO EMBA JUG NIEFT.

## FINANCIAL AREA

During the third quarter 2008, the Company concluded annexes to loan agreements pursuant to which the short-term financing available to date was renewed for another period and the level of financing was increased by PLN 10m. The annexes are described in note 11 to the Condensed Interim Consolidated Financial Statements.

## CAPITAL AREA

- ✓ On 12 August 2008, the Company received a decision issued by the Polish Financial Supervision Authority on 11 August 2008 regarding approval of the Registration Document of PETROLINVEST S.A. The decision was issued following the Company's request made on 19 February 2008, of which the Company informed the public in current report no. 9/2008.
- ✓ On 5 August 2008, the Company Management Board resolved to **convene an Extraordinary General Shareholders' Meeting of PETROLINVEST S.A. for 5 September 2008** with a view to:
  - taking a resolution on a share capital increase of the Company by PLN 23,531,490 via the issuance of 2,353,149 F-series bearer shares with a nominal value of PLN 10 per share, precluding the pre-emptive rights of the existing shareholders. It was specified that the issue would be addressed to eleven shareholders of Occidental Resources Inc. ("ORI") with a view to execute the investment agreement dated 16 January 2008 pertaining to the acquisition by the Company of 48.8% ORI shares in exchange for 2,353,149 Company shares; and
  - taking a resolution on a share capital increase of the Company by PLN 5,430,340 via the issuance of 543,034 G-series bearer shares with a nominal value of PLN 10 per share, precluding the pre-emptive rights of the existing shareholders. It was specified that the issue would be addressed to Dzhumageldy Rakhishevich Amankulov, Atameken-Prommash LLP, GEOKAPITAL LLP and MARBURG OIL LLP with a view to execute the investment agreement dated 16 January 2008 pertaining to the acquisition by the Company of 50% TOO EMBA JUG NIEFT shares in exchange for 543,034 Company shares.

The amount of the share capital of the Company following the issue of F- and G-series shares was specified at a level of PLN 90,596,590.

On 5 September 2008, the General Meeting announced **suspension of the Extraordinary General Meeting until 30 September 2008**. The Meeting was suspended at the request of the Management Board due to the fact that the Kazakh partners failed to appoint entities authorised to take up PETROLINVEST S.A. shares in accordance with the investment agreements concluded on 16 January 2008. Moreover, by 5 September 2008 the Company had not received the consent of the Ministry of Energy and Mineral Resources of Kazakhstan to acquire shares in TOO EMBA JUG NIEFT (the consent came in on 12 September 2008 of which the Company informed the public in current report no. 51/2008).

On 17 September 2008, the Company announced that due to the fact that a different number of Company shares had to be issued to be taken up in exchange for the shares in Occidental Resources Inc. and TOO EMBA JUG NIEFT (as a result of annexes amending the terms and conditions of the investments agreements of 16 January 2008)—the Management Board had recommended to the Extraordinary General Shareholders' Meeting convened for 5 September 2008 and suspended until 30 September 2008 **not to pass the resolutions** on the share capital increase which were on the agenda of the Meeting.

**On 30 September 2008**, at the request of the Management Board, **the EGM resolved to withdraw from among other things considering the Company's share capital increases and the resultant amendments to the Company's Statutes.**

- ✓ On 28 August 2008, the Company Management Board resolved to **convene an Extraordinary General Shareholders' Meeting of PETROLINVEST S.A. for 30 September 2008** with a view to:
  - taking a resolution on a share capital increase of the Company by up to PLN 2,993,310 via the issuance of up to 299,331 H-series bearer shares with a nominal value of PLN 10 per share, precluding the pre-emptive rights of the existing shareholders;
  - taking a resolution on a share capital increase of the Company by up to PLN 128,110 via the issuance of up to 12,811 I-series bearer shares with a nominal value of PLN 10 per share, precluding the pre-emptive rights of the existing shareholders.

It was specified that the H and I issues will be addressed to Mars International Worldwide Ltd. to execute the investment agreement dated 28 February 2008 pertaining to the acquisition by the Company of an aggregate of 26.07% of the shares in Caspian Services Inc. in exchange for 312,142 Company shares.

The amount of the share capital of the Company following the issue of H- and I-series shares was specified at a level of PLN 93,718,010.

On 17 September 2008, the Company announced that due to the fact that a different number of Company shares had to be issued to be taken up in exchange for the shares in Caspian Services Inc. (as a result of an annex amending the terms and conditions of the investments agreement of 28 February 2008)—**the Management Board had decided to call off the Extraordinary General Meeting convened for 30 September 2008.**

- ✓ On 16 September 2008, the Company Management Board resolved to increase share capital within the limits of target capital by PLN 1,846,160 via **the issuance of 184,616 ordinary bearer F-series shares** with a nominal value of PLN 10 each. Details of the share issue are presented in point 10 herein.
- ✓ On 16 September 2008, the Company signed a **Letter of Intent with The European Bank of Reconstruction (EBOR) and Development and Blue Oak Capital Limited** pertaining to their investment in Company shares.  
The terms and conditions set out in the Letter of Intent envisage the following terms of the investment:
  - The EBOR declared willingness to invest between USD 50 and 100 million in the newly-issued shares of the Company at an issue price equal to PLN 130 per share,
  - Blue Oak declared willingness to invest USD 150 million in the newly-issued shares of the Company at an issue price equal to PLN 130 per share,
  - The EBOR also declared intent to provide the Company with debt financing for the purpose of future development of the Company's undertakings in the area of prospecting and extraction and activities of PETROLINVEST Group service companies.
  - Conditions precedent to signing investment agreements and closing the transaction involve inter alia: completion by investors of the due diligence of the Company, gaining appropriate consents from corporate bodies by Investors and the Company, and gaining by the Company consent from the financing Banks.
  - It is the intention of the parties to enter the Company shares into trade on the London Stock Exchange's parallel market or another market as quickly as possible.
  - The investors will each have the right to appoint one representative to the Company's Supervisory Board. Moreover, two independent members will also be appointed to the Supervisory Board, having international experience in the oil industry and/or service companies providing services for the oil industry.
  - The investors taking up shares will be subject to a 360 day lock-up, counting from the first day their shares are listed on the Warsaw Stock Exchange.
  - The Letter of Intent envisages the possibility of expanding the group of investors by adding other entities by signing appropriate annexes to the Letter of Intent or entering into an investment agreement.The European Bank for Reconstruction and Development is an international financial institution headquartered in London. Currently the EBOR's members comprise 61 countries, the European Community and the European Investment Bank. The aim of the bank's activities is to accelerate the processes of economical change in Central and Eastern Europe as well as Central Asia by providing financial support for effective economic initiatives, particularly in the private sector.  
Blue Oak Capital Limited ([www.blueoakcapital.com](http://www.blueoakcapital.com)) is among major hedging funds headquartered in London.  
The Management Board believes that the signing of the Letter of Intent with investors of such renown and experience, being the product of several months of due diligence, enables the Company to make long-term plans and develop business undertakings in the prospecting and extraction segment as well as the service segment for the oil industry in the Caspian Sea Region.
- ✓ On 17 September 2008, the Management Board resolved to convene an **Extraordinary General Meeting** for 24 October 2008 in order to **increase the share capital by PLN 45,129,500 via the issuance of shares series G, H, I, and J** (details in point 10 herein).

## 9. DESCRIPTION OF FACTORS AND EVENTS, IN PARTICULARLY NON-RECURRING ONES, WHICH HAD A MATERIAL EFFECT ON FINANCIAL RESULTS

The third quarter 2008 results were primarily impacted by the cost of the Management incentive programme (issue of subscription warrants) recognised in the income statement on a one-off basis in the amount of PLN 12,009 thousand, impacting the profit of both the Company and PETROLINVEST Group. It is worth noting, however, that the cost does not entail any cash outflow from the Company, but it is only the result of a theoretical calculation of the value of the incentive programme, using specific assumptions regarding the fluctuations of the Company's share price over the period of the programme.

The decision to issue in aggregate not more than 264,285 subscription warrants convertible into the Company E-series shares with an issue price of PLN 227 per share was taken by a resolution of the EGM on 29 April 2008.

In July 2008, all eligible persons submitted their declarations of acceptance of the offer and acquisition of subscription Warrants. The rights conferred by the Warrants to take up shares could be realised from the day of issuance of the Warrants, i.e. from 29 July 2008, to 30 April 2011. In compliance with the requirements of IFRS, the Company was required to make an assessment of the fair value of the warrants as at the date of granting the rights thereto. The amount arrived at in this way was charged to payroll costs of the Company and PETROLINVEST Group in Q3 2008 when the rights were granted.

## 10. INFORMATION REGARDING ISSUE, REPURCHASE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

- ✓ On 16 September 2008, the Company Management Board resolved to increase share capital within the limits of target capital by PLN 1,846,160 via the **issuance of 184,616 ordinary bearer F-series shares** with a nominal value of PLN 10 each. Details regarding the issue are given in point 10 herein.

With a view to the Company's best interest and subject to consent from the Supervisory Board, the pre-emptive rights of the existing shareholders to F-series Shares were entirely precluded. In addition, subject to consent from the Chairman of the Supervisory Board, the issue price of F-series Shares was set at PLN 130. F-series Shares will participate in dividends starting from 1 January 2008.

The issue price was set at the level equal to the price determined in the Letter of Intent signed on 16 September 2008 between the Company, The European Bank for Reconstruction and Development and Blue Oak Capital Limited.

F-series Shares were offered in a private subscription to Mr. Bakhytbek Baiseitov. Bakhytbek Baiseitov is a founder and Chairman of the Board of Bank CenterCredit of Kazakhstan and one of the Company's leading Partners.

**The offering was effected on 22 September 2008 on the terms set out by the Management Board.** As a result of the offering, the Company received gross proceeds of PLN 24,000,080.

The goal of the issue was to provide the Company with finance to support investment projects.

After the period covered by this Report, on 7 November 2008, **the share capital increase through the F issue was registered by the District Court** for Gdańsk-Północ of Gdańsk, VIII Economic Department of the National Court Register. Following the registration:

- the Company's share capital was increased from PLN 61,634,760 to PLN 63,480,920, and
- the total number of votes attached to all Company shares issued is now 6,348,092.

- ✓ On 17 September 2008, the Management Board resolved to convene an **Extraordinary General Meeting** for 24 October 2008 in order to **increase share capital by PLN 45,129,500 via the issuance of shares series G, H, I, and J** (details in point 10 herein).

The goal of the issue is to execute the investment agreements pertaining to the acquisition of shares/stocks in TOO EMBA YUG NIEFT, Occidental Resources Inc., and Caspian Services Inc.

On 24 October 2008, the EGM of PETROLINVEST S.A. passed the following resolutions on share capital increases of the Company:

- a resolution on a share capital increase of the Company by up to PLN 33,105,730 via the issuance of **up to 3,310,573 G-series bearer shares** with a nominal value of PLN 10 per share, precluding the pre-emptive rights of the existing shareholders.
- a resolution on a share capital increase of the Company by up to PLN 7,723,150 via the issuance of **up to 772,315 H-series bearer shares** with a nominal value of PLN 10 per share, precluding the pre-emptive rights of the existing shareholders.
- a resolution on a share capital increase of the Company by up to PLN 4,122,210 via the issuance of **up to 412,221 I-series bearer shares** with a nominal value of PLN 10 per share, precluding the pre-emptive rights of the existing shareholders.
- a resolution on a share capital increase of the Company by up to PLN 178,410 via the issuance of **up to 17,841 J-series bearer shares** with a nominal value of PLN 10 per share, precluding the pre-emptive rights of the existing shareholders.

Following the issue of G, H, I, and J-series shares, **the share capital of the Company will increase to PLN 108,610,420.**

## 11. INFORMATION ON ANY DIVIDED PAID OUT (OR DECLARED) IN AGGREGATE AND PER ONE SHARE, SEPARATELY FOR ORDINARY AND PREFERENCE SHARES

In the third quarter of 2008, the Company did not pay or declare dividends.

## 12. SELECTED FINANCIAL DATA, INCLUDING THE KEY ITEMS OF CONDENSED FINANCIAL STATEMENTS (ALSO TRANSLATED INTO EURO)

Selected financial data of the Company and the Group were presented in point 1 of this Report.

**13. THE MANAGEMENT BOARD'S POSITION ON THE FEASIBILITY OF ACHIEVING THE RESULTS STATED IN THE FINANCIAL FORECASTS PUBLISHED EARLIER FOR THE YEAR IN VIEW OF THE FINANCIAL RESULTS PRESENTED IN THE QUARTERLY REPORT IN RELATION TO THE PROJECTED RESULTS**

The Management Board of PETROLINVEST S.A. did not publish any forecasts for 2008.

**14. SHAREHOLDERS HOLDING DIRECTLY OR INDIRECTLY (THROUGH SUBSIDIARY UNDERTAKINGS) 5% OR MORE OF THE TOTAL VOTE AT THE ISSUER'S GENERAL SHAREHOLDERS MEETING**

The table below sets forth the number of shares held by Shareholders as at the date of publication of this quarterly Report, also showing changes in the shareholding structure which had taken place since the publication of the previous quarterly report (according to information available to the Company).

Shareholder	Number of shares/ votes	Percentage held in share capital/ total vote at AGM	Change in number of shares	Number of shares/ votes	Percentage held in share capital/ total vote at AGM
	<i>at publication date of last Report</i>			<i>at publication date of this Report</i>	
Ryszard Krauze	103 586	1.68%	- 100 000	3 586	0.06%
Prokom Investments S.A.	2 487 144	40.35%		2 487 144	39.18%
NIHONSWI AG	1 640 464	26.62%	+ 100 000	1 740 464	27.42%
Transcontinental Fund Limited	792 900	12.86%		792 900	12.49%
Other shareholders	1 139 382	18.49%	+ 184 616	1 323 998	20.85%
<b>TOTAL</b>	<b>6 163 476</b>	<b>100.00%</b>	<b>+ 184 616</b>	<b>6 348 092</b>	<b>100.00%</b>

**15. STATEMENT OF CHANGES IN THE NUMBER OF THE ISSUER SHARES OR RIGHTS TO SUCH SHARES (OPTIONS) HELD BY THE ISSUER'S MANAGING OR SUPERVISORY PERSONS, ACCORDING TO INFORMATION AVAILABLE TO THE ISSUER, IN THE PERIOD FROM THE DATE OF THE PREVIOUS QUARTERLY REPORT**

The table below sets forth the number of shares held by managing and supervisory persons as at the date of publication of this quarterly Report together with information on any changes since the publication of the previous quarterly report (according to information available to the Company).

Shareholder	Number of shares held at publication date of last Report	Change in number of shares	Number of shares at publication date of this Report
<b>Supervisory Board</b>			
Ryszard Krauze	103 586	- 100 000	3 586
Dariusz Górka	1 321		1 321
Maciej Grelowski	1 321		1 321
Grzegorz Maciąg	1 321		1 321
Zbigniew Szachniewicz	1 321		1 321
Krzysztof Wilski	1 321		1 321
<b>Management Board</b>			
Paweł Gricuk	24 317		24 317
Zenon Grablewski	12 159		12 159
Marcin Balicki	1 216		1 216

In accordance with information in the possession of the Company, Management and Supervisory Board members did not own as of 30 September 2008 shares in PETROLINVEST Group companies.

Following the resolutions passed on 29 April 2008 by the Extraordinary General Shareholders' Meeting regarding the implementation of an Incentive Programme and the Resolution passed by the Supervisory Board on 18 June 2008 implementing the Rules and Regulations of the Incentive Programme – the following Management Board Members acquired the right to take up in aggregate not more than 264,285 subscription warrants convertible into the Company E-series shares:

- Paweł Gricuk – President 176,190 warrants,
- Zenon Grablewski – Vice-President 58,730 warrants,
- Marcin Balicki – Board Member 29,365 warrants.

In July 2008, all eligible persons submitted their declarations of acceptance of the offer and acquisition of subscription Warrants. The rights conferred by the Warrants to take up shares may be realised from the day of issuance of the Warrants, i.e. from 29 July 2008, to 30 April 2011.

**16. PROCEEDINGS PENDING BEFORE COURT, COMPETENT ARBITRATION BODY OR ANY PUBLIC ADMINISTRATION AUTHORITY, INCLUDING INFORMATION ON ANY PROCEEDINGS CONCERNING THE ISSUER'S OR ITS SUBSIDIARY UNDERTAKING'S LIABILITIES OR CLAIMS WHOSE VALUE REPRESENTS 10% OR MORE OF THE ISSUER'S EQUITY**

There are no proceedings pending before courts, competent arbitration bodies or any public administration authorities the value of which represents 10% or more of the Company's equity.

**17. INFORMATION ON ANY ONE OR MORE TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY UNDERTAKING WITH RELATED PARTIES, IF THE VALUE OF SUCH TRANSACTIONS (THE AGGREGATE VALUE OF ALL TRANSACTIONS CONCLUDED SINCE THE BEGINNING OF THE FINANCIAL YEAR) EXCEEDS THE ZŁOTY EQUIVALENT OF EUR 500,000**

In the third quarter of 2008, there were related party transactions within PETROLINVEST Group that collectively exceeded the zloty equivalent of EUR 500 thousand calculated from the beginning of the financial year; however, all of those transactions were common and routine, and concluded at arm's length; the value and other terms of those transactions are presented in note 15 to the Condensed Interim Consolidated Financial Statements.

**18. INFORMATION ON SURETIES FOR LOANS OR GUARANTEES ISSUED BY THE ISSUER OR ITS SUBSIDIARY UNDERTAKING**

In the third quarter of 2008, none of the entities of the Group granted sureties for loans or guarantees whose aggregate value would exceed 10% of the Company's equity.

**19. OTHER INFORMATION WHICH THE ISSUER DEEMS RELEVANT FOR THE ASSESSMENT OF ITS PERSONNEL, ASSETS, FINANCIAL SITUATION, AND ITS NET RESULT, AS WELL AS THEIR CHANGES, AND FOR THE ASSESSMENT OF THE ISSUER'S ABILITY TO PERFORM ITS OBLIGATIONS**

The Management Board of PETROLINVEST S.A. believes that information presented in this Report is an exhaustive description of the Company's personnel, assets and financial situation, and that no other events had taken place that have not be disclosed by the Company and that could be material for the assessment of the Company's standing.

**20. FACTORS WHICH IN THE ISSUER'S OPINION WILL AFFECT ITS RESULTS IN A PERIOD COVERING AT LEAST THE NEXT QUARTER**

The main factors that may affect the Company's results in the next quarter include primarily:

- ✓ With respect to prospecting and extraction:
  - fluctuations of exchange rates, including in particular USD to PLN, KZT to USD and RUB to USD, KZT to PLN and RUB to PLN;
  - fluctuations of interest rates that impact the Company's debt service costs.
- ✓ With respect to trading activities:
  - fluctuations of exchange rates, including in particular USD to PLN;
  - fluctuations of crude oil and LPG pricing in world markets and the relations between those prices and the prices that are possible to be achieved in the domestic market;
  - seasonal changes in the demand for liquefied gas for heating and automotive purposes.

**21. CHANGES IN CONTINGENT LIABILITIES OR CONTINGENT ASSETS WHICH OCCURRED SINCE THE END OF THE LAST FINANCIAL YEAR**

PETROLINVEST Group's contingent liabilities increased after the end of the last financial year as a result of:

- ✓ the guarantee provided by TOO EMBA JUG NIEFT to secure the repayment by TOO OilTechnoGroup of liabilities due to Bank CenterCredit JSC in connection with the USD 37,800 thousand credit line. TOO EMBA JUG NIEFT and TOO OilTechnoGroup are jointly-controlled by PETROLINVEST S.A.
- ✓ the guarantee provided by Bank CenterCredit JSC amounting to USD 360.3 thousand to secure payments due under an agreement concluded between TOO OilTechnoGroup and Baker Hughes Services International, Inc.

- ✓ the guarantee provided by TOO OilTechnoGroup to PETROLINVEST S.A. amounting to USD 14,000 thousand to secure the repayment of financial obligations of Occidental Resources, Inc. resulting from the loan granted by the Company of USD 11,000 thousand
- ✓ the guarantee provided by Occidental Resources Inc. to secure the repayment by TOO OilTechnoGroup of liabilities due to Tenaris Global Services S.A. under agreements for the purchase of well construction materials. The guarantee covers liabilities resulting from one agreement already concluded for USD 2.8m and any future agreements that may be concluded between TOO OilTechnoGroup and Tenaris Global Services S.A. The guarantee was issued for an indefinite period, provided however that it may be terminated upon written notice delivered by Occidental Resources Inc. to Tenaris Group Services S.A. Upon receipt of the notice by Tenaris Group Services S.A., the guarantee will remain in force until all payments—resulting from any agreements concluded before the notice was delivered—are settled.

CONSOLIDATED QUARTERLY REPORT OF PETROLINVEST GROUP FOR 3rd QUARTER 2008  
ENDED ON 30 SEPTEMBER 2008  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF PETROLINVEST S.A. GROUP

**CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT**

	<i>for 9 months</i>		<i>for 3 months</i>	
	<i>ended 30 September</i>		<i>ended 30 September</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
<b>Continuing operations</b>				
Sale of goods	170 766	136 160	89 871	63 891
Rendering of services	1 116	277	433	68
<b>Revenue</b>	<b>171 882</b>	<b>136 437</b>	<b>90 304</b>	<b>63 959</b>
Value of goods and materials sold	155 335	121 896	80 599	55 993
Materials and energy	2 578	2 643	896	896
Employee benefits	29 408	12 335	17 590	4 969
Depreciation and amortisation	2 234	1 818	764	635
External services	14 337	16 744	4 957	5 933
Taxes and charges	2 283	2 253	629	1 046
Other expenses	3 331	1 990	638	653
<b>Operating expenses</b>	<b>209 506</b>	<b>159 679</b>	<b>106 073</b>	<b>70 125</b>
<b>Gross profit/ (loss)</b>	<b>(37 624)</b>	<b>(23 242)</b>	<b>(15 769)</b>	<b>(6 166)</b>
Other operating income	1 618	916	287	121
Other operating expenses	974	319	276	111
Finance income	18 823	21 651	2 797	10 107
Finance costs	11 915	13 725	27 616	8 558
<b>Profit/ (loss) before tax</b>	<b>(30 072)</b>	<b>(14 719)</b>	<b>(40 577)</b>	<b>(4 607)</b>
Income tax expense	1 359	3 943	(6 201)	978
<b>Net profit/ (loss) from continuing operations</b>	<b>(31 431)</b>	<b>(18 662)</b>	<b>(34 376)</b>	<b>(5 585)</b>
<b>Net profit/ (loss)</b>	<b>(31 431)</b>	<b>(18 662)</b>	<b>(34 376)</b>	<b>(5 585)</b>
Attributable to:				
Equity holders of the parent	(31 297)	(18 783)	(34 329)	(5 977)
Minority interest	(134)	121	(47)	392
Weighted average number of issued shares for basic earnings per share computations	6 057 464	5 397 810	6 163 476	5 617 784
Number of diluting potential ordinary shares	89 376	89 376	89 376	89 376
Earnings (loss) per share in PLN	(5.17)	(3.48)	(5.57)	(1.06)
Diluted earnings (loss) per share in PLN	(5.09)	(3.42)	(5.49)	(1.05)

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF PETROLINVEST S.A. GROUP

**CONDENSED INTERIM CONSOLIDATED BALANCE SHEET**

	<i>30 September 2008</i>	<i>30 June 2008</i>	<i>31 December 2007</i>	<i>30 September 2007</i>
	<i>unaudited</i>	<i>unaudited</i>	<i>audited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
<b>ASSETS</b>				
<b>Non-current assets (long-term)</b>				
Goodwill	411 937	401 513	472 109	487 259
Intangible assets	479	547	576	123
Property, plant and equipment	54 564	54 138	53 572	51 191
Expenditure on exploration for and evaluation of mineral resources	354 656	324 586	288 463	257 864
Investment properties	2 567	2 567	2 567	2 232
Other financial assets	118 275	103 864	102 986	114 267
Non-current receivables	13 531	16 949	12 560	10 939
Long-term deposits	1 641	1 613	1 747	1 040
Deferred tax	47 093	47 689	45 156	47 122
	<u>1 004 743</u>	<u>953 466</u>	<u>979 736</u>	<u>972 037</u>
<b>Current assets (short-term)</b>				
Inventories	13 096	9 321	8 302	9 225
Trade and other receivables	29 996	11 183	14 948	19 597
Income tax overpayment	80	78	69	0
Prepayments and deferred costs	9 531	6 160	2 289	708
Current investments	60 060	40 761	6 952	2 137
Cash and cash equivalents	22 704	32 087	23 480	77 689
	<u>135 467</u>	<u>99 590</u>	<u>56 040</u>	<u>109 356</u>
<b>TOTAL ASSETS</b>	<b><u>1 140 210</u></b>	<b><u>1 053 056</u></b>	<b><u>1 035 776</u></b>	<b><u>1 081 393</u></b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
Issued capital	61 635	61 635	58 730	58 730
Foreign currency translation	(140 807)	(168 699)	(59 864)	(19 783)
Other reserves	503 253	467 244	391 133	391 133
Retained earnings	(60 420)	(26 091)	(29 123)	(35 422)
	<u>363 661</u>	<u>334 089</u>	<u>360 876</u>	<u>394 658</u>
<b>Minority interest</b>	<b>120</b>	<b>326</b>	<b>488</b>	<b>578</b>
<b>Total equity</b>	<b><u>363 781</u></b>	<b><u>334 415</u></b>	<b><u>361 364</u></b>	<b><u>395 236</u></b>
<b>Non-current liabilities</b>				
Non-current provisions	4 284	3 632	3 945	724
Deferred income tax liabilities	30 834	34 965	19 175	13 364
Interest-bearing loans and borrowings	474 013	450 387	382 387	359 763
Finance lease liabilities	199	231	248	291
Other non-current liabilities	131 871	123 322	140 625	145 499
	<u>641 201</u>	<u>612 537</u>	<u>546 380</u>	<u>519 641</u>
<b>Current liabilities</b>				
Current provisions	2 047	1 278	548	951
Current portion of interest-bearing loans and borrowings	65 692	50 801	59 483	60 135
Finance lease liabilities	233	217	180	199
Trade and other payables	65 065	52 053	65 960	103 822
Income tax payable	0	0	0	41
Accruals	2 191	1 755	1 861	1 368
	<u>135 228</u>	<u>106 104</u>	<u>128 032</u>	<u>166 516</u>
<b>Total liabilities</b>	<b><u>776 429</u></b>	<b><u>718 641</u></b>	<b><u>674 412</u></b>	<b><u>686 157</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>1 140 210</u></b>	<b><u>1 053 056</u></b>	<b><u>1 035 776</u></b>	<b><u>1 081 393</u></b>

CONSOLIDATED QUARTERLY REPORT OF PETROLINVEST GROUP FOR 3rd QUARTER 2008  
ENDED ON 30 SEPTEMBER 2008  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF PETROLINVEST S.A. GROUP

**CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT**

	<i>for 9 months</i>		<i>for 3 months</i>	
	<i>ended 30 September</i>		<i>ended 30 September</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
<b>Cash flows from operating activities</b>				
Profit/ (loss) before taxation	(30 072)	(14 719)	(40 577)	(4 607)
Adjustments for:				
Depreciation and amortisation	2 234	1 827	764	644
Interest and dividends, net	2 546	707	719	483
Foreign exchange differences	(11 218)	(12 681)	9 467	(9 542)
Gain/ (loss) from investing activities	62	6	9	0
(Increase)/ decrease in receivables	(15 201)	9 015	(18 657)	7 872
(Increase)/ decrease in inventories	(4 834)	(4 487)	(3 757)	(2 429)
Increase/ (decrease) in payables except loans and borrowings	(3 082)	(5 161)	11 610	(6 299)
Change in prepayments and accruals	(1 235)	2 234	(1 094)	11 129
Change in provisions	2 159	(345)	583	(1 419)
Income tax paid	(9)	(77)	(2)	(22)
Other, including	12 883	4 932	10 970	2 065
financial fees paid	540	698	38	587
valuation (discount) of liabilities under share purchase transactions	965	4 757	(183)	954
warrant valuation	12 009	0	12 009	0
other	(631)	(523)	(894)	524
<b>Net cash flows from operating activities</b>	<b>(45 767)</b>	<b>(18 749)</b>	<b>(29 965)</b>	<b>(2 125)</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment and intangibles	0	0	0	0
Purchase of property, plant and equipment and intangibles	(3 283)	(6 471)	(92)	(2 536)
Expenditure on exploration for and evaluation of mineral resources	(50 978)	(124 245)	(3 179)	(54 085)
Capitalised costs of external financing	(13 717)	(4 139)	(2 786)	(2 440)
Acquisition of subsidiary and jointly-controlled entity, net of cash acquired	(27 811)	(91 997)	2 467	(36 634)
Interest received	349	0	0	0
Repayment of loans granted	13	0	4	0
Granting of loans	(54 111)	(72 368)	(4 312)	(18 110)
Long-term deposits	0	0	118	0
Other	(1 445)	(1 847)	(5)	(1 571)
<b>Net cash flows from investing activities</b>	<b>(150 983)</b>	<b>(301 067)</b>	<b>(7 785)</b>	<b>(115 376)</b>
<b>Cash flows from financing activities</b>				
Proceeds from share capital increase	103 880	119 456	24 000	119 456
Costs relating to share issue	(6 582)	0	(3 260)	3 692
Payment of finance lease liabilities	(43)	(89)	(14)	(80)
Proceeds from loans and borrowings	71 525	255 411	0	71 202
Repayment of loans and borrowings	(5 138)	(1 640)	(1 514)	(500)
Interest paid	(1 996)	(651)	(779)	(107)
Other	42	(698)	544	(587)
<b>Net cash flows from financing activities</b>	<b>161 688</b>	<b>371 789</b>	<b>18 977</b>	<b>193 076</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(35 062)</b>	<b>51 973</b>	<b>(18 773)</b>	<b>75 575</b>
Cash and cash equivalents at the beginning of the period	23 480	25 716	7 191	2 114
<b>Cash, cash equivalents at the end of the period</b>	<b>(11 582)</b>	<b>77 689</b>	<b>(11 582)</b>	<b>77 689</b>
including restricted use cash	6 311	4 969	6 311	4 969

**CONSOLIDATED QUARTERLY REPORT OF PETROLINVEST GROUP FOR 3rd QUARTER 2008**  
**ENDED ON 30 SEPTEMBER 2008**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF PETROLINVEST S.A. GROUP**

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital	Foreign currency translation	Other capital, including	Attributable to equity holders of the parent				Retained earnings/ accumulated (losses)	Total	Minority interest	Total equity
				From profit appropriation	From share premium	Unregistered share capital increase	Other capital				
				PLN '000	PLN '000	PLN '000	PLN '000				
<i>unadited</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
<b>As at 1 January 2008</b>	<b>58 730</b>	<b>(59 864)</b>	<b>391 133</b>	<b>15 441</b>	<b>375 692</b>	<b>0</b>	<b>0</b>	<b>(29 123)</b>	<b>360 876</b>	<b>488</b>	<b>361 364</b>
Currency translation differences	0	(80 943)	0	0	0	0	0	0	(80 943)	(234)	(81 177)
Loss for the period	0	0	0	0	0	0	0	(31 297)	(31 297)	(134)	(31 431)
<b>Revenues / expenses for the period</b>	<b>0</b>	<b>(80 943)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(31 297)</b>	<b>(112 240)</b>	<b>(368)</b>	<b>(112 608)</b>
Share issue	2 905	0	100 975	0	76 975	24 000	0	0	103 880	0	103 880
Warrant issue	0	0	12 009	0	0	0	12 009	0	12 009	0	12 009
Cost of share issue	0	0	(864)	0	(864)	0	0	0	(864)	0	(864)
<b>As at 30 September 2008</b>	<b>61 635</b>	<b>(140 807)</b>	<b>503 253</b>	<b>15 441</b>	<b>451 803</b>	<b>24 000</b>	<b>12 009</b>	<b>(60 420)</b>	<b>363 661</b>	<b>120</b>	<b>363 781</b>
<i>unadited</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
<b>As at 1 January 2007</b>	<b>52 860</b>	<b>(2 085)</b>	<b>277 547</b>	<b>15 441</b>	<b>262 106</b>	<b>0</b>	<b>0</b>	<b>(16 639)</b>	<b>311 683</b>	<b>232</b>	<b>311 915</b>
Currency translation differences	0	(17 698)	0	0	0	0	0	0	(17 698)	225	(17 473)
Loss for the period	0	0	0	0	0	0	0	(18 783)	(18 783)	121	(18 662)
<b>Revenues / expenses for the period</b>	<b>0</b>	<b>(17 698)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(18 783)</b>	<b>(36 481)</b>	<b>346</b>	<b>(36 135)</b>
Share issue	5 870	0	127 379	0	127 379	0	0	0	133 249	0	133 249
Cost of share issue	0	0	(13 793)	0	(13 793)	0	0	0	(13 793)	0	(13 793)
<b>As at 30 September 2007</b>	<b>58 730</b>	<b>(19 783)</b>	<b>391 133</b>	<b>15 441</b>	<b>375 692</b>	<b>0</b>	<b>0</b>	<b>(35 422)</b>	<b>394 658</b>	<b>578</b>	<b>395 236</b>
<i>audited</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
<b>As at 1 January 2007</b>	<b>52 860</b>	<b>(2 085)</b>	<b>277 547</b>	<b>15 441</b>	<b>262 106</b>	<b>0</b>	<b>0</b>	<b>(16 639)</b>	<b>311 683</b>	<b>232</b>	<b>311 915</b>
Currency translation differences	0	(57 779)	0	0	0	0	0	0	(57 779)	274	(57 505)
Loss for the period	0	0	0	0	0	0	0	(12 484)	(12 484)	(18)	(12 502)
<b>Revenues / expenses for the period</b>	<b>0</b>	<b>(57 779)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(12 484)</b>	<b>(70 263)</b>	<b>256</b>	<b>(70 007)</b>
Share issue	5 870	0	127 379	0	127 379	0	0	0	133 249	0	133 249
Cost of share issue	0	0	(13 793)	0	(13 793)	0	0	0	(13 793)	0	(13 793)
<b>As at 31 December 2007</b>	<b>58 730</b>	<b>(59 864)</b>	<b>391 133</b>	<b>15 441</b>	<b>375 692</b>	<b>0</b>	<b>0</b>	<b>(29 123)</b>	<b>360 876</b>	<b>488</b>	<b>361 364</b>

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**1) Segment information**

The Company identifies two reportable business segments:

- a) *LPG* – trading activities carried out in Poland, comprising import, distribution and sale of liquefied petroleum gas (LPG) for heating and automotive purposes (auto gas), gas cylinders and to wholesale distributors;
- b) *Prospecting and extraction* – operations carried out in the countries where Prospecting and Extraction Companies conduct their activities, including geophysical research, site preparation and drilling.

Results of the *LPG* segment are subject to seasonal fluctuations discussed in point 7 herein.

Results of the *Prospecting and extraction* segment are characteristic of a start-up phase of a prospecting project. Management expects that the negative results of the segment may be sustained until commercial production of crude oil is commenced.

<i>for 9 months ended 30 September 2008 and as at 30 September 2008</i>	<i>LPG</i>	<i>Prospecting and extraction</i>	<i>Total</i>
Segment revenue	171 882	0	171 882
Profit/ (loss) of the segment	(914)	(36 710)	(37 624)
Other unallocated revenue			1 618
Unallocated expenses			(974)
Profit/ (loss) from continuing operations before tax, finance income and costs			(36 980)
Finance costs			(11 915)
Finance income			18 823
Profit/ (loss) before tax and minority interest			(30 072)
Income tax expense			1 359
<b>Net profit/ (loss) for the period</b>			<b>(31 431)</b>
<b>Assets and liabilities</b>			
Segment assets	89 191	996 912	1 086 103
Unallocated assets			54 107
<b>Total assets</b>			<b>1 140 210</b>
Segment liabilities	27 233	697 585	724 818
Unallocated liabilities			51 611
Equity			363 781
<b>Total equity and liabilities</b>			<b>1 140 210</b>
<b>Other segment information</b>			
Capital expenditure:			
property, plant and equipment (including assets under construction)	3 283	0	3 283
expenditures on exploration for and evaluation of mineral resources	0	91 461	91 461
intangible assets	0	195	195
Depreciation	1 759	197	1 956
Amortisation	278	0	278

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<i>for 9 months ended 30 September 2007 and as at 31 December 2007</i>	<i>LPG</i>	<i>Prospecting and extraction</i>	<i>Total</i>
Segment revenue	136 437	0	136 437
Profit/ (loss) of the segment	(5 044)	(18 198)	(23 242)
Other unallocated revenue			916
Unallocated expenses			(319)
Profit/ (loss) from continuing operations before tax, finance income and costs			(22 645)
Finance costs			(13 725)
Finance income			21 651
Profit/ (loss) before tax and minority interest			(14 719)
Income tax expense			3 943
<b>Net profit/ (loss) for the period</b>			<b>(18 662)</b>
<b>Assets and liabilities</b>			
Segment assets	59 572	926 124	985 696
Unallocated assets			50 080
<b>Total assets</b>			<b>1 035 776</b>
Segment liabilities	21 320	638 537	659 856
Unallocated liabilities			14 556
Equity			361 364
<b>Total equity and liabilities</b>			<b>1 035 776</b>
<b>Other segment information</b>			
Capital expenditure:			
property, plant and equipment (including assets under construction)	6 471	0	6 471
expenditures on exploration for and evaluation of mineral resources	0	130 807	130 807
intangible assets	0	0	0
Depreciation	1 461	299	1 760
Amortisation	58	0	58

## 2) Employee benefits

	<i>for 9 months ended 30 September</i>		<i>for 3 months ended 30 September</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
Wages and salaries	15 786	10 970	5 178	4 591
Cost of the Incentive Programme	12 009	0	0	0
Social security costs	1 477	1 248	403	378
Social Fund	136	117	0	0
	<b>29 408</b>	<b>12 335</b>	<b>17 590</b>	<b>4 969</b>

A decision was made by a resolution of the EGM of 29 April 2008 to issue E-series shares in the aggregate amount not higher than 264,285 shares in exercise of the conditional share capital increase. The purpose of the share issue was to exercise the incentive programme for the Company management board members based on the issue of subscription warrants entitling their holders to take up E-series shares.

In July 2008, all eligible persons submitted their declarations of acceptance of the offer and acquisition of subscription Warrants. The rights conferred by the Warrants to take up shares may be realised from the day of issuance of the Warrants, i.e. from 29 July 2008, to 30 April 2011.

In compliance with the requirements of IFRS, the Group was required to make an assessment of the fair value of the warrants as at the date of granting the rights thereto. The amount arrived at in this way was charged to the Group's payroll costs in Q3 2008 when the rights were granted. The cost of warrant issue of PLN 12m, calculated using the Black-Scholes model, was taken to the Group's payroll costs in Q3 2008. The cost will not impact the Group's cash flows.

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**3) Finance income and expenses**

3.1.) Finance income

	<i>for 9 months</i>		<i>for 3 months</i>	
	<i>ended 30 September</i>		<i>ended 30 September</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
Bank interest receivable	1 823	2 266	117	1 053
Loans granted to other parties	4 114	3 681	2 035	668
Foreign exchange differences	12 241	15 704	0	8 386
Other	645	0	645	0
	<b>18 823</b>	<b>21 651</b>	<b>2 797</b>	<b>10 107</b>

3.2) Finance costs

	<i>for 9 months</i>		<i>for 3 months</i>	
	<i>ended 30 September</i>		<i>ended 30 September</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
Interest on bank loans and overdrafts	6 616	4 364	2 739	1 171
Lenders fees	554	716	43	594
Finance costs under finance leases	43	64	14	20
Valuation (discount) of future liabilities	4 515	7 853	1 233	6 376
Foreign exchange differences	0	0	23 510	0
Other	187	728	77	397
	<b>11 915</b>	<b>13 725</b>	<b>27 616</b>	<b>8 558</b>

In the three months ended 30 September 2008, the Group recorded foreign exchange-related finance costs of PLN 23.1m. The period saw the Polish zloty fall sharply against foreign currencies, especially the US dollar. The USD/PLN rate as of 30 September 2008 was PLN 0.25 higher than the rate as of 30 June 2008. The largest foreign exchange-related cost item were foreign exchange differences of PLN 25.2m following from the valuation of the PKO BP/BGK senior credit facility.

**4) Income tax**

	<i>for 9 months</i>		<i>for 3 months</i>	
	<i>ended 30 September</i>		<i>ended 30 September</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
<i>Current income tax</i>				
Current income tax charge	9	20	2	20
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	1 350	3 923	(6 203)	958
<b>Income tax expense reported in the income statement</b>	<b>1 359</b>	<b>3 943</b>	<b>(6 201)</b>	<b>978</b>

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**5) Earnings per share**

The following reflects the income and share data used in the basic and diluted earnings per share computations.

	<i>for 9 months</i>		<i>for 3 months</i>	
	<i>ended 30 September</i>		<i>ended 30 September</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Net profit/ loss from continuing operations attributable to equity holders of the parent (in PLN '000)	(31 297)	(18 783)	(34 329)	(5 977)
Weighted average number of issued shares for basic earnings per share computations	6 057 464	5 397 810	6 163 476	5 617 784
Number of diluting potential ordinary shares	89 376	89 376	89 376	89 376
Earnings/ loss per share in PLN	(5.17)	(3.48)	(5.57)	(1.06)
Diluted earnings (loss) per share in PLN	(5.09)	(3.42)	(5.49)	(1.05)

There are diluting instruments existing as at the date of these condensed interim consolidated financial statements. Following the resolutions passed on 29 April 2008 by the Extraordinary General Shareholders' Meeting regarding the implementation of an Incentive Programme and the Resolution passed by the Supervisory Board on 18 June 2008 implementing the Rules and Regulations of the Incentive Programme – the Management Board Members acquired the right to take up in aggregate not more than 264,285 subscription warrants convertible into the Company E-series shares. In July 2008, all eligible persons submitted their declarations of acceptance of the offer and acquisition of subscription Warrants. The rights conferred by the Warrants to take up shares may be realised from the day of issuance of the Warrants, i.e. from 29 July 2008, to 30 April 2011.

On 16 September 2008, the Company's Management Board resolved to increase share capital within the limits of target capital by PLN 1,846,160 via the issuance of 184,616 ordinary bearer F-series shares with a nominal value of PLN 10 each. With a view to the Company's best interest and subject to consent from the Supervisory Board, the pre-emptive rights of the existing shareholders to F-series Shares were entirely precluded. In addition, subject to consent from the Chairman of the Supervisory Board, the issue price of F-series Shares was set at PLN 130. F-series Shares will participate in dividends starting from 1 January 2008.

F-series Shares were offered in a private subscription to Mr. Bakhytbek Baiseitov. The offering was effected on 22 September 2008 on the terms set out by the Management Board. As a result of the offering, the Company received gross proceeds of PLN 24,000,080. On 7 November 2008, the share capital increase through the F issue was registered by the District Court for Gdańsk-Północ of Gdańsk, VIII Economic Department of the National Court Register.

The table below sets forth the parameters used to determine the number of potential ordinary shares connected with the share issues described above.

	average market price of shares in the period	instrument execution price as per agreement	total number of instruments issued	number of instruments issued at fair value	number of diluting potential ordinary shares
warrants	234	227	264 285	256 794	7 491
F-series shares	234	130	184 616	102 731	81 885
			<b>448 901</b>	<b>359 525</b>	<b>89 376</b>

## 6) Cash and cash equivalents

For the purposes of the interim condensed cash flow statement, cash and cash equivalents comprise the following:

	<i>30 September 2008</i>	<i>30 June 2008</i>	<i>31 December 2007</i>	<i>30 September 2007</i>
	<i>unaudited</i>	<i>unaudited</i>	<i>audited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
Cash at bank and in hand	22 704	32 087	23 480	77 689
Revolving credit facility	(34 286)	(24 896)	0	0
<b>Cash and cash equivalents in the cash flow statement</b>	<b>(11 582)</b>	<b>7 191</b>	<b>23 480</b>	<b>77 689</b>

## 7) Property, plant and equipment and expenditure on exploration for and evaluation of mineral resources

In the period of 9 months ended 30 September 2008, Petrolinvest Group purchased property, plant and equipment with a value of PLN 3.3m (2007: PLN 3.9m).

In the period of 9 months ended 30 September 2008, Petrolinvest Group incurred expenditure on exploration for and evaluation of mineral resources amounting to PLN 91.5m (2007: PLN 130.8m).

## 8) Other financial assets

On 16 January 2008, the Management Board of PETROLINVEST S.A. signed an investment agreement, amended on 12 September 2008, between the Company and Pruner Group Limited, Mars International Worldwide Inc. and Munivac Global Ventures Inc., regarding the purchase by the Company of 100% of the shares in Capital Energy S.A. Capital Energy S.A. is the owner of the majority shareholdings described below in four Kazakh law companies that possess concessions for oil prospecting and extraction: BMB Munai LLP (75% holding), Bolz LLP (65% holding), Maksat-Munai LLP (100% holding) and Erkin Oil LLP (50% holding). The performance of the agreement has been made conditional on a number of conditions precedent, in particular: the confirmation by a court-appointed auditor of the value of the contribution, gaining appropriate corporate and regulatory consents, and in particular appropriate anti-monopoly consents. Details regarding the agreement were given in current reports 3/2008 and 52/2008 published on 16 January 2008 and 13 September 2008, respectively. Up to the date of approval of this Report, the agreement has not been finalised as not all conditions precedent resulting from the agreement had been met.

In the period between 25 April 2008 and the date of approval of this Report, the Company entered into four loan agreements with Capital Energy S.A. The agreements were regarding loans to be granted by the Company for a total amount of USD 10,200 thousand. The loans mature twelve months from the date on which the funds are made available. Interest on the loans was set at 14% p.a. The Company also entered into the following agreements serving as collateral for the above-mentioned receivable: (i) three pledge agreements over third-party shares of Bekem Metals Inc (BMI), representing 6.47% of its share capital and third-party shares of BOLZ LLP, representing 20% of its share capital, and (ii) guarantee agreements with BMB Munai LLP as guarantor for up to USD 25,000 thousand accompanying two loan agreements totalling USD 4,000 thousand each, and a guarantee agreement with BMB Munai LLP as guarantor for up to USD 2,000 thousand accompanying a loan agreement totalling USD 1,700 thousand. Up to the date of approval of this Report, all funds have been made available (USD 9,700 thousand was made available as at 30 September 2008).

An Investment Agreement was concluded on 21 February 2008, amended on 12 September 2008, between the Company and Mars International Worldwide Inc. and Munivac Global Ventures Inc., regarding the purchase by the Company of 45% of the shares in Kazakhstancaspishelf JSC, a company incorporated under Kazakh law ("Kazakhstancaspishelf"), entitling the Company to 50% of the votes at the general meeting of that company. The performance of the agreement has been made conditional on a number of conditions precedent, in particular: the confirmation by a court-appointed auditor of the value of the contribution, gaining appropriate corporate and regulatory consents, and in particular appropriate anti-monopoly consents. Details regarding the agreement were given in current reports 10/2008 and 52/2008 published on 29 February 2008 and 13 September 2008, respectively. Up to the date of approval of this Report, the agreement has not been finalised as not all conditions precedent resulting from the agreement had been met.

On 15 April 2008, the Company concluded a loan agreement with Mars International Worldwide Inc. for USD 2,000 thousand. The loan matures six months from the date on which the funds are made available. All funds have been advanced by the date of approval of this Report. The loan is secured with a pledge over 33.3% of the shares in Capital Energy S.A. and a power of attorney to vote with those shares.

An Investment Agreement was concluded on 28 February 2008, amended on 12 September 2008, between the Company and Mars International Worldwide Inc., regarding the purchase by the Company of 26.07% of the shares in Caspian Services Inc., a company incorporated under Nevada state law, United States ("Caspian Services"), entitling the Company to 26.07% of the votes at the general meeting of that company. The performance of the agreement has been made conditional on a

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number of conditions precedent, in particular: the confirmation by a court-appointed auditor of the value of the contribution, gaining appropriate corporate and regulatory consents, and in particular appropriate anti-monopoly consents. Details regarding the agreement were given in current reports 10/2008 and 52/2008 published on 10 February 2008 and 13 September 2008, respectively. Up to the date of approval of this Report, the agreement has not been finalised as not all conditions precedent resulting from the agreement had been met.

In the period between 3 April 2008 and the date of approval of this Report, the Company concluded two loan agreements with Caspian Services Inc. The agreements were regarding loans granted by the Company to Caspian Services Inc. totalling USD 5,000 thousand. The loans mature three months from the date on which the funds are made available. All funds have been advanced by the date of approval of this Report.

	<i>30 September 2008</i>	<i>30 June 2008</i>	<i>31 December 2007</i>	<i>30 September 2007</i>
	<i>unadited</i>	<i>unadited</i>	<i>audited</i>	<i>unadited</i>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
Loans granted and loan discounts	178 335	144 625	109 912	115 498
including current loans and borrowings	60 060	40 761	6 952	2 137
Other	0	0	26	906
<b>Total other financial assets, including</b>	<b>178 335</b>	<b>144 625</b>	<b>109 938</b>	<b>116 404</b>
non-current	118 275	103 864	102 986	114 267
current	60 060	40 761	6 952	2 137

#### 9) Acquisition of subsidiaries and jointly-controlled entities

No acquisition or take-up of shares in subsidiaries or jointly-controlled entities took place in the 9 months ended 30 September 2008. In that period, the Company concluded investment agreements and signed letters of intent connected with the acquisition of shares and stocks in prospecting and extraction companies as well as service providers.

On 16 January 2008, PETROLINVEST's Management Board signed investment agreements, amended on 12 September 2008, to acquire a 50% interest in the share capital of EmbaJugNieft and a 48.27% interest in the share capital of Occidental Resources, which, when executed, will allow the Company to take control over both of the prospecting and extraction companies that have concessions for hydrocarbon exploration and production in the Republic of Kazakhstan.

The investment agreements envisaged an issue of 4,082,888 PETROLINVEST S.A. shares in aggregate, including 772,315 shares in exchange for 50% shares in TOO EMBA JUG NIEFT and 3,310,573 shares in exchange for 48.27% shares in Occidental Resources Inc. In addition, in the event of confirmation that the prospective resources of TOO EMBA JUG NIEFT (*unrisks mean estimated of prospective resources*) are equal to at least 160 million barrels of oil, an additional 271,517 shares in the Company shall be issued.

Upon execution of the investment agreement, PETROLINVEST S.A. will become the owner of 100% of the shares in TOO EmbaJugNieft and 98.27% of the shares in Occidental Resources Inc.

By the date of authorisation of the consolidated report for the third quarter of 2008 for publication, the G-series Shares had been offered in a private placement and subscribed for by the then shareholders of Occidental Resources Inc. and the H-series Shares had been offered in a private placement and subscribed for by the then shareholders of EmbaJugNieft and Capital Vario CR. S.A.

On 7 November 2008, upon execution of some of the share subscription agreements for G-series Shares, representing in aggregate 2,613,163 shares of that series, the ownership of 75,947,519 shares of Occidental Resources Inc. was transferred to the Company, representing a 38.10% shareholding in the share capital of Occidental Resources Inc. and carrying 38.10% of votes at the company's general meeting. After the acquisition, adding the shares of Occidental Resources Inc. acquired earlier, the Company came to hold shares representing 88.10% of the share capital of Occidental Resources Inc. and carrying 88.10% of votes at the company's general meeting.

As at the date of authorisation of the consolidated report for Q3 2008 for publication, the remaining share subscription agreements pertaining to the acquisition of shares/stocks in TOO EmbaJugNieft and Occidental Resources, Inc. are still being finalised.

Details of the relevant investment agreements and the progress of their execution have been provided in:

- 1) The Management Board Report on the Activities of the Capital Group of the Issuer for 6 months ended 30 June 2008—chapter 3.2. Review of the most important events and significant agreements concluded that have had an impact on the activity of PETROLINVEST Group and the results achieved in the first half of 2008 or that may have an impact in future years—point 3.2.3. Capital acquisitions
- 2) The Consolidated Quarterly Report of PETROLINVEST Group for 3rd quarter 2008 ended on 30 September 2008—point 8. Brief description of significant achievements or failures of the issuer during the period covered by the report, including a list of the most significant events related to such achievements or failures.

## 10) Equity

The Company made an issue of D-series shares in March 2008. 290,474 D-series shares were acquired as part of the offer at an issue price of PLN 275 per share. As a result of the offer, the Company obtained gross funds of PLN 79,880 thousand. The share capital increase was registered with the National Court Register on 9 April 2008.

A decision was made by a resolution of the EGM of 29 April 2008 to issue E-series shares in the aggregate amount not higher than 264,285 shares in exercise of the conditional share capital increase. The purpose of the share issue is to exercise the incentive programme for the Company management board members based on the issue of subscription warrants entitling their holders to take up E-series shares.

In July 2008, all eligible persons submitted their declarations of acceptance of the offer and acquisition of subscription Warrants. The rights conferred by the Warrants to take up shares may be realised from the day of issuance of the Warrants, i.e. from 29 July 2008, to 30 April 2011. In compliance with the requirements of IFRS, the Group was required to make an assessment of the fair value of the warrants as at the date of granting the rights thereto. The amount arrived at in this way was charged to the Group's payroll costs in Q3 2008 when the rights were granted. The cost of warrant issue of PLN 12m, calculated using the Black-Scholes model, was taken to the Group's payroll costs in Q3 2008. The cost will not impact the Group's cash flows.

On 16 September 2008, the Company Management Board resolved to increase share capital within the limits of target capital by PLN 1,846,160 via the issuance of 184,616 ordinary bearer F-series shares with a nominal value of PLN 10 each. The offering was effected on 22 September 2008 on the terms set out by the Management Board. As a result of the offering, the Company received gross proceeds of PLN 24,000,080. The goal of the issue was to provide the Company with finance to support investment projects.

On 7 November 2008, the share capital increase through the F issue was registered by the District Court for Gdańsk-Północ of Gdańsk, VIII Economic Department of the National Court Register. Details regarding the share issue are provided in part 1 point 10 of the Consolidated Quarterly Report of PETROLINVEST Group for the third quarter of 2008 ended on 30 September 2008.

On 17 September 2008, the Management Board resolved to convene an Extraordinary General Meeting for 24 October 2008 in order to increase the share capital by PLN 45,129,500 via the issuance of shares series G, H, I, and J.

The goal of the issue is to execute the investment agreements pertaining to the acquisition of shares/stocks in TOO EMBA YUG NIEFT, Occidental Resources Inc., and Caspian Services Inc.

On 24 October 2008, the EGM of PETROLINVEST S.A. passed the following resolutions on share capital increases of the Company via:

- the issuance of up to 3,310,573 G-series shares
- the issuance of up to 772,315 H-series shares
- the issuance of up to 412,221 I-series shares, and
- the issuance of up to 17,841 J-series shares.

Following the issue of G, H, I, and J-series shares, the share capital of the Company will increase to PLN 108,610,420.

By the date of authorisation of the consolidated report for the third quarter of 2008 for publication, the G-series Shares had been offered in a private placement and subscribed for by the then shareholders of Occidental Resources Inc. and the H-series Shares had been offered in a private placement and subscribed for by the then shareholders of EmbaJugNiefert and Capital Vario CR. S.A.

Details regarding the share issue are provided in point 8 of the Consolidated Quarterly Report of PETROLINVEST Group for the third quarter of 2008 ended on 30 September 2008.

## 11) Interest-bearing loans and borrowings

The following events related to interest-bearing loans and borrowings extended to PETROLINVEST Group took place in the 9 months ended 30 September 2008.

### **Powszechna Kasa Oszczędności Bank Polski S.A.**

In the 9 months ended 30 September 2008, the Company finished drawing down tranches of the loan extended under the agreement dated 21 March 2007 by PKO BP S.A. and BGK. The amount of the loan that has been utilised is PLN 2,183 thousand and USD 100,184 thousand.

### **Fortis Bank Polska S.A.**

On 18 June 2008, the bank gave its consent to make available to the Company a credit line facility of PLN 10,000 thousand for another current availability period from 18 June 2008 to 16 June 2009. The agreed term of the facility expires on 19 June 2017.

On 16 September 2008, the Company and Fortis Bank Polska SA concluded an annex increasing the current account overdraft facility by PLN 10m to PLN 20m. The overdraft is secured by a declaration of submission to enforcement of judgments and a capped mortgage on the Company's real estate. The drawdown of the increased amount of the overdraft

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facility was made conditional on a number of conditions precedent stipulated in the annex. Interest continues to be determined based on WIBOR. All other terms of the financing remained unchanged.

**BRE Bank S.A.**

On 30 May 2008, the Company entered into an Annex to the Overdraft Facility Agreement with BRE Bank Spółka Akcyjna renewing the available financing of PLN 20,000 thousand for another 12-month period to 28 May 2009. Interest continues to be determined based on WIBOR.

**Bank CenterCredit JSC**

On 31 March and 30 May 2008, OilTechnoGroup entered into an annex to the arrangement dated 3 April 2006 with Bank CenterCredit JSC regarding the granting of a credit line facility of USD 37.8m and annexes to loan agreements concluded as part of the arrangement. The current terms and conditions of the financing are as follows:

- The loan shall be repaid in instalments and the final repayment date shall be 5 April 2012.
- Interest on the loan accrues at 19.6% p.a.
- The bank's receivables shall be collateralized by a pledge over the rights arising from the OTG Licence and the guarantee provided by EmbajugNieft.

**Bank Pekao S.A.**

On 30 September 2008, the Company entered into an annex to the overdraft credit facility agreement with Bank Polska Kasa Opieki S.A. prolonging the credit line of PLN 6,000 thousand to 30 September 2009. Interest was again determined based on WIBOR.

**12) Receivables**

	<u>30 September</u> <u>2008</u> <u>unaudited</u> <u>PLN '000</u>	<u>30 June</u> <u>2008</u> <u>unaudited</u> <u>PLN '000</u>	<u>31 December</u> <u>2007</u> <u>audited</u> <u>PLN '000</u>	<u>30 September</u> <u>2007</u> <u>unaudited</u> <u>PLN '000</u>
Trade receivables	29 667	10 729	14 260	17 976
Receivables from public authorities	13 673	17 038	12 780	12 096
including non-current	13 531	16 949	12 560	10 939
Receivables from employees	135	64	126	104
Other receivables	52	301	342	360
	<u>43 527</u>	<u>28 132</u>	<u>27 508</u>	<u>30 536</u>

**13) Trade and other payables and other current liabilities**

	<u>30 September</u> <u>2008</u> <u>unaudited</u> <u>PLN '000</u>	<u>30 June</u> <u>2008</u> <u>unaudited</u> <u>PLN '000</u>	<u>31 December</u> <u>2007</u> <u>audited</u> <u>PLN '000</u>	<u>30 September</u> <u>2007</u> <u>unaudited</u> <u>PLN '000</u>
Trade liabilities	7 585	9 568	7 081	9 296
Liabilities to public authorities	14 113	4 767	10 395	13 562
Liabilities related to construction in progress	40 031	32 820	17 658	13 054
Liabilities resulting from acquisition of financial assets	0	509	28 478	64 831
Concession and share option liabilities	2 339	3 111	2 191	2 337
Other liabilities	997	1 278	157	742
<b>Current liabilities</b>	<u>65 065</u>	<u>52 053</u>	<u>65 960</u>	<u>103 822</u>
Liabilities resulting from acquisition of financial assets	32 375	29 169	32 780	34 636
Concession and share option liabilities	99 496	94 153	107 845	110 863
<b>Non-current liabilities</b>	<u>131 871</u>	<u>123 322</u>	<u>140 625</u>	<u>145 499</u>
	<u>196 936</u>	<u>175 375</u>	<u>206 585</u>	<u>249 321</u>

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**14) Prepayments and accruals**

Current prepayments and accruals on the assets' side comprise:

	<i>30 September 2008</i>	<i>30 June 2008</i>	<i>31 December 2007</i>	<i>30 September 2007</i>
	<i>unaudited</i>	<i>unaudited</i>	<i>audited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
Capital raising expenses	5 376	3 389	932	0
Gas cylinders expensed over time	81	83	200	200
Expenses relating to purchases of goods	1 847	479	66	0
Costs of pending capital acquisitions	1 859	1 854	414	0
Other	368	355	677	508
	<b>9 531</b>	<b>6 160</b>	<b>2 289</b>	<b>708</b>

**15) Related party transactions**

The table below sets forth aggregate amounts of transactions concluded by the Company with related entities in the 9 months ended 30 September 2008 and 2007 and balances of receivables and liabilities as at 31 December 2007 and 30 September 2008.

Related party		<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Receivables from related parties</i>	<i>Liabilities to related parties</i>
		<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
Ryszard Krauze	2008	0	0	50	370
	2007	0	0	50	320
Prokom Investments	2008	0	1 578	0	217 728
	2007	0	305	0	191 458
UAB Petrolinvest Mockavos Perpyla Sp. z o.o.	2008	0	229	852	16
	2007	0	1	652	0
TPG GAZ S.A.	2008	2	0	163	0
	2007	1	0	40	0
OOO NK Siewiergeofizyka	2008	0	0	47 479	0
	2007	0	0	34 733	0
OOO Nieftiegoserwis	2008	0	0	21 237	0
	2007	0	0	20 227	0
ZAO Pechora Petroleum	2008	0	0	26 220	0
	2007	0	0	17 513	0
Occidental Resources, Inc.	2008	0	0	34 064	0
	2007	0	0	13 051	56 955
TOO Profit Company	2008	0	0	21 552	0
	2007	0	0	17 724	0
TOO EmbaJugNieft	2008	0	0	90 636	0
	2007	0	0	58 325	0

The agreements discussed below are agreements pertaining to transactions within the Group as well as transactions with related parties of the Group companies.

*Agreements concluded between the Company and OOO Siewiergeofizyka*

In the period from 1 January 2008 to the date of this Report, the Company concluded one agreement with OOO Siewiergeofizyka. The agreement was regarding a loan granted by the Company for a total amount of USD 4,000 thousand (up until the date of this Report, the Company advanced USD 3,382 thousand of the loan). The loan becomes payable on or before 31 January 2009. The aim of the loan is to finance the ongoing operations of OOO Siewiergeofizyka. Interest accruing on the loan is based on LIBOR.

Additionally, repayment periods of four loans granted in 2007 were extended in the reporting period to 15 December 2008. The loans had been granted for one year for a total amount of USD 5,074 thousand.

*Agreements concluded between the Company and OOO Nieftiegoserwis*

In the period from 1 January 2008 to the date of this Report, repayment periods of four loans granted in 2007 were extended to 15 December 2008. The loans had been granted for one year for a total amount of USD 3,922 thousand.

Agreements concluded between the Company and ZAO Pechora Petroleum

In the period from 1 January 2008 to the date of this Report, the Company concluded two agreements with ZAO Pechora Petroleum. The agreements were regarding loans granted by the Company for a total amount of USD 6,500 thousand (up until the date of this Report, the Company advanced USD 3,025 thousand of the loans). The loans become payable on or before 31 January 2009. The aim of the loans is to finance the ongoing operations of ZAO Pechora Petroleum. Interest accruing on the loans is based on LIBOR.

Additionally, repayment periods of four loans granted in 2007 were extended in the reporting period to 15 December 2008. The loans had been granted for one year for a total amount of USD 1,604 thousand.

Agreements concluded between the Company and Occidental Resources, Inc.

In the period from 1 January 2008 to the date of this Report, the Company concluded one agreement (and one annex increasing the loan amount) with Occidental Resources, Inc. The agreement was regarding a loan granted by the Company for a total amount of USD 11,000 thousand (up until the date of this Report, the Company advanced USD 8,625 thousand of the loan). The loan becomes payable on or before 31 January 2009. Interest accruing on the loans was agreed at 18% p.a. In order to secure the above-mentioned receivable, the Company also entered into a guarantee agreement with OTG as the guarantor for USD 8,000 thousand, which was increased to USD 14,000 thousand when the annex to the loan agreement was signed.

Agreements concluded between the Company and TOO EmbajugNieft

In the period from 1 January 2008 to the date of this Report, the Company concluded one agreement with TOO EmbajugNieft. The agreement was regarding a loan granted by the Company for a total amount of USD 20,000 thousand. Up until the date of this Report, the Company advanced USD 5,125 thousand of the loan (USD 4,625 thousand was made available as at 30 September 2008). The loan becomes payable on or before 31 January 2011. Interest accruing on the loans is based on LIBOR.

Agreements concluded by and between TOO Embajug Nieft and TOO Company Profit

In the period from 1 January 2008 to the date of this Report, Embajug Nieft and TOO Company Profit entered into ten financial support agreements totalling KZT 113,571 thousand. The loans become payable within one year from the date on which funds become available. Financial support agreements are non-interest bearing.

Agreements concluded between the Company and TPG GAZ S.A.

In the period from 1 January 2008 to the date of this Report, the Company concluded two loan agreements with TPG GAZ S.A. totalling PLN 120 thousand. The loans were advanced in full. The loans become payable on or before 31 December 2008. Interest was agreed at 5% p.a. In addition, in the period covered by this Report, the repayment periods of two loans totalling PLN 40 thousand, which originally matured on 31 January 2008, were prolonged until 31 December 2008.

Agreements concluded between the Company and Prokom Investments S.A.

In the period from 1 January 2008 to the date of this Report, the Company concluded one loan agreement with Prokom Investments S.A. totalling PLN 17,476 thousand. The loan was received in full. The loan becomes payable within 5 working days from the date on which a request for full or partial repayment of the loan is delivered by the Lender. The loan also contains a clause whereby an authorisation is granted to the Lender to request that the Company issue shares as part of the target capital and offer the shares to the Lender precluding pre-emptive rights of the existing shareholders (call option). Interest accruing on the loans is based on WIBOR. Furthermore, seven loan agreements were amended by annexes signed during the reporting period; the loans' outstanding balance (principal plus interest accrued to 30 September 2008) was PLN 198.0m. The annexes incorporated the call option clause (authorisation of the Lender to request that the Company issue shares as part of the target capital and offer the shares to the Lender precluding the pre-emptive rights of the existing shareholders).

CONDENSED INTERIM FINANCIAL STATEMENTS OF PETROLINVEST S.A.

**CONDENSED INTERIM FINANCIAL STATEMENTS OF PETROLINVEST S.A.**

The Condensed Interim Financial Statements of PETROLINVEST S.A. contain combined data, being the sum of the financial statements of the unit and its branch.

**CONDENSED INTERIM INCOME STATEMENT**

	<i>for 9 months</i>		<i>for 3 months</i>	
	<i>ended 30 September</i>		<i>ended 30 September</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
<b>Continuing operations</b>				
Sale of goods	170 743	136 160	89 860	63 891
Rendering of services	1 116	200	433	68
<b>Revenue</b>	<b>171 859</b>	<b>136 360</b>	<b>90 293</b>	<b>63 959</b>
Value of goods and materials sold	155 565	121 896	80 691	55 992
Materials and energy	2 431	2 442	847	791
Employee benefits	22 215	8 174	15 523	3 098
Depreciation and amortisation	1 646	1 519	544	511
External services	10 596	13 978	3 964	5 048
Taxes and charges	670	649	184	343
Other expenses	2 869	1 576	504	467
<b>Operating expenses</b>	<b>195 992</b>	<b>150 234</b>	<b>102 257</b>	<b>66 250</b>
<b>Gross profit/ (loss)</b>	<b>(24 133)</b>	<b>(13 874)</b>	<b>(11 964)</b>	<b>(2 291)</b>
Other operating income	1 378	697	178	98
Other operating expenses	219	240	15	110
Finance income	22 206	18 364	11 146	9 020
Finance costs	17 965	21 206	5 454	7 124
<b>Profit/ (loss) before tax</b>	<b>(18 733)</b>	<b>(16 259)</b>	<b>(6 109)</b>	<b>(407)</b>
Income tax expense	(490)	2 338	133	959
<b>Net profit/ (loss) from continuing operations</b>	<b>(18 243)</b>	<b>(18 597)</b>	<b>(6 242)</b>	<b>(1 366)</b>
<b>Net profit/ (loss)</b>	<b>(18 243)</b>	<b>(18 597)</b>	<b>(6 242)</b>	<b>(1 366)</b>
Weighted average number of issued shares for basic earnings per share computations	6 057 464	5 397 810	6 163 476	5 617 784
Number of diluting potential ordinary shares	89 376	89 376	89 376	89 376
Basic earnings (loss) per share in PLN	(3.01)	(3.45)	(1.01)	(0.24)
Diluted earnings (loss) per share in PLN	(2.97)	(3.39)	(1.00)	(0.24)

CONDENSED INTERIM FINANCIAL STATEMENTS OF PETROLINVEST S.A.

**CONDENSED INTERIM BALANCE SHEET**

	<i>30 September 2008</i>	<i>30 June 2008</i>	<i>31 December 2007</i>	<i>30 September 2007</i>
	<i>unaudited</i>	<i>audited</i>	<i>audited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
<b>ASSETS</b>				
<b>Non-current assets (long-term)</b>				
Property, plant and equipment	47 152	47 032	45 227	42 727
Investment properties	2 567	2 567	2 567	2 232
Intangible assets	125	146	209	87
Financial assets	820 726	795 151	784 148	796 055
Deferred tax	6 419	12 098	6 696	7 168
	<u>876 989</u>	<u>856 994</u>	<u>838 847</u>	<u>848 269</u>
<b>Current assets (short-term)</b>				
Inventories	12 824	8 464	7 869	6 671
Trade and other receivables	29 180	10 578	14 318	18 718
Prepayments and deferred costs	9 373	6 007	1 751	465
Current investments	145 978	106 536	62 705	54 297
Cash and cash equivalents	9 823	20 569	6 764	58 357
Income tax overpayment	35	35	27	3
	<u>207 213</u>	<u>152 189</u>	<u>93 434</u>	<u>138 511</u>
<b>TOTAL ASSETS</b>	<u><b>1 084 202</b></u>	<u><b>1 009 183</b></u>	<u><b>932 281</b></u>	<u><b>986 780</b></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Issued capital	61 635	61 635	58 730	58 730
Other reserves	479 406	467 397	391 286	391 286
Unpaid share capital	24 000	0	0	0
Retained earnings	(50 489)	(44 247)	(32 246)	(33 816)
<b>Total equity</b>	<u>514 552</u>	<u>484 785</u>	<u>417 770</u>	<u>416 200</u>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings	446 837	421 860	382 387	359 763
Non-current provisions	349	348	337	324
Deferred income tax liabilities	10 786	16 331	11 553	11 086
Finance lease liabilities	199	231	245	285
Other non-current liabilities	32 375	29 169	32 780	34 635
	<u>490 546</u>	<u>467 939</u>	<u>427 302</u>	<u>406 093</u>
<b>Current liabilities</b>				
Trade and other payables	25 447	14 773	73 960	153 974
Finance lease liabilities	227	209	170	188
Current portion of interest-bearing loans and borrowings	51 612	40 089	11 553	9 024
Accruals	1 818	1 388	1 526	1 301
	<u>79 104</u>	<u>56 459</u>	<u>87 209</u>	<u>164 487</u>
<b>Total liabilities</b>	<u>569 650</u>	<u>524 398</u>	<u>514 511</u>	<u>570 580</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>1 084 202</b></u>	<u><b>1 009 183</b></u>	<u><b>932 281</b></u>	<u><b>986 780</b></u>

CONDENSED INTERIM FINANCIAL STATEMENTS OF PETROLINVEST S.A.

**CONDENSED INTERIM CASH FLOW STATEMENT**

	<i>for 9 months</i>		<i>for 3 months</i>	
	<i>ended 30 September</i>		<i>ended 30 September</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
<b>Cash flows from operating activities</b>				
Profit/ (loss) before taxation	(18 733)	(16 259)	(6 109)	(407)
Adjustments for:	(1 742)	6 951	(5 214)	653
Depreciation and amortisation	1 646	1 519	544	511
Interest and dividends, net	6 149	3 772	1 456	2 334
Foreign exchange differences	(10 289)	(10 702)	(6 690)	(6 361)
Gain/ (loss) from investing activities	(62)	3	(9)	0
(Increase)/ decrease in receivables	(14 870)	(2 535)	(18 602)	(8 592)
(Increase)/ decrease in inventories	(4 955)	(1 651)	(4 360)	(567)
Increase/ (decrease) in payables except loans and borrowings	8 442	2 743	11 695	(1 058)
Change in prepayments and accruals	(1 612)	2 347	(1 116)	10 648
Change in provisions	13	(410)	2	114
Income tax paid	0	(23)	0	(23)
Other, including	13 796	11 888	11 866	3 647
warrant valuation	12 009	0	12 009	0
financial fees paid	540	1 741	38	1 217
valuation (discount) of liabilities under share purchase transactions	1 247	10 147	(181)	2 410
other	0	0	0	20
<b>Net cash flows from operating activities</b>	<b>(20 475)</b>	<b>(9 308)</b>	<b>(11 323)</b>	<b>246</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment and intangibles	39	0	26	0
Purchase of property, plant and equipment and intangibles	(3 283)	(6 471)	(614)	(3 022)
Acquisition of subsidiary and jointly-controlled entity	(54 089)	(147 689)	(1 004)	(60 798)
Interest received	778	0	0	0
Repayment of loans granted	13	16	4	6
Granting of loans	(111 535)	(138 796)	(25 636)	(43 497)
Other	0	(1 160)	1 445	(884)
<b>Net cash flows from investing activities</b>	<b>(168 077)</b>	<b>(294 100)</b>	<b>(25 779)</b>	<b>(108 195)</b>
<b>Cash flows from financing activities</b>				
Proceeds from share capital increase	103 880	119 456	24 000	119 456
Costs relating to share issue	(6 582)	0	(3 260)	3 692
Payment of finance lease liabilities	(169)	(220)	(60)	(78)
Proceeds from loans and borrowings	71 525	255 411	0	71 202
Repayment of loans and borrowings	(2 160)	(1 640)	(720)	(500)
Interest paid	(8 629)	(4 296)	(2 956)	(2 568)
Other	(540)	(1 319)	(38)	(669)
<b>Net cash flows from financing activities</b>	<b>157 325</b>	<b>367 392</b>	<b>16 966</b>	<b>190 535</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(31 227)</b>	<b>63 984</b>	<b>(20 136)</b>	<b>82 586</b>
Cash and cash equivalents at the beginning of the period	6 764	(5 627)	(4 327)	(24 229)
<b>Cash and cash equivalents at the end of the period</b>	<b>(24 463)</b>	<b>58 357</b>	<b>(24 463)</b>	<b>58 357</b>
Including restricted use cash	0	0	0	0

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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

	<i>Share capital</i>	<i>Other capital, including</i>				<i>Unregistered share capital increase</i>	<i>Retained earnings/ accumulated (losses)</i>	<i>Total</i>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>From profit appropriation</i>	<i>From share premium</i>	<i>Other capital</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
<b>As at 1 January 2008</b>	<b>58 730</b>	<b>391 286</b>	<b>15 593</b>	<b>375 693</b>	<b>0</b>	<b>0</b>	<b>(32 246)</b>	<b>417 770</b>
Loss for the period	0	0	0	0	0	0	(18 243)	(18 243)
<b>Revenues / expenses for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(18 243)</b>	<b>(18 243)</b>
Share issue	2 905	100 975	0	76 975	12 009	24 000	0	103 880
Cost of share issue	0	(864)	0	(864)	0	0	0	(864)
Warrant issue	0	12 009	0	0	12 009	0	0	12 009
<b>As at 30 September 2008</b>	<b>61 635</b>	<b>503 406</b>	<b>15 593</b>	<b>451 804</b>	<b>12 009</b>	<b>24 000</b>	<b>(50 489)</b>	<b>514 552</b>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
<b>As at 1 January 2007</b>	<b>52 860</b>	<b>277 700</b>	<b>15 593</b>	<b>262 107</b>	<b>0</b>	<b>0</b>	<b>(15 219)</b>	<b>315 341</b>
Loss for the period	0	0	0	0	0	0	(18 597)	(18 597)
<b>Revenues / expenses for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(18 597)</b>	<b>(18 597)</b>
Share issue	5 870	127 379	0	127 379	0	0	0	133 249
Cost of share issue	0	(13 793)	0	(13 793)	0	0	0	(13 793)
<b>As at 30 September 2007</b>	<b>58 730</b>	<b>391 286</b>	<b>15 593</b>	<b>375 693</b>	<b>0</b>	<b>0</b>	<b>(33 816)</b>	<b>416 200</b>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
<b>As at 1 January 2007</b>	<b>52 860</b>	<b>277 700</b>	<b>15 593</b>	<b>262 107</b>	<b>0</b>	<b>0</b>	<b>(15 219)</b>	<b>315 341</b>
Loss for the period	0	0	0	0	0	0	(17 027)	(17 027)
<b>Revenues / expenses for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(17 027)</b>	<b>(17 027)</b>
Share issue	5 870	127 379	0	127 379	0	0	0	133 249
Cost of share issue	0	(13 793)	0	(13 793)	0	0	0	(13 793)
<b>As at 31 December 2007</b>	<b>58 730</b>	<b>391 286</b>	<b>15 593</b>	<b>375 693</b>	<b>0</b>	<b>0</b>	<b>(32 246)</b>	<b>417 770</b>