



***Petrolinvest***

**CONSOLIDATED  
QUARTERLY REPORT  
OF PETROLINVEST GROUP  
ON the 1st QUARTER of 2011  
ENDED 31 MARCH 2011**

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**1. SELECTED FINANCIAL DATA**

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

	<i>for 3 months</i>		<i>for 3 months</i>	
	<i>ended 31 March</i>		<i>ended 31 March</i>	
	<i>2011</i>	<i>2 010</i>	<i>2011</i>	<i>2 010</i>
	<i>PLN '000</i>		<i>EUR '000</i>	
Net revenue from the sale of products, goods and materials	19 218	25 477	4 836	6 422
Profit (loss) from operations	(23 045)	(14 467)	(5 799)	(3 647)
Gross profit (loss)	(23 576)	(57 879)	(5 932)	(14 591)
Net profit (loss) attributable to equity holders of the parent	(22 466)	(57 560)	(5 653)	(14 510)
Cash flows from operating activities	(10 859)	(8 383)	(2 732)	(2 113)
Cash flows from investing activities	(23 844)	(18 772)	(6 000)	(4 732)
Cash flows from financing activities	35 273	50 982	8 875	12 852
Net cash flows, total	570	23 827	143	6 007
Weighted average number of shares issued in units	55 331 374	22 526 281	55 331 374	22 526 281
Number of diluting potential ordinary shares	0	0	0	0
Earnings (loss) per share (in PLN/EUR)	(0,41)	(2,56)	(0,10)	(0,64)
Diluted earnings (loss) per share (in PLN/EUR)	(0,41)	(2,56)	(0,10)	(0,64)
	<i>as at</i>		<i>as at</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>	<i>31 December</i>
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>PLN '000</i>		<i>EUR '000</i>	
Total assets	1 156 922	1 184 959	288 373	299 209
Liabilities and provisions for liabilities	608 601	641 115	151 699	161 885
Non-current liabilities	250 597	280 890	62 463	70 926
Current liabilities	358 004	360 225	89 236	90 959
Equity attributable to equity holders of the parent	528 265	522 473	131 675	131 928
Share capital	602 966	505 177	150 294	127 560
Weighted average number of shares issued in units	55 331 374	33 127 514	55 331 374	33 127 514
Number of diluting potential ordinary shares	0	0	0	0
Book value per share (in PLN/EUR)	9,55	15,77	2,38	3,98
Diluted book value per share (in PLN/EUR)	9,55	15,77	2,38	3,98
Declared or paid dividend per share (in PLN/EUR)	0,00	0,00	0,00	0,00

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

	<i>for 3 months ended 31 March</i>		<i>for 3 months ended 31 March</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>PLN '000</i>		<i>EUR '000</i>	
Net revenue from the sale of products, goods and materials	19 218	25 477	4 836	6 422
Profit (loss) from operations	(12 516)	(11 099)	(3 149)	(2 798)
Gross profit (loss)	(18 830)	(40 379)	(4 738)	(10 179)
Net profit (loss) attributable to equity holders of the parent	(18 830)	(40 379)	(4 738)	(10 179)
Cash flows from operating activities	(7 056)	(7 816)	(1 775)	(1 970)
Cash flows from investing activities	(38 630)	(31 087)	(9 720)	(7 837)
Cash flows from financing activities	45 867	54 710	11 541	13 792
Net cash flows, total	181	15 807	46	3 985
Weighted average number of shares issued in units	55 331 374	22 526 281	55 331 374	22 526 281
Profit (loss) per share (in PLN/EUR)	0	0	0	0
Profit (loss) per share (in PLN/EUR)	(0,34)	(1,79)	(0,09)	(0,45)
Diluted profit (loss) per share (in PLN/EUR)	(0,34)	(1,79)	(0,09)	(0,45)
	<i>as at</i>		<i>as at</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>	<i>31 December</i>
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>PLN '000</i>		<i>EUR '000</i>	
Total assets	1 266 166	1 239 137	315 603	312 890
Liabilities and provisions for liabilities	191 611	205 131	47 761	51 797
Non-current liabilities	55 038	59 769	13 719	15 092
Current liabilities	136 573	145 362	34 042	36 705
Equity attributable to equity holders of the parent	1 074 555	1 034 006	267 842	261 093
Share capital	602 966	505 177	150 294	127 560
Weighted average number of shares issued in units	55 331 374	33 127 514	55 331 374	33 127 514
Weighted average number of shares issued in units	0	0	0	0
Book value per share (in PLN/EUR)	19,42	31,21	4,84	7,88
Diluted book value per share (in PLN/EUR)	19,42	31,21	4,84	7,88
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 3 months ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>as at</i>	
	<i>31 March</i>	<i>31 December</i>
	<i>2011</i>	<i>2010</i>
average rate in the period	3,9742	3,9669
rate at the end of the period	4,0119	3,9603

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

PETROLINVEST S.A. Capital Group is composed of a parent entity — PETROLINVEST S.A. ("the Company") and subsidiary companies. For the purposes of this Report, the parent company, its subsidiaries and the jointly-controlled entity shall be referred to as PETROLINVEST Group ("Capital 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, 8th Economic Division of the National Court Register, with KRS number 0000270970 on 29 December 2006. The Company was granted statistical number (REGON) 190829082. On 16 July 2007, rights to shares of PETROLINVEST S.A. were first quoted on the Warsaw Stock Exchange.

The registered seat of PETROLINVEST S.A. is located in Poland, at Podolska 21, Gdynia.

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

The main areas of business activity of the PETROLINVEST Group include:

- activities incidental to oil and gas exploration and extraction,
- wholesale of solid, liquid and gaseous fuels and derivative products,
- retail of fuels,
- production of gas fuels,
- services consisting in installation of metal constructions,
- development of gas installations.

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

As of the date of publication of this 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.

The Management Board of the Company is composed of two, three or five members. 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 of the Management Board. If the Management Board consists of five members, Prokom Investments S.A. shall appoint and dismiss two members of the Management Board, including the President of the Management Board, whereas Ryszard Krauze: the Vice-President of the Management Board. The number of Management Board members is determined by Prokom Investments. The Supervisory Board is composed of five to thirteen members, and, as set out in the statutes, 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.

PETROLINVEST Group is composed of the parent entity, its subsidiaries and a jointly-controlled entity (TOO COMPANY PROFIT) with the following profiles: exploration and production, trade and service.

As of 31 March 2011, PETROLINVEST S.A. possessed stock/shares in the following companies:

Company name	Share capital		Shareholding	Consolidation Method
Occidental Resources, Inc. (U.S.A.) <sup>(1)</sup>	199,332.77	USD	88.10%	Full
TOO EMBA JUG NIEFT (Republic of Kazakhstan)	145,000.00	KZT	79.00%	Full
TOO COMPANY PROFIT (Republic of Kazakhstan)	164,600.00	KZT	50.00%	Proportionate
Silurian Sp. z o.o. (Poland)	5,000.00	PLN	60.00%	Full
UAB Petrolinvest Mockavos Perpyla (Lithuania)	2,000,000.00	LTL	87.00%	Full
PETROLINVEST GAZ S.A. (Poland) <sup>(2)</sup>	15,720,325.00	PLN	100.00%	Full

<sup>(1)</sup> Occidental Resources, Inc. owns 100% of the shares in TOO OilTechnoGroup registered in the Republic of Kazakhstan.

<sup>(2)</sup> PETROLINVEST GAZ S.A. owns 100% of the shares in SIGNA ENTERPRISES LIMITED registered in Cyprus.

**4. MATERIAL EVENTS OCCURRING AFTER THE END OF THE PERIOD WHICH HAD NOT BEEN REFLECTED IN THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 1ST QUARTER OF 2011**

- ✓ **On 18 April 2011, the Company concluded with Prokom Investments S.A. an annex to the agreement setting out the terms and conditions for cooperation in seeking financing for the Company dated 20 March 2009, amended by the annex of 31 December 2010 ("Annex").**

Considering the capital requirements of Petrolinvest connected with the implementation of the new development strategy and prospective business projects, as well as the intent to increase the share of Prokom Investments S.A in the shareholding structure of the Company and the intent of Prokom and other financing entities obtained by Prokom to support Petrolinvest's projects, the parties have decided to extend until the end of 2013 the cooperation consisting in obtaining by Prokom financing for Petrolinvest's investment projects on the basis of current provisions of the Agreement, and to increase the financing by the additional amount of PLN 100 million.

Pursuant to the Annex, all other terms and conditions of the agreement dated 20 March 2009, which were announced by the Company in detail in the aforementioned current report, were maintained.

The Annex was concluded at arm's length.

This Annex as well as the other agreements concluded by the Company and its subsidiaries with Prokom and its subsidiaries during the period starting on 3 January 2011, i.e. on the publication date of the last report on the conclusion of a significant agreement with Prokom (current report No 1/2011) jointly fulfil the criterion of a significant agreement. The total value of the aforementioned agreements, including the value of the said annex, amounts to PLN 114,581,630, thus exceeding 10% of the Company's equity. The aforementioned Annex is the agreement of the highest value.

The total value of financing invested in PETROLINVEST S.A. by Prokom or entities indicated by Prokom on the basis of agreement on financing has exceeded the amount of PLN 124 million, and only in 2011 this amounted to over PLN 56 million.

The financing made available by Prokom and entities indicated by Prokom was used mainly to reduce the debt of the PETROLINVEST Group, as well as to conduct the exploration and production project in Kazakhstan, and it simultaneously constituted a significant source of financing for the Company's entire activity.

Taking into consideration the information above, the Management Board of the Company positively evaluates the contribution of Prokom in the process of pursuing strategic objectives of the Company, including the success of the exploration and production project.

- ✓ **On 9 May 2011 The Extraordinary General Meeting conditionally resolved to increase the Company's share capital by up to PLN 300 million.**

The adoption of the resolution on new contingent capital will enable the Company to secure financial means necessary for (i) moving from phase 1 — exploration works on the Shyrak-1 well — to phase 2 of the project, which is exploitation of the prospective Shyrak field by means of providing necessary extraction infrastructure for purifying and storing the extracted crude oil, managing the accompanying natural gas and preparing crude oil for transport, (ii) accelerating the readiness to provide services relating to exploring shale gas in Poland by the subsidiary Silurian Sp. z o.o., inter alia by means of enabling the subsidiary to acquire world leading technologies and devices for the provision of those services, (iii) acquiring and commercialising the technology used for converting plastic waste into fuel components or energy both on the domestic market and on foreign markets, in particular on markets of Asia, (iv) enabling acquisitions of those entities and rights on the market which are congruent with the Company's area of activities; such acquisitions would aim at improving the Company's position and contribute to achievement of its economic objectives; new, promising investment projects acquired in that manner should after a relatively short time contribute to generating positive cash flows, and (v) enabling the fulfilment of conditions precedent of the agreement with the French corporation Total on common investments at the Koblandy field under the largest contract area of the PETROLINVEST Group in Kazakhstan — OTG.

**5. EFFECTS OF 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**

The structure of the PETROLINVEST S.A. Group did not change in the first quarter of 2011.

**6. EXPLANATIONS REGARDING SEASONALITY OR CYCLICALITY OF THE ISSUER'S OPERATIONS IN THE REPORTING 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.

In the first quarter, sales usually decline, resulting in worse performance in this area.

## **7. 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**

### **EXPLORATION AND PRODUCTION**

In the first quarter of 2011, the PETROLINVEST Group continued its exploration and research works, the scope of which is presented below, taking into account, however, the limitations of access to the expected sources of finance for its investments.

#### **TOO OIL TECHNO GROUP** (Subsidiary of Occidental Resources, Inc.)

The OTG Contract, owned by TOO OilTechnoGroup, is the key contract area for the whole PETROLINVEST Group, for which the independent competent person, McDaniel & Associates Consultant, estimated by far the largest prospective resources at a level of ca. 1.9 billion barrels of oil equivalent (boe), specifying their risked mean estimate at USD 2,628.5 million (see: Report from July 2009). This contract area has the largest investment programme in place, which is expected to lead to crude oil and natural gas production being started as soon as possible. Consequently, the independent competent person is expected to reclassify a significant portion of prospective resources to the confirmed category.

A farm-out agreement was concluded on 16 March 2010 by and between the Company, TOO OilTechnoGroup and TOTAL E&P KOBLANDY, setting forth the terms and conditions of joint continuation of works on the area of the OTG Contract. As provided for in the agreement, TOTAL E&P KOBLANDY has committed, among other things, to provide USD 70,000 thousand to finance works on the OTG Contract area. In exchange for the financing, TOO OilTechnoGroup has committed to transfer a 50% interest in the OTG Contract to TOTAL (for details see current report No 16/2010).

The Management Board is of the opinion that the strategic partnership of the PETROLINVEST Group with TOTAL, one of the largest oil companies in the world, will make it possible for the geological and economic potential of the OTG Contract to be put to full use in the shortest possible time-frame. Engaging the TOTAL Group was preceded by an in-depth analysis of all available geological documentation accumulated during the Company's involvement in the OTG Contract over a period of more than 3 years, and in particular — the results of the K-3 well, which confirmed the presence of hydrocarbons in the largest structure on the OTG Contract area — the Koblандy structure. The investments and operating support of one of the largest oil companies in the world, with its experience, know-how, organisational and financial resources — and also its established presence in the oil industry in Kazakhstan (Kashagan field) — will significantly accelerate the development of the field and reduce operating and financial risks, which, in effect, will contribute to the OTG Contract quickly gaining in value and production being launched on a commercial scale.

The Company has been performing actions aimed at fulfilling the terms and conditions of the aforementioned farm-out agreement. Moreover, in cooperation with Total, works were carried out in connection with the processing of seismic data and preparation of plans for the K-4 well, further discussed below.

Furthermore, as provided for in the aforementioned agreement, the Company and OTG will continue to have exclusive operations on the Shyrak structure located on the OTG Contract area while Total will retain the right to join those operations on the terms and conditions stipulated in an agreement.

Pursuant to Annex No 993 to the OTG Contract on exploration and production of hydrocarbons concluded with the Ministry of Oil and Gas of the Republic of Kazakhstan on 21 October 2010, the exploration period under the OTG Contract aimed at evaluating the discoveries within the contractual territory was extended to 5 years and expires on 18 March 2016. The Working Programme for the years 2011-2016 determines the amount of capital expenditure to be incurred for the prolonged exploration period at a level of USD 55,000 thousand.

The following scope of works was performed in the first quarter of 2011:

- ✓ The work program for the period ending on 17 March 2011 was submitted to the competent local inspection authorities and received approval. From 18 March 2011, the works are conducted on the basis of an appendix to Contract No 8.
- ✓ Under the contract of 3 August 2010 between the Company and the OilTechnoGroup Petroleum Geo-Services, works were carried out on repeat processing of 3D seismic data for the Koblандy region. These works essentially consisted in

(a) the application of previously unavailable processing procedure for the latest seismic data, and (b) the integration of seismic data processing with the geological and geophysical results obtained in the Koblandy K-3 well. It is expected to generate a much better image of the Koblandy carbonate platform and obtain quality of seismic data allowing the interpretation of changes in lithology and reservoir properties of carbonate rocks. Such results of these works will be used to determine a location for the drilling of the K-4 well that will be optimal from the reservoir quality perspective. The works performed under the agreement are at a final stage and their results will soon be submitted by the contractor to OTG, Total and PETROLINVEST S.A.

- ✓ Preparations to drill the K-4 well in the Koblandy field were ongoing. The works were carried out in cooperation with Total and included preparation of assumptions for the geological and technical projects as well as arrangements to issue calls for tenders concerning the implementation of projects required by law and the equipment necessary for drilling, as well as materials and devices, including the purchase of casing of appropriate technical characteristics, slurry materials and blowout preventers.
- ✓ Preparatory works were carried on for the interpretation of 44 new seismic profiles with a total length of approx. 920 linear kilometres in the south-eastern part of the contract area, the Sarkol-Damba region.
- ✓ Drilling of the Shyrak 1 well continued. In the first quarter the well was deepened from 3,488 metres to 5,350 metres. On 24 February 2011, the process of drilling through salt deposits was finished at the depth of 5,336 metres. During the drilling works shows of hydrocarbons were registered, which confirmed the prospectiveness of the well as estimated by McDaniel & Associates Consultant. During subsequent weeks works were carried out which included the running and cementing of 9 5/8" and 9 7/8" casing in the well as well as installing a new section of the wellhead in order to resume the drilling. The securing of the well with casing made it possible to lower the weight of drilling mud in order to prevent its leakage in the lower layers of porous oil-bearing rocks to be drilled through.

After the end of the reporting period covered herein, the performance of works in the Shyrak-1 well was continued. Installing a new section of the wellhead was terminated, after the venturing and cementing of 9 5/8" and 9 7/8" casing in the well. Moreover, pressure tests of blowout preventers, which are used for closing the well and secure the well from uncontrolled influx release, were performed, as well as cement plugs binding and absorbency trial. On 13 April 2011, the drilling of another section of the well was resumed within the area of the expected reservoir rock series, using a drill with a diameter appropriate for the 7" casing. If the presence of hydrocarbons in those layers is confirmed, field tests will be carried out once the drilling has been finished, in order to determine the well rate for the first well and make an initial estimate as to the size of the discovered field. According to the results of the analysis of geological data and seismic surveys, the resources of the Shyrak structure are estimated at 311 million barrels of oil equivalent (according to the report issued by McDaniel & Associates Consultant).

#### **TOO EMBA JUG NIEFT**

The prospective resources of the Emba Contract were estimated by McDaniel & Associates Consultant (Report of July 2009) at 84.3 million barrels of oil equivalent, their risked estimated value is USD 132.6 million. Furthermore, confirmed reserves (*proven plus probable plus possible*) were estimated at 1.97 million boe and their value was estimated at USD 8.8 million. The aggregate value of confirmed reserves and prospective resources for this contract is USD 93.1 million.

In the first quarter of 2011, preparatory works to continue the processing and interpretation of the 3D seismic survey (*Pre-stack Time Migration and Pre-stack Depth Migration*) were ongoing within the contract area.

In accordance with the decision of 16 November 2009, the Company is in possession of the decision of the Ministry of Oil and Gas of the Republic of Kazakhstan prolonging the exploration period of the Emba Contract until 29 June 2011. The decision on prolonging the exploration period will be implemented in the form of an annex to the Emba Contract. As at the approval of the Report, following the introduction of all the necessary amendments agreed upon with the Legal Department of the Ministry of Oil and Gas, the draft of annexe No 2 is at the final stage of processing and approval by the Contract Department of the Ministry of Oil and Gas. The Company is expecting to sign an appropriate annex in the nearest future. Directly after the signing of Annex No 2, the Company will request the Ministry of Oil and Gas to prolong the exploration period. The Company's experience with regard to prolonging the OTG contract by a third exploration period shows that such a prolongation is likely to be granted.

At the end of 2010, the Management Board of the Company, having assessed the Emba Contract as non-strategic against the exploration and production prospects of the OTG Contract, undertook steps aimed at securing a partner under the farm-out formula or reselling the shares in TOO Emba Jug Niefert. The Management Board may continue to partly finance TOO EmbaJugNiefert, to the extent that will ensure that the contract is maintained until a partner is acquired, the stake in the company is sold or access to financial resources is provided, allowing the completion of all the planned investment projects.

Taking into account the stage of advancement of exploration work on the individual Kazakh contract areas, the size of identified prospective resources, as well as the results of the drilling works carried out so far, the Management Board of the Company decided that investment works should be focused on the OTG Contract, whose growth potential with regard to value is estimated to be the highest.

### **TOO COMPANY PROFIT**

The prospective resources of the Profit Contract were estimated by McDaniel & Associates Consultant at 5.5 million barrels of oil equivalent, and their risked value was estimated at USD 5.2 million.

In 2009, following the strategy of focusing on highly effective investments, the Management Board decided to undertake steps to sell the stake in TOO COMPANY PROFIT. The Management Board may continue to partly finance TOO COMPANY PROFIT, to the extent that will ensure that the contract is maintained until the stake in the company is sold or access to financial resources is provided, allowing for all the planned investment projects to be completed.

In the first quarter of 2011 works were continued on the return of part of the contract area regulated by the Profit Contract. Pursuant to the terms of the contract, PROFIT is required to return at least 25% of the unprospective part of the contract area.

On 7 December 2010, the Company received the approval of the Ministry of Oil and Gas of the Republic of Kazakhstan, regarding the extension of the exploration period under the Profit Contract by two years. The provision in question will be implemented in the form of an annex to the Profit Contract No 1810 dated 18 August 2005, registered for the benefit of TOO Company Profit. The current exploration period for the Profit Contract, as provided for in the annex dated 5 March 2008, expired on 18 August 2010.

### **CAPITAL AREA**

- ✓ On 18 January 2011 the Company received from an entity indicated by Prokom as the financing entity — within the meaning of the agreement on financing concluded by the Company and Prokom Investments S.A. on 20 March 2009, amended by the annexe dated 31 December 2010 — which makes a direct equity investment into Company's shares ("Financing Entity"):
  - a request to transfer to the Financing Entity a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 25,000,000 performed by the Financing Entity in the form of cash payment and the issue price of PLN 10.00, as well as
  - a call to offer to the Financing Entity 2,500,000 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 25,000,000.

In connection with the said request and call, and also in connection with the resolution of the Extraordinary General Shareholders' Meeting dated 30 October 2010 regarding the issue of subscription warrants, conditional Company share capital increase, the exclusion of the pre-emptive rights of the existing shareholders of the Company and amendment of the statutes of the Company (the "Issue Resolution"), on 18 January 2011, the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants entitling to the take-up of series B Company shares ("Subscription Warrants") and setting forth the detailed terms and conditions of the issue of the Subscription Warrants. The Management Board decided to issue 2,500,000 Subscription Warrants and offered them for take-up to the Financing Entity. Subscription Warrants were subsequently taken up by the Financing Entity. At the same time **the Financing Entity exercised its rights under the Subscription Warrants to take up series B shares and filed a statement of acquisition of 2,500,000 ordinary series B bearer shares of the Company.**

The issue price of the ordinary series B bearer shares issued to holders of Subscription Warrants was set by the Management Board at PLN 10.00 per share, considering statutory restrictions regarding the minimum issue price of shares. The issue price was approved by the Supervisory Board on 18 January 2011.

**The value of the cash payment for the take-up of series B shares was PLN 25 million.** The whole amount received by the Company in December 2010 was designated for reducing the credit debt of PETROLINVEST S.A.

As at 18 January 2011, the total value of financing invested in PETROLINVEST S.A. by the entities indicated by Prokom Investments S.A. as part of performance of the aforementioned agreement on financing was more than PLN 69 million.

- ✓ On 26 January 2011 the Company received from an entity indicated by Prokom as the financing entity — within the meaning of the agreement on financing concluded by the Company and Prokom Investments S.A. on 20 March 2009, amended by the annexe dated 31 December 2010 — which makes a direct equity investment into Company's shares ("Financing Entity"):
  - a request to transfer to the Financing Entity a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 18,000,000 performed by the Financing Entity in the form of cash payment and the issue price of PLN 10.00, as well as
  - a call to offer to the Financing Entity 1,800,000 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 18,000,000.

In connection with the said request and call, and also in connection with the resolution of the Extraordinary General Shareholders' Meeting dated 30 October 2010 regarding the issue of subscription warrants, conditional Company

share capital increase, the exclusion of the pre-emptive rights of the existing shareholders of the Company and amendment of the statutes of the Company (the "Issue Resolution"), on 26 January 2011, the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants entitling to the take-up of series B Company shares ("Subscription Warrants") and setting forth the detailed terms and conditions of the issue of Subscription Warrants. The Management Board decided to issue 1,800,000 Subscription Warrants and offered them for take-up to the Financing Entity. Subscription Warrants were subsequently taken up by the Financing Entity. At the same time **the Financing Entity exercised its rights under the Subscription Warrants to take up series B shares and filed a statement of acquisition of 1,800,000 series B ordinary bearer shares of the Company.**

The issue price of the ordinary series B bearer shares issued to holders of Subscription Warrants was set by the Management Board at PLN 10.00 per share, considering statutory restrictions regarding the minimum issue price of shares. The issue price was approved by the Supervisory Board on 26 January 2011.

**The value of the cash payment for the take-up of series B shares was PLN 18 million.** Funds in the amount of PLN 12 million which the Company received in December 2010 were designated for reducing the credit debt of PETROLINVEST S.A., whereas the outstanding amount covered mainly expenses related to the fulfilment of the exploration and production project.

As at 28 January 2011, the total value of financing invested in PETROLINVEST S.A. by the entities indicated by Prokom Investments S.A. as part of performance of the aforementioned agreement on financing was more than PLN 74 million.

- ✓ On 10 February 2011, in relation to the recent cash payments in the total amount of PLN 19,000,000, including the payment of PLN 15,000,000 made by PROKOM Investments S.A. on 8 February 2011, the Company received:
- a) from Prokom acting as the financing entity — within the meaning of the agreement on financing concluded by the Company and Prokom on 20 March 2009, amended by the annex dated 31 December 2010 (the "Agreement") — which makes a direct equity investment into Company's shares:
    - a request to transfer to Prokom a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 15,000,000 performed by Prokom and the issue price equal to PLN 10.00, as well as
    - a call to offer to Prokom 1,500,000 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 15,000,000.
  - b) from an entity indicated by Prokom as the financing entity — within the meaning of the Agreement — which makes a direct equity investment into Company's shares ("Financing Entity"):
    - a request to transfer to the Financing Entity a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 4,000,000 performed by the Financing Entity and the issue price equal to PLN 10.00 and
    - a call to offer to the Financing Entity 400,000 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 4,000,000.

In connection with the said requests and calls, and also in connection with the resolution of the Extraordinary General Shareholders' Meeting dated 30 October 2010 regarding the issue of subscription warrants, conditional Company share capital increase, the exclusion of the pre-emptive rights of the existing shareholders of the Company and amendment of the statutes of the Company (the "Issue Resolution") published in current report No 85/2010 on 10 February 2011, the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants entitling to take-up of series B Company shares ("Subscription Warrants") and setting forth the detailed terms and conditions of the issue of Subscription Warrants. The Management Board decided to issue 1,900,000 Subscription Warrants and offered them for subscription to: Prokom, in the amount of 1,500,000; and the Financing Entity in the amount of 400,000. Subscription Warrants were subsequently taken up by Prokom and the Financing Entity. At the same time **Prokom and the Financing Entity exercised its rights under the Subscription Warrants to take up series B shares and filed a statement of acquisition of 1,900,000 ordinary series B bearer shares of the Company.**

The issue price of the ordinary series B bearer shares issued to holders of Subscription Warrants was set by the Management Board at PLN 10.00 per share, considering statutory restrictions regarding the minimum issue price of shares. The issue price was approved by the Supervisory Board on 10 February 2011.

**The value of the cash payment for the take-up of series B shares was PLN 19,000,000.**

As at 10 February 2011, the total value of financing invested in PETROLINVEST S.A. by Prokom and the entities indicated by Prokom as part of performance of the aforementioned agreement on financing was more than PLN 92 million, of which payments made in the current year amounted to PLN 24 million.

- ✓ The Management Board of PETROLINVEST S.A. ("the Company") announces that in relation to the cash payment in the amount of PLN 10,000,000, received from Prokom Investments S.A. ("Prokom") on 3 March 2011, made in execution of the agreement on financing concluded by the Company and Prokom on 20 March 2009, of which the

Company informed the public in current report No 33/2009, amended by the annex dated 31 December 2010, of which the Company informed the public in current report No 1/2011 ("the Agreement on Financing"), on 8 March 2011 the Company received from Prokom as the entity which makes a direct equity investment into Company's shares:

- a request to transfer to Prokom a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 10,000,000 performed by Prokom and the issue price equal to PLN 10.00, as well as
- a call to offer to Prokom 1,000,000 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 10,000,000.

Furthermore, on 8 March 2011 — in compliance with the provisions of the agreement dated 13 January 2009 concluded with Prokom regarding, among other things, expanding the scope of the call option to cover all accounts receivable by Prokom from the Company ("Agreement with Prokom I"), which was the subject of current report No 4/2009, and the agreement concluded on 14 May 2009 with Prokom, setting forth the terms on which Prokom makes its assets available to the Company to use as security for the credit facility extended by the consortium of PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego under the agreement dated 21 March 2007 ("Agreement with Prokom II"), which was the subject of current report No 45/2009 — the Company received from Prokom:

- a) a request to transfer to Prokom a number of shares that corresponds to the quotient of (i) the accounts payable to Prokom by Petrolinvest for a PLN 11,337,151.37 advance towards the fee for providing and maintaining collateral for the credit facility charged for the period until 7 March 2011, the commercial accounts payable in the amount of PLN 2,527,255.62 charged for the period until 31 December 2010 and the accounts payable to Prokom by Petrolinvest pursuant to the agreement dated 3 February 2001 on paid collateral in the amount of PLN 239,075.34, and (ii) an issue price of PLN 10.00;
- b) a call to offer to Prokom, within the period of 5 days from 8 March 2011, 1,410,348 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 14,103,480.

In connection with the said requests and calls, and also in connection with the resolution of the Extraordinary General Shareholders' Meeting dated 30 October 2010 regarding the issue of subscription warrants, conditional Company share capital increase, the exclusion of the pre-emptive rights of the existing shareholders of the Company and amendment of the statutes of the Company (the "Issue Resolution") published in current report No 85/2010, on 8 March 2011, the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants entitling to take-up of series B Company shares ("Subscription Warrants") and setting forth the detailed terms and conditions of the issue of the Subscription Warrants. The Management Board decided to issue 2,410,348 Subscription Warrants and offered them for subscription to Prokom. Subscription Warrants were subsequently taken up by Prokom. At the same time **Prokom exercised its rights under the Subscription Warrants to take up series B shares and filed a statement of acquisition of 2,410,348 ordinary series B bearer shares of the Company.**

The issue price of the ordinary series B bearer shares, issued to holders of Subscription Warrants on the basis of the Issue Resolution within the scope of the conditional increase of the Company's share capital, was set by the Management Board at PLN 10.00 per share, considering statutory restrictions regarding the minimum issue price of shares. The issue price was approved by the Supervisory Board on 8 March 2011.

**Prokom's payments for 1,410,348 series B shares were made by netting mutual accounts receivable/accounts payable by the Company and Prokom.** On 8 March 2011, the Company concluded a netting agreement with Prokom under which the Company and Prokom netted an outstanding account receivable by the Company under the subscription for series B shares totalling PLN 14,103,480 with outstanding accounts payable by the Company to Prokom, set forth in the second paragraph, item a) of this current report. As a result of the netting, the cash contribution due by Prokom to the Company in connection with the take-up by Prokom of 1,410,348 series B shares was fully covered.

**The value of the cash payment made by Prokom for the take-up of 1,000,000 series B shares was PLN 10 million.** Funds acquired by the Company will first be used to finance works related to the Shyrak 1 well within the scope of the exploration and production project in Kazakhstan.

As of 8 March 2011, the current total value of financing invested in PETROLINVEST S.A. by Prokom and the entities indicated by Prokom as part of performance of the Agreement on Financing was more than PLN 102 million, of which payments made in the current year amounted to PLN 34 million.

- ✓ The Management Board of PETROLINVEST S.A. ("the Company") announces that in relation to the cash payments in the amount of PLN 10,000,000 and PLN 2,000,000, respectively, received from Prokom Investments S.A. ("Prokom") on 15 March 2011 and on 17 March 2011, made in execution of the agreement on financing concluded by the Company and Prokom on 20 March 2009, of which the Company informed the public in current report No 33/2009, amended by the annex dated 31 December 2010, of which the Company informed the public in current report No 1/2011 ("the Agreement on Financing"), on 18 March 2011 the Company received from Prokom as the entity which makes a direct equity investment into Company's shares:

- a request to transfer to Prokom a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 12,000,000 performed by Prokom and the issue price equal to PLN 10.00, as well as
- a call to offer to Prokom 1,200,000 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 12,000,000.

In connection with the said request and call, and also in connection with the resolution of the Extraordinary General Shareholders' Meeting dated 30 October 2010 regarding the issue of subscription warrants, conditional Company share capital increase, the exclusion of the pre-emptive rights of the existing shareholders of the Company and amendment of the statutes of the Company (the "Issue Resolution") published in current report No 85/2010, on 18 March 2011, the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants entitling to take-up of series B Company's shares ("Subscription Warrants") and setting forth the detailed terms and conditions of the issue of the Subscription Warrants. The Management Board decided to issue 1,168,595 Subscription Warrants and offered them for subscription to Prokom. Subscription Warrants were subsequently taken up by Prokom. At the same time **Prokom exercised its rights under the Subscription Warrants to take up series B shares and filed a statement of acquisition of 1,168,595 ordinary series B bearer shares of the Company.** The Company shares, in a number which constitutes the difference between the number of shares participating in the call of Prokom and the number of shares to the acquisition of which the Warrants authorise, i.e. 31,405 shares in the Company, will be offered to Prokom later.

The issue price of the ordinary series B bearer shares, issued to holders of Subscription Warrants on the basis of the Issue Resolution within the scope of the conditional increase of the Company's share capital, was set by the Management Board at PLN 10.00 per share, considering statutory restrictions regarding the minimum issue price of shares. The issue price was approved by the Supervisory Board on 18 March 2011.

**The value of the cash payment made by Prokom for the take-up of 1,168,595 series B shares was PLN 11,685,950.** Funds acquired by the Company will first be used to finance works related to the Shyrak 1 well within the scope of the exploration and production project in Kazakhstan.

As of 18 March 2011, the current total value of financing invested in PETROLINVEST S.A. by Prokom and the entities indicated by Prokom as part of performance of the Agreement on Financing was more than PLN 114 million, of which payments made in the current year amounted to PLN 46 million.

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

The results achieved in the first quarter of 2011 were influenced by, among others, commissions charged for the agreements of 14 May 2009 setting forth the terms of use of the assets made available to the Company by Prokom Group companies serving as a security for the repayment of the credit facility from PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego. The discounted commission charged for 3 months of 2011 amounted to PLN 6.9 million, of which PLN 5.3 million were posted as other operating expenses, and PLN 1.6 million — as financial expenses. The commission-related liabilities are convertible to equity. By 31 March 2011, the commission charged for the 3 months of 2011 amounting to PLN 3.7 million was converted into the Company's equity. The Management Board expects that the other liabilities on that account will also be converted (as in the case of the commission charged for previous reporting periods), as a result of which the costs of service of the agreement concerned will not entail a cash outflow.

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

During the first quarter of 2011, the Company continued its emissions conducted pursuant to the resolutions of the Extraordinary General Meeting of the Company of 30 October 2010, as a part of the conditional increase of the Company's capital. With the issue of 9,778,943 ordinary shares, the Company acquired a gross amount of PLN 83.686 thousand and converted the debt into equity in the gross amount of PLN 14,103 thousand in total, netting the Company's receivables under the take-up of shares with Prokom's receivables (including the commission income from the credit collateral agreement dated 14 May 2009 — PLN 11,337 thousand.) The receipts from share issue have been used mostly to reduce the debts of PETROLINVEST S.A. and implement the exploration and production project.

### **✓ Timetable of events relating to the issue of series B shares (series B subscription warrants)**

*18 January 2011*

In connection with the request and call for a share offer regarding 2,500,000 shares in the company (under the financing agreement concluded with Prokom on 20 March 2009) that were placed by the investor indicated by Prokom ("Financing Entity"), and in execution of the provisions of the resolution of the EGM of 30 October 2010, the Management Board adopted a resolution regarding the offering of registered subscription warrants over series B shares and setting forth the detailed terms and conditions of the issue of subscription warrants.

The Management Board of the Company decided to offer to the Financing Entity 2,500,000 series B subscription warrants **for 2,500,000 series B shares.**

The above-mentioned warrants were taken up on 18 January 2011. On the same day, the eligible entity exercised its rights to take up the series B shares attached to the acquired warrants and filed a statement of acquisition of a total of 2,500,000 ordinary series B bearer shares of the Company.

The issue price of the shares was set by the Management Board at PLN 10 per share.

The payment for the take-up of 2,500,000 Series B Shares by the Financing Entity was made in cash on 29 December 2010, as a result of which the Company received gross proceeds of PLN 25,000,000 in total.

*20 January 2011*

Registration with the National Depository for Securities and introduction to trading on the WSE of 2,500,000 series B shares in the Company subscribed for by the Financing Entity.

Thus, in accordance with Article 452 § 1 of the Commercial Companies Code, the Company's share capital increased to PLN 530,176,560 on the day when the 2,500,000 series B ordinary bearer shares, each with a nominal value of PLN 10, acquired by the shareholders as part of the registered conditional share capital, were introduced to trading on the WSE. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 53,017,656.

✓ **Timetable of events relating to the issue of series B shares (series C subscription warrants)**

*26 January 2011*

In connection with the request and call for a share offer regarding 1,800,000 shares in the company (under the financing agreement concluded with Prokom on 20 March 2009) that were placed by the investor indicated by Prokom ("Financing Entity"), and in execution of the provisions of the resolution of the EGM of 30 October 2010, the Management Board adopted a resolution regarding the offering of registered subscription warrants over series B shares and setting forth the detailed terms and conditions of the issue of subscription warrants.

The Management Board of the Company decided to offer to the Financing Entity 1,800,000 series C subscription warrants **for 1,800,000 series B shares.**

The above-mentioned warrants were taken up on 26 January 2011. On the same day, the eligible entity exercised its rights to take up the series B shares attached to the acquired warrants and filed a statement of acquisition of a total of 1,800,000 ordinary series B bearer shares of the Company.

The issue price of the shares was set by the Management Board at PLN 10 per share.

Payments for the take-up of 1,800,000 series B shares by the Financing Entity were made in cash, as a result of which the Company received gross proceeds of PLN 18,000,000 in total.

*28 January 2011*

Registration with the National Depository for Securities and introduction to trading on the WSE of 2,500,000 series B shares in the Company subscribed for by the Financing Entity.

Thus, in accordance with Article 452 § 1 of the Commercial Companies Code, the Company's share capital increased to PLN 548,176,560 on the day when the 1,800,000 series B ordinary bearer shares, each with a nominal value of PLN 10, acquired by the shareholders as part of the registered conditional share capital, were introduced to trading on the WSE. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 54,817,656.

✓ **Timetable of events relating to the issue of series B shares (series D subscription warrants)**

*10 February 2011*

In connection with the requests and calls for a share offer regarding 1,900,000 shares in the company (under the financing agreement concluded with Prokom on 20 March 2009) that were placed by Prokom and the investor indicated by Prokom ("Financing Entity"), and in execution of the provisions of the resolution of the EGM of 30 October 2010, the Management Board adopted a resolution regarding the offering of registered subscription warrants over series B shares and setting forth the detailed terms and conditions of the issue of subscription warrants.

The Management Board of the Company decided to offer:

- **to Prokom Investments S.A.** — 1,500,000 series D subscription warrants **for 1,500,000 series B shares;**
- **to the Financing Entity** — 400,000 series D subscription warrants **for 400,000 series B shares.**

The above-mentioned warrants were taken up on 10 February 2011. On the same day, the eligible entities exercised their rights to take up the series B shares attached to the acquired warrants and filed a statement of acquisition of total of 1,900,000 ordinary series B bearer shares of the Company.

The issue price of the shares was set by the Management Board at PLN 10 per share. Payments for the take-up of 1,900,000 Series B Shares by Prokom and the Financing Entity were made in cash, as a result of which the Company received gross proceeds of PLN 18,000,000 in total.

14 February 2011

Registration with the National Depository for Securities and introduction to trading on the WSE of 1,900,000 series B shares in the Company subscribed for by the Financing Entity.

Thus, in accordance with Article 452 § 1 of the Commercial Companies Code, the Company's share capital increased to PLN 567,176,560 on the day when the 1,900,000 series B ordinary bearer shares, each with a nominal value of PLN 10, acquired by the shareholders as part of the registered conditional share capital, were introduced to trading on the WSE. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 56,717,656.

✓ **Timetable of events relating to the issue of series B shares (series E subscription warrants)**

8 March 2011

In connection with the requests and calls for a share offer regarding 2,410,348 shares in the company (compliant with the financing agreement concluded by the Company and Prokom on 20 March 2009, the agreement concluded with Prokom on 13 January 2009 concerning among other things, expanding the scope of the call option to cover all accounts receivable by Prokom from the Company and the agreement concluded with Prokom 14 May 2009 setting forth the terms on which Prokom makes its assets available to the Company to use as security for the repayment of a credit facility) that were placed by Prokom, and in execution of the provisions of the resolution of the EGM of 30 October 2010, the Management Board adopted a resolution regarding the offering of registered subscription warrants over series B shares and setting forth the detailed terms and conditions of the issue of subscription warrants.

The Management Board of the Company decided to offer to Prokom 2,410,348 series E subscription warrants **for 2,410,348 series B shares;**

The above-mentioned warrants were taken up on 8 March 2011. On the same day, Prokom exercised its rights to take up the series B shares attached to the acquired warrants and filed a statement of acquisition of a total of 2,410,348 ordinary series B bearer shares of the Company.

The issue price of the shares was set by the Management Board at PLN 10 per share.

Prokom's payments for 1,410,348 series B shares were made by netting mutual accounts receivable/accounts payable by the Company and Prokom. On 8 March 2011, the Company concluded a netting agreement with Prokom under which the Company and Prokom netted an outstanding account receivable by the Company under the subscription for series B shares totalling PLN 14,103,480 with outstanding accounts payable by the Company to Prokom, resulting from the advance towards the fee for providing and maintaining collateral for the credit facility charged for the period until 7 March 2011 amounting to PLN 11,337,151.37, the commercial accounts payable in the amount of PLN 2,527,255.62 charged for the period until 31 December 2010 and the accounts payable to Prokom by Petrolinvest pursuant to the agreement dated 3 February 2011 on paid collateral in the amount of PLN 239,075.34. As a result of the netting, the cash contribution due by Prokom to the Company in connection with the take-up by Prokom of 1,410,348 series B shares was fully covered.

Payments for the take-up of 1,000,000 Series B Shares by Prokom were made in cash.

10 March 2011

Registration with the National Depository for Securities and introduction to trading on the WSE of 2,410,348 series B shares in the Company subscribed for by Prokom.

Thus, in accordance with Article 452 § 1 of the Commercial Companies Code, the Company's share capital increased to PLN 591,280,040 on the day when the 2,410,348 series B ordinary bearer shares, each with a nominal value of PLN 10, acquired by the shareholders as part of the registered conditional share capital, were introduced to trading on the WSE. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 591,280,004.

✓ **Timetable of events relating to the issue of series B shares (series F subscription warrants)**

18 March 2011

In connection with the request and call for a share offer regarding 1,200,000 shares in the company (under the financing agreement concluded by the Company with Prokom on 20 March 2009) that were placed by Prokom, and in execution of the provisions of the resolution of the EGM of 30 October 2010, the Management Board adopted a resolution regarding the offering of registered subscription warrants over series B shares and setting forth the detailed terms and conditions of the issue of subscription warrants.

The Management Board of the Company decided to offer Prokom 1,168,595 subscription warrants for **1,168,595 series B shares**. The Company shares in a number which constitutes the difference between the number of shares participating in the call of Prokom and the number of shares to the acquisition of which the Warrants authorise, i.e. 31,405 shares in the Company, will be offered to Prokom later.

The above-mentioned warrants were taken up on 18 March 2011. On the same day, Prokom exercised its rights to take up the series B shares attached to the acquired warrants and filed a statement of acquisition of a total of 1,168,595 ordinary series B bearer shares of the Company.

The issue price of the shares was set by the Management Board at PLN 10 per share.

Payments for the take-up of 1,168,595 Series B Shares by Prokom were made in cash, as a result of which the Company received gross proceeds of PLN 11,685,950 in total.

22 March 2011

Registration with the National Depository for Securities and introduction to trading on the WSE of 1,168,595 series B shares in the Company subscribed for by Prokom.

Thus, in accordance with Article 452 § 1 of the Commercial Companies Code, the Company's share capital increased to PLN 602,965,990 on the day when the 1,168,595 series B ordinary bearer shares, each with a nominal value of PLN 10, acquired by the shareholders as part of the registered conditional share capital, were introduced to trading on the WSE. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 60,296,599.

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

The Company did not pay or declare dividends in the first quarter 2011.

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

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

#### 12. 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 HALF-YEAR REPORT IN RELATION TO THE PROJECTED RESULTS

The Management Board of PETROLINVEST S.A. did not publish any forecasts for 2011.

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

Shareholders holding directly or indirectly 5% or more of the total vote at the Company's general meeting as at the date of publication of this Report are presented in the table below, which also shows changes in the ownership structure which had taken place since the publication of the previous report (according to information available to the Company).

Shareholder	Number of shares/votes	Percentage held in share capital/total vote at AGM	Change in the number of shares	Number of shares/votes	Percentage held in share capital/total vote at AGM
	<i>as of the publication date of the previous Report</i>			<i>as of the publication date of the Report</i>	
Ryszard Krauze <sup>(1)</sup>	3,586	0.01%	0	3,586	0.01%
Prokom Investments S.A.	5,866,001	10.34%	-2,271,057	3,594,944	5.96%
Osiedle Wilanowskie Sp. z o.o. <sup>(2)</sup>	2,344,715	4.13%	-1,400,000	944,715	1.57%
Other shareholders	48,503,354	85.52%	7,250,000	55,753,354	92.46%
<b>TOTAL</b>	<b>56,717,656</b>	<b>100.00%</b>	<b>5,866,001</b>	<b>60,296,599</b>	<b>100.00%</b>

<sup>(1)</sup> Mr Ryszard Krauze is the dominant entity of Prokom Investments S.A.

<sup>(2)</sup> Osiedle Wilanowskie Sp. z o.o. is a Prokom Investments S.A. subsidiary.

**14. 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 REPORT**

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

Shareholder	Number of shares held at the publication date of the previous Report	Change in the number of shares	Number of shares at the publication date of this Report
<b>Supervisory Board</b>			
Ryszard Krauze	3,586		3,586
Andre Spark	0		0
Tomasz Buzuk	0		0
Marcin Dukaczewski	0		0
Maciej Grelowski	31,321		31,321
Bartosz Jałowicki	10		10
Rafał Juszcak	0		0
Andrzej Osiadacz	0		0
Krzysztof Wilski	30,000		30,000
<b>Management Board</b>			
Bertrand Le Guern	0		0
Marek Pietruszewski	0		0
Franciszek Krok	4,000		4,000
Roman Niewiadomski	0		0
Maciej Wantke	1,100		1,100
<b>Entities controlled by managing or supervisory persons</b>			
Prokom Investments S.A., Osiedle Wilanowskie Sp. z o.o., (Ryszard Krauze)	8,210,716	-3,671,057	4,539,659

**15. 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 aggregate value of which as at 31 March 2011 represents 10% or more of the Company's equity.

**16. INFORMATION ON ANY ONE OR MORE TRANSACTIONS CONCLUDED BY THE ISSUER OR ITS SUBSIDIARY UNDERTAKING WITH RELATED PARTIES, IF THEY ARE INDIVIDUALLY OR COLLECTIVELY MATERIAL AND HAVE BEEN CONCLUDED ON TERMS OTHER THAN AT ARM'S LENGTH**

In the first quarter 2011, no material transactions within the PETROLINVEST Group were concluded on terms other than at arm's length. A detailed description of the transactions concluded in the reporting period by the Company or the other entities of PETROLINVEST Group with related parties is provided in note 17 to the interim condensed consolidated financial statements.

**17. INFORMATION ON SURETIES FOR LOANS OR GUARANTEES ISSUED BY THE ISSUER OR ITS SUBSIDIARY UNDERTAKING — JOINTLY TO ONE ENTITY OR ITS SUBSIDIARY, IF THE AGGREGATE VALUE OF EXISTING SURETIES AND GUARANTEES IS EQUIVALENT TO AT LEAST 10% OF THE ISSUER'S EQUITY**

During the first quarter of 2011, no credit/loan warranties or securities were provided by the issuer or its subsidiary.

**18. 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 been disclosed by the Company and that could be material for the assessment of the Company's standing.

The Company entered into agreements to secure financing for the exploration and production efforts of the Group within at least 12 months from the date of this Report. As part of the effort to obtain investment financing, in March 2010 the Company entered into a farm-out agreement with a Total Group company to ensure, among other things, financing in the amount of USD 70 million for the works carried out on the OTG Contract area, as well as an agreement with EBRD concerning a loan convertible to shares in the amount of USD 50 million. The Management Board emphasises that the

availability of financing under agreements as yet not activated is conditional on a number of requirements to be met by the Company and by third parties, as described in detail in the Management Board's Report on the Activities of PETROLINVEST Capital Group for the 12-month period ended 31 December 2010.

In addition, the Company has the ability to use funds ensured under the agreement with GEM Global Yield Fund and GEM Investments Advisers of 29 April 2009, which provides financing of PLN 200 million in total (of which PLN 44.6 million carried out in the form of issue of shares).

The Company has solid support from Prokom Investments S.A., which is committed (pursuant to an annex dated 18 April 2011 to the agreement between the Company and Prokom, setting out the terms and conditions for cooperation in seeking financing for the Company, dated 20 March 2009, as amended by the annex of 31 December 2010) to take action to raise the financing for the Company during the period from 31 December 2010 to 31 December 2012, to the total amount of PLN 300 million.

#### **19. 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 exploration and production:
  - access to financing, with particular regard to financing from Prokom Investments (including the pace of work related to meeting the conditions of execution of concluded agreements),
  - fluctuations of exchange rates, including in particular USD to PLN, KZT to USD and KZT to PLN,
  - fluctuations of interest rates that impact the Company's debt service costs.
- ✓ With respect to trading activities:
  - efforts undertaken in respect of cost reductions, reviewing operating procedures, and changes to the policy on purchases of goods,
  - availability of long-term contracts for LPG deliveries, and the ability of trade partners to ensure supplies under the contracts,
  - access to short-term financing;
  - 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 achieve in the domestic market;
  - seasonal changes in the demand for liquefied gas for heating and automotive purposes.

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

As at 31 March 2011, no changes in contingent liabilities or contingent assets occurred at PETROLINVEST Group compared to the end date of FY 2010.

The condensed consolidated interim financial statements do not cover all information and disclosures required for the consolidated annual financial statements, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2010.

#### CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	<i>for 3 months</i>	
	<i>ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>unaudited</i>	<i>restated</i>
	<i>PLN '000</i>	<i>PLN '000</i>
<b>Continuing operations</b>		
Sale of goods	19 119	25 308
Rendering of services	99	169
<b>Revenue</b>	<b>19 218</b>	<b>25 477</b>
Value of goods and materials sold	16 830	22 169
Materials and energy	489	529
Employee benefits	3 998	4 412
Depreciation and amortisation	906	1 077
External services	5 834	4 125
Taxes and charges	8 107	654
Other expenses	355	309
<b>Operating expenses</b>	<b>36 519</b>	<b>33 275</b>
<b>Gross profit/ (loss)</b>	<b>(17 301)</b>	<b>(7 798)</b>
Other operating income	318	310
Other operating expenses	6 062	6 979
Finance income	11 931	2 500
Finance costs	12 438	45 593
Impairment of investments	24	319
<b>Profit/ (loss) before tax</b>	<b>(23 576)</b>	<b>(57 879)</b>
Income tax expense	(816)	(754)
<b>Profit/ (loss) for the period from continuing operations</b>	<b>(22 760)</b>	<b>(57 125)</b>
Profit/ (loss) from discontinued operations	0	0
<b>Profit/ (loss) for the period</b>	<b>(22 760)</b>	<b>(57 125)</b>
Attributable to:		
Equity holders of the parent	(22 466)	(57 560)
Non-controlling interests	(294)	435
Weighted average number of issued shares for basic earnings per share computations	55 331 374	22 526 281
Number of diluting potential ordinary shares	0	0
Earnings (loss) per share in PLN	(0,41)	(2,56)
Earnings (loss) from continuing operations per share in PLN	(0,41)	(2,56)
Diluted earnings (loss) per share in PLN	(0,41)	(2,56)
Diluted earnings (loss) from continuing operations per share in PLN	(0,41)	(2,56)

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<i>for 3 months</i>	
	<i>ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>unaudited</i>	<i>restated</i>
	<i>PLN '000</i>	<i>PLN '000</i>
<b>Profit/ (loss) for the period</b>	<b>(22 760)</b>	<b>(57 125)</b>
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operation	(32 142)	15
<b>Total net other comprehensive income</b>	<b>(32 142)</b>	<b>15</b>
<b>Total comprehensive income for the period</b>	<b>(54 902)</b>	<b>(57 110)</b>
 Total income attributable to:		
Equity holders of the parent	(53 587)	(57 769)
Non-controlling interests	(1 315)	659

CONSOLIDATED QUARTERLY REPORT OF PETROLINVEST GROUP ON THE FIRST QUARTER OF 2011  
ENDED 31 MARCH 2011  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF PETROLINVEST S.A. GROUP

**CONDENSED INTERIM CONSOLIDATED BALANCE SHEET**

	<u>31 March</u> <u>2011</u> <u>unaudited</u> <u>PLN '000</u>	<u>31 December</u> <u>2010</u> <u>audited</u> <u>PLN '000</u>	<u>31 March</u> <u>2010</u> <u>restated</u> <u>PLN '000</u>
<b>ASSETS</b>			
<b>Non-current assets (long-term)</b>			
Licencje rozpoznane dla spółek poszukiwawczo-wydobywczych	330 531	350 887	332 623
Wartość firmy	75	75	0
Intangible assets	70	84	129
Property, plant and equipment	47 315	48 672	52 564
Expenditure on exploration for and evaluation of mineral resources	511 721	522 603	484 477
Investment properties	2 567	2 567	2 567
Other financial assets	98 078	98 759	76 206
Non-current receivables	23 771	22 297	23 048
Long-term deposits	39	40	56
Deferred tax	6 340	6 779	2 385
	<u>1 020 507</u>	<u>1 052 763</u>	<u>974 055</u>
Non-current assets held for sale	<u>14 823</u>	<u>13 773</u>	<u>11 644</u>
<b>Current assets (short-term)</b>			
Inventories	1 803	1 424	2 583
Trade and other receivables	7 502	8 571	8 059
Income tax overpayment	2	20	19
Prepayments and deferred costs	7 987	7 264	6 985
Current investments	91 246	87 967	39
Cash and cash equivalents	13 052	13 177	21 302
<i>restricted use cash</i>	<u>11 027</u>	<u>11 889</u>	<u>11 216</u>
	<u>121 592</u>	<u>118 423</u>	<u>38 987</u>
<b>TOTAL ASSETS</b>	<b><u>1 156 922</u></b>	<b><u>1 184 959</u></b>	<b><u>1 024 686</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	602 966	505 177	304 495
Contributions to share capital	0	37 831	0
Exchange differences on translation of foreign operations	(58 392)	(27 271)	(53 787)
Other reserves	899 648	900 228	915 298
Retained earnings	(915 957)	(893 492)	(801 804)
	<u>528 265</u>	<u>522 473</u>	<u>364 202</u>
<b>Minority interest</b>	<u>20 056</u>	<u>21 371</u>	<u>27 188</u>
<b>Total equity</b>	<b><u>548 321</u></b>	<b><u>543 844</u></b>	<b><u>391 390</u></b>
<b>Non-current liabilities</b>			
Non-current provisions	7 869	9 643	13 680
Deferred tax liability	0	0	0
Interest-bearing loans and borrowings	52 859	73 448	260 595
Finance lease liabilities	33	54	11
Other non-current liabilities	189 836	197 745	161 397
	<u>250 597</u>	<u>280 890</u>	<u>435 683</u>
<b>Current liabilities</b>			
Current provisions	29 117	25 969	19 385
Current portion of interest-bearing loans and borrowings	255 436	258 754	74 504
Finance lease liabilities	46	46	87
Trade and other payables	71 602	73 849	101 210
Income tax payable	0	0	18
Accruals and deferred income	1 803	1 607	2 409
	<u>358 004</u>	<u>360 225</u>	<u>197 613</u>
<b>Total liabilities</b>	<b><u>608 601</u></b>	<b><u>641 115</u></b>	<b><u>633 296</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>1 156 922</u></b>	<b><u>1 184 959</u></b>	<b><u>1 024 686</u></b>

CONSOLIDATED QUARTERLY REPORT OF PETROLINVEST GROUP ON THE FIRST QUARTER OF 2011  
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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF PETROLINVEST S.A. GROUP

**CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT**

	<i>for 3 months</i>	
	<i>ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>unaudited</i>	<i>restated</i>
	<i>PLN '000</i>	<i>PLN '000</i>
<b>Cash flows from operating activities</b>		
Profit/ (loss) before taxation	(23 576)	(57 879)
Adjustments for:	12 717	49 496
Depreciation and amortisation	906	1 077
Interest and dividends, net	994	6 505
Foreign exchange differences	(7 992)	(1 823)
Gain/ (loss) from investing activities	2	18
(Increase)/ decrease in receivables	1 065	(3 085)
(Increase)/ decrease in inventories	(382)	(1 266)
Increase/ (decrease) in payables except loans and borrowings	(996)	6 967
Change in accruals and prepayments	84	539
Change in provisions	4 176	403
Income tax paid	(17)	0
Other, including	14 877	40 161
result of discontinued operations (before write-off and tax)	0	0
impairment of investments	0	0
impairment of expenditures on exploration for and evaluation of mineral	(261)	0
impairment of tangible assets	(81)	0
impairment of non-current assets held for sale	493	0
acquisition cost of right to use financing	0	0
conversion of collateral-related fee to equity	6 935	13 904
share-based payment	0	0
valuation of equity instruments	0	26 312
liabilities discount	7 680	0
bank fees	110	0
other	1	(55)
<b>Net cash flows from operating activities</b>	<b>(10 859)</b>	<b>(8 383)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment and intangible assets	0	10
Purchase of property, plant and equipment and intangible assets	(131)	0
Expenditure on exploration for and evaluation of mineral resources	(17 558)	(4 008)
Capitalised costs of external financing	(3 415)	(14 774)
Interest received	0	0
Repayment of loans granted	0	0
Loans granted	(2 849)	0
Long-term deposits	0	0
Other	109	0
<b>Net cash flows from investing activities</b>	<b>(23 844)</b>	<b>(18 772)</b>
<b>Cash flows from financing activities</b>		
Proceeds from share capital increase	48 169	148 770
Costs relating to share issue	(569)	(1 513)
Payment of finance lease liabilities	(23)	(51)
Proceeds from loans and borrowings	0	2 500
Repayment of loans and borrowings	(9 444)	(92 116)
Interest paid	(2 551)	(6 415)
Other	(309)	(193)
<b>Net cash flows from financing activities</b>	<b>35 273</b>	<b>50 982</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>570</b>	<b>23 827</b>
<b>Net foreign exchange difference</b>	<b>(695)</b>	<b>0</b>
Cash and cash equivalents at the beginning of the period	13 177	(7 603)
<b>Cash, cash equivalents at the end of the period</b>	<b>13 052</b>	<b>16 224</b>
including restricted use cash	11 002	11 216
cash, cash equivalents at the end of the period according to IAS 7 (excluding restricted use cash)	<b>2 050</b>	<b>5 008</b>

CONSOLIDATED QUARTERLY REPORT OF PETROLINVEST GROUP ON THE FIRST QUARTER OF 2011  
ENDED 31 MARCH 2011  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF PETROLINVEST S.A. GROUP

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

	Issued capital PLN '000	Foreign exchange differences on translation of foreign operations PLN '000	Other capital, including PLN '000	Attributable to equity holders of the parent						Retained earnings/ Accumulated (losses) PLN '000	Total PLN '000	Non-controlling interests PLN '000	Total equity PLN '000
				From profit appropriation		Unregistered share capital increase PLN '000	Revaluation of assets and liabilities PLN '000	Other reserves PLN '000	Contributions to share capital PLN '000				
				PLN '000	PLN '000								
<b>As at 1 January 2011</b>	<b>505 177</b>	<b>(27 271)</b>	<b>900 228</b>	<b>15 441</b>	<b>930 439</b>	<b>0</b>	<b>(226 594)</b>	<b>180 942</b>	<b>37 831</b>	<b>(893 492)</b>	<b>522 473</b>	<b>21 371</b>	<b>543 844</b>
Currency translation differences	0	(31 121)	0	0	0	0	0	0	0	0	(31 121)	(1 021)	(32 142)
Loss for the period	0	0	0	0	0	0	0	0	0	(22 466)	(22 466)	(294)	(22 760)
Total comprehensive income for the period	0	(31 121)	0	0	0	0	0	0	0	(22 466)	(53 587)	(1 315)	(54 902)
Issue of share capital	97 789	0	0	0	0	0	0	0	(37 831)	0	59 958	0	59 958
Issue of share capital / share based payments	0	0	0	0	0	0	0	0	0	0	0	0	0
Warrant issue	0	0	0	0	0	0	0	0	0	0	0	0	0
Issue of equity instruments	0	0	0	0	0	0	0	0	0	0	0	0	0
Transaction costs	0	0	(580)	0	(580)	0	0	0	0	0	(580)	0	(580)
<b>As at 31 March 2011</b>	<b>602 966</b>	<b>(58 392)</b>	<b>899 648</b>	<b>15 441</b>	<b>929 859</b>	<b>0</b>	<b>(226 594)</b>	<b>180 942</b>	<b>0</b>	<b>(915 958)</b>	<b>528 264</b>	<b>20 056</b>	<b>548 320</b>
<b>As at 1 January 2010</b>	<b>215 266</b>	<b>(53 578)</b>	<b>805 175</b>	<b>15 441</b>	<b>879 165</b>	<b>8 523</b>	<b>(226 594)</b>	<b>128 640</b>	<b>0</b>	<b>(744 245)</b>	<b>222 618</b>	<b>26 529</b>	<b>249 147</b>
Total comprehensive income for the period	0	(209)	0	0	0	0	0	0	0	(57 560)	(57 769)	659	(57 110)
Issue of share capital	89 229	0	87 322	0	95 845	(8 523)	0	0	0	0	176 551	0	176 551
Warrant issue / share based payments	0	0	0	0	0	0	0	0	0	0	0	0	0
Transaction costs	0	0	49 119	0	0	0	0	49 119	0	0	49 119	0	49 119
Subscription of shares and stocks in subsidiaries	0	0	(26 317)	0	(26 317)	0	0	0	0	0	(26 317)	0	(26 317)
<b>As at 30 March 2010</b>	<b>304 495</b>	<b>(53 787)</b>	<b>915 299</b>	<b>15 441</b>	<b>948 693</b>	<b>0</b>	<b>(226 594)</b>	<b>177 759</b>	<b>0</b>	<b>(801 805)</b>	<b>364 202</b>	<b>27 188</b>	<b>391 390</b>
<b>As at 1 January 2010</b>	<b>215 266</b>	<b>(53 578)</b>	<b>805 175</b>	<b>15 441</b>	<b>879 165</b>	<b>8 523</b>	<b>(226 594)</b>	<b>128 640</b>	<b>0</b>	<b>(744 245)</b>	<b>222 618</b>	<b>26 529</b>	<b>249 147</b>
Currency translation differences	0	26 307	0	0	0	0	0	0	0	0	26 307	1 344	27 651
Loss for the period	0	0	0	0	0	0	0	0	0	(149 247)	(149 247)	(6 502)	(155 749)
Total comprehensive income for the period	0	26 307	0	0	0	0	0	0	0	(149 247)	(122 940)	(5 158)	(128 098)
Issue of share capital	289 911	0	102 963	0	111 486	(8 523)	0	0	37 831	0	430 705	0	430 705
Issue of share capital / share based payments	0	0	0	0	0	0	0	0	0	0	0	0	0
Warrant issue	0	0	0	0	0	0	0	0	0	0	0	0	0
Issue of equity instruments	0	0	52 302	0	0	0	0	52 302	0	0	52 302	0	52 302
Transaction costs	0	0	(60 212)	0	(60 212)	0	0	0	0	0	(60 212)	0	(60 212)
<b>As at 31 December 2010</b>	<b>505 177</b>	<b>(27 271)</b>	<b>900 228</b>	<b>15 441</b>	<b>930 439</b>	<b>0</b>	<b>(226 594)</b>	<b>180 942</b>	<b>37 831</b>	<b>(893 492)</b>	<b>522 473</b>	<b>21 371</b>	<b>543 844</b>

**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**1) Segment Information**

Operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties.

No operating segments have been aggregated to form the above-mentioned reportable operating segments.

The Management Board monitors the operating results of business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Financial income, financial costs and income taxes are monitored on the Group level and are not assigned to operating segments.

The following tables present a breakdown of revenues and profits (losses) for the 3-month period ended 31 March 2011 and for the 12-month period ended 31 December 2010, as well as assets and liabilities as at 31 March 2011 and 31 December 2010 by operating segments.

<i>for 3-month period ended 31 March 2011 and as at 31 March 2011 (PLN '000)</i>	<i>LPG</i>	<i>Prospecting and extraction</i>	<i>Unallocated</i>	<i>Total operations</i>
<b>Revenue</b>				
Third party	19 218	0	0	19 218
Inter-segment	0	0	0	0
<b>Total segment revenue</b>	<b>19 218</b>	<b>0</b>	<b>0</b>	<b>19 218</b>
<b>Expenses</b>				
Operating expenses	(21 653)	(14 693)	(173)	(36 519)
<i>including depreciation and amortisation</i>	(760)	(146)	0	(906)
Other operating activities results	22	(5 766)	0	(5 744)
Impairment of investments		(24)	0	(24)
<b>Segment profit/ loss before finance income and costs</b>	<b>(2 413)</b>	<b>(20 483)</b>	<b>(173)</b>	<b>(23 069)</b>
Financial activities results			(507)	(507)
Tax			816	816
<b>Profit/ (loss) for the period</b>				<b>(22 760)</b>
Segment assets	96 185	1 058 171	2 566	1 156 922
Segment liabilities	72 457	533 967	2 177	608 601
Capital expenditure	131	20 973	0	21 104

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<i>for 12-month period ended 31 December 2010 and as at 31 December 2010 (PLN '000)</i>	<i>LPG</i>	<i>Prospecting and extraction</i>	<i>Unallocated</i>	<i>Total operations</i>
<b>Revenue</b>				
Third party	149 250	707	0	149 957
Inter-segment	0	0	0	0
<b>Total segment revenue</b>	<b>149 250</b>	<b>707</b>	<b>0</b>	<b>149 957</b>
<b>Expenses</b>				
Operating expenses	(155 938)	(43 634)	(173)	(199 745)
<i>including depreciation and amortisation</i>	(3 293)	(832)	0	(4 125)
Other operating activities results	1 408	(42 352)	0	(40 944)
odpis aktualizujący inwestycje		187	0	187
<b>Segment profit/ loss before finance income and costs</b>	<b>(5 280)</b>	<b>(85 092)</b>	<b>(173)</b>	<b>(90 545)</b>
Financial activities results			(69 187)	(69 187)
Tax			3 983	3 983
<b>Profit/ (loss) for the period</b>				<b>(155 749)</b>
Segment assets	96 814	1 085 576	2 569	1 184 959
Segment liabilities	75 511	563 672	1 932	641 115
Capital expenditure	215	60 554	249	61 018

## 2) Employee benefits

	<i>for 3 months ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>unaudited</i>	<i>restated</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Wages and salaries	3 454	3 580
Share Incentive Programme	0	0
Social security costs	507	523
Other	37	309
	<b>3 998</b>	<b>4 412</b>

## 3) Other operating income and expenses

	<i>for 3 months ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>unaudited</i>	<i>restated</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Release of provision for liabilities	0	0
Other	318	310
<b>other operating income</b>	<b>318</b>	<b>310</b>
Collateral-related fees	5 310	6 926
Impairment of receivables and prepayments	2	0
Net loss on disposal of property, plant and equipment	2	3
Impairment of non-current assets held for sale	493	14
Other	255	36
<b>other operating expenses</b>	<b>6 062</b>	<b>6 979</b>

On 14 May 2009, the Company signed three agreements with: PROKOM Investments S.A., Osiedle Wilanowskie Spółka z ograniczoną odpowiedzialnością and Agro Jazowa S.A., setting forth the terms on which those companies make their assets available to the Company to serve as collateral for the credit facility extended under the agreement dated 21 March 2007 by the consortium of PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego. The commission is calculated as 6.5% of the value of the collateral from the moment it is established to the moment it is released. The discounted fee calculated under the agreements referred to above for the 3-month period ended 31 March 2011 was PLN 6.9 million, of which PLN 5.3 million were taken to other operating expenses and PLN 1.6 were taken to the Company's financial costs (the discounted fee calculated for the 3-month period ended 31 March 2010 was PLN 13.9 million, of which PLN 6.9 million was taken to other operating expenses and PLN 7 million was taken to the Company's financial costs). The commission-related liabilities are convertible to equity. By 31 March 2011, a part of the commission charged for the year 2011 amounting to PLN 3.7 million was converted into the Company's equity. The Management Board believes that the remainder of the commission-related liability will also be converted, which means that the costs of execution of that agreement will not entail any cash outflow.

#### 4) Financial revenues

	<i>for 3 months</i>	
	<i>ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>unaudited</i>	<i>restated</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Bank interest receivable	12	68
Loans granted to other parties	1 134	0
Valuation (discount) of future liabilities	0	0
Foreign exchange differences	10 785	0
Valuation of equity instruments	0	0
Other	0	2 432
	<b>11 931</b>	<b>2 500</b>

#### 5) Financial costs

	<i>for 3 months</i>	
	<i>ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>unaudited</i>	<i>restated</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Interest on bank loans and overdrafts	2 283	5 501
Lenders fees	111	193
Acquisition cost of right to use financing	0	0
Valuation of derivatives	0	26 311
Valuation (discount) of future liabilities	9 305	13 511
Foreign exchange differences	0	0
Finance costs under finance leases	2	4
Other	737	73
	<b>12 438</b>	<b>45 593</b>

On 18 March 2010, the Company concluded an agreement with Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. ("Investors") and GEM Global Yield Fund Limited under which a PLN 127.5 million financing was made available to the Company. On 28 May 2010, the Company and Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and Prokom Investments S.A. executed an agreement regarding the assumption by Prokom Investments S.A. of certain rights of the Investors under the agreement dated 18 March 2010.

Upon signing the agreement, the Investors also gained the right to demand that the Company issue subscription warrants under the 4 tranches. The right of the Investors to call for the issue of the above specified instruments was a derivative, which, according to the IFRS, is subject to fair value measurement. As of 31 March 2010, the measured value of the derivative was PLN 26.3 million, and was charged to the finance cost for the period concerned (finally, following the emission of all the tranches of warrants during the subsequent accounting periods of 2010, costs of the valuation of

derivative decreased and reached PLN 9 million at the end of 2010.) The cost did not have any impact on the Group's cash flows.

## 6) Income tax

	<i>for 3 months</i>	
	<i>ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>unaudited</i>	<i>restated</i>
	<i>PLN '000</i>	<i>PLN '000</i>
<i>Current income tax</i>		
Current income tax charge	0	17
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(816)	(771)
<b>Income tax expense reported</b>		
<b>in consolidated income statement</b>	<b>(816)</b>	<b>(754)</b>

## 7) Earnings per share

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

	<i>for 3 months</i>	
	<i>ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>unaudited</i>	<i>restated</i>
Net profit/ loss attributable to equity holders of the parent (in PLN '000), including	(22 466)	(57 560)
from continuing operations	(22 466)	(57 560)
from discontinued operations	0	0
Weighted average number of shares for basic earnings per share computations	55 331 374	22 526 281
Number of diluting potential ordinary shares	0	0
Earnings (loss) per share in PLN	(0,41)	(2,56)
Earnings (loss) from continuing operations per share in PLN	(0,41)	(2,56)
Diluted earnings (loss) per share in PLN	(0,41)	(2,56)
Diluted earnings (loss) from continuing operations per share in PLN	(0,41)	(2,56)

Following the resolutions passed on 29 April 2008 by the Extraordinary General Shareholders' Meeting regarding the implementation of the 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 were granted the right to subscribe for in aggregate not more than 264,285 subscription warrants convertible into the Company series E 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 subscribe for shares may be exercised from the day of issuance of the Warrants, i.e. from 29 July 2008, to 30 April 2011. Until 30 April 2011, none of the persons covered by the Incentive Programme has acquired the shares. The right to the acquisition of shares of the Company has expired.

On 19 October 2009, the Company concluded a subscription option agreement for the Company's shares with four open investment funds incorporated in Poland. The Agreement was concluded in consideration of the fact that the Funds had subscribed for the greatest number of subscription warrants for the Company shares issued to increase the Company's share capital through the issue of ordinary bearer shares of T series. The Company agreed under the Agreement that at the request of any one of the Funds it will issue on aggregate 182,000 subscription warrants free of charge where each warrant will entitle its holder to acquire one Company share at an issue price of PLN 50 per share. Each of the Funds has the right to submit the request referred to above at any point, however no later than within two years from the date of the Agreement.

On 2 November 2009, the Company entered into a subscription option agreement giving the brokerage house Dom Maklerski IDM S.A., which organised and carried out the issue of the series T shares, the option to subscribe for shares in the Company. The Company agreed under the Agreement that at the request of the Investor it will make a single issue of 65,000 transferable subscription warrants free of charge where each warrant will entitle its holder to acquire one Company bearer share at an issue price of PLN 50 per share. The Investor has the right to file the request referred to above at any point falling no later than within 2 years from the date of signing the Agreement. In compliance with IFRS, the Company was required to make an assessment of the fair value of the share options issued to the Funds and IDM. The cost of share option issue calculated using the Black-Scholes model was PLN 3.4 million and was charged to equity in the 2009 financial statements.

The table below sets forth the parameters used to determine the number of potential ordinary shares connected with the share issues described above. As at the reporting date, the instruments issued did not have a dilution effect.

	minimum issue price	instrument execution price	number of instruments issued	number of instruments issued at fair value	number of diluting potential ordinary shares
series E - warrants	10,00	227	264 285	5 999 270	0
options	10,00	50,00	247 000	1 235 000	0
			<b>511 285</b>	<b>7 234 270</b>	<b>0</b>

#### 8) Cash and cash equivalents

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

	<u>31 March 2011</u> <i>unaudited</i> PLN '000	<u>31 December 2010</u> <i>audited</i> PLN '000	<u>31 March 2010</u> <i>restated</i> PLN '000
Cash at bank and on hand	13 052	13 177	21 302
Revolving credit facility	0	0	(5 078)
<b>Cash and cash equivalents in the cash flow statement</b>	<b>13 052</b>	<b>13 177</b>	<b>16 224</b>
including restricted use cash	11 002	11 889	11 216
<b>Cash and cash equivalents in the cash flow statement (according to IAS 7)</b>	<b>2 050</b>	<b>1 288</b>	<b>5 008</b>

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

The value of capitalised borrowing costs relating to expenditure on exploration for and evaluation of mineral resources during the 3-month period ended 31 March 2011 was PLN 3.4 million (in the 12-month period ended 31 December 2010 it was PLN 19.5 million).

In the 3-month period ended 31 March 2011, the Group incurred expenditure on exploration for and evaluation of resources totalling PLN 17.6 million (in the 12-month period ended 31 December 2010 PLN 47 million).

As at 31 March 2011, liabilities relating to expenditures on exploration for and evaluation of resources totalled PLN 36.6 million (as at 31 December 2010 PLN 36.3 m).

In the 3-month period ended 31 March 2011, the Group purchased property, plant and equipment worth PLN 131 thousand (in the 12-month period ended 31 December 2010: PLN 464 thousand).

A detailed description of the concessions for exploration and production of crude oil and gas (hydrocarbons) owned by the subsidiaries and jointly-controlled entities and the related investment obligations is provided in notes 17 and 34.1 to the consolidated financial statements for the year ended 31 December 2010.

**10) Other financial assets**

	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>unaudited</i>	<i>audited</i>	<i>restated</i>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
Loans granted and loan discounts	169 074	166 476	76 245
including current loans and borrowings	91 246	87 967	39
Payments under agreements for acquisition of financial assets	20 250	20 250	0
<b>Total other financial assets, including</b>	<b>189 324</b>	<b>186 726</b>	<b>76 245</b>
non-current	98 078	98 759	76 206
current	91 246	87 967	39

**11) Licence and goodwill**

In the statements published to date (last one for the period of 12 months ended on 31 December 2009) the excess of the price paid over the net fair value of the acquired assets of exploration and production companies was presented as goodwill. A certified auditor, issuing opinions for statements for the period of 12 months ended on 31 December 2009 and 2008, included in the opinions a reservation regarding the method of presenting the surplus mentioned. Based on the opinion of a certified auditor, instead of recognising the goodwill, the Company should recognise the licence. The Group has thus decided to introduce an adjustment to the statement for the period of 12 months ended 31 December 2010. The adjustment was made retrospectively in accordance with the requirements of IAS 1 and IAS 8. Therefore, in the settlement of merger of exploration and production companies, the goodwill was not recognised. As at 31 December 2010 the statements of the PETROLINVEST Group did not include significant items connected with the goodwill. The following table presents the value of the identified license.

	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>unaudited</i>	<i>audited</i>	<i>restated</i>
	<i>PLN '000</i>	<i>PLN '000</i>	<i>PLN '000</i>
Occidental Resources, Inc.	225 208	239 078	226 634
TOO EmbaJugNief	105 323	111 809	105 989
<b>Total carrying amount</b>	<b>330 531</b>	<b>350 887</b>	<b>332 623</b>

A licence is denominated in the functional currency of the company the contract belongs to. For each consecutive reporting period, the licence is converted into the presentation currency of the PETROLINVEST Group (similarly to other items of the balance sheet of the company consolidated). The foreign exchange differences arising during this valuation are taken to foreign assets conversions capital.

No acquisition or take-up of shares in subsidiaries or jointly-controlled entities took place in the 3-month period ended 31 March 2011.

## 12) Equity

As at 31 March 2011, the Company's share capital was PLN 602,966 thousand and was divided into 60,296,599 shares, each of a nominal value of PLN 10.

The Company's share capital ownership structure as at the balance sheet date was as follows:

	Number of shares	Number of votes	Nominal value of shares	Percentage in share capital
PROKOM INVESTMENTS S.A.	3 594 944	3 594 944	35 949 440	5,96%
Osiedle Wilanowskie Sp. zo.o.	944 715	944 715	9 447 150	1,57%
Ryszard Krauze	3 586	3 586	35 860	0,01%
Other shareholders	55 753 354	55 753 354	557 533 540	92,46%
<b>Share capital, total</b>	<b>60 296 599</b>	<b>60 296 599</b>	<b>602 965 990</b>	<b>100,00%</b>

The Company's share capital structure as at 31 December 2010 was as follows:

	Number of shares	Number of votes	Nominal value of shares	Percentage in share capital
PROKOM INVESTMENTS S.A.	11 366 001	11 366 001	113 660 010	22,50%
Osiedle Wilanowskie Sp. zo.o.	2 344 715	2 344 715	23 447 150	4,64%
Ryszard Krauze	3 586	3 586	35 860	0,01%
Other shareholders	36 803 354	36 803 354	368 033 540	72,85%
<b>Share capital, total</b>	<b>50 517 656</b>	<b>50 517 656</b>	<b>505 176 560</b>	<b>100,00%</b>

During the 3-month period ended 31 March 2011, the share capital increased by PLN 97,789 thousand in consequence of the following share issues:

- 2,500,000 shares of B series — the increase of share capital on 20 January 2011.
- 1,800,000 shares of B series — the increase of share capital on 28 January 2011.
- 1,900,000 shares of B series — the increase of share capital on 14 February 2011.
- 2,410,348 shares of B series — the increase of share capital on 20 March 2011,
- 1,168,595 shares of B series — the increase of share capital on 22 March 2011,

Shares of B series were issued within the registered conditional capital of the Company.

For a detailed description of the share issues by the Company, refer to the current reports published upon each issue.

The Company's share capital structure as of 31 March 2011 was as follows:

Serie	Number of shares	Type of shares	Nominal value (PLN)	Nominal value of shares
Series A	40 526 599	bearer	10	405 265 990
Series B	19 000 000	bearer	10	190 000 000
Series P	770 000	bearer	10	7 700 000
<b>Share capital, total</b>	<b>60 296 599</b>			<b>602 965 990</b>

## 13) Interest-bearing loans and borrowings

During the 3-month period ended 31 March 2011, the following material events occurred in connection with interest-bearing loans and borrowings taken out by the PETROLINVEST Group.

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

On 31 March 2011, the Company signed an annex to the credit facility agreement under which the banks agreed that the sum of USD 4,862 thousand, which was not repaid by 31 December 2010, would be repaid by 30 June 2011

### Bank CenterCredit JSC

On 5 March 2011, OilTechnoGroup received from a bank changed loan repayment schedules, in accordance to which as at 31 December 2010 there were no overdue payments.

The current terms and conditions of the financing are as follows:

- The loan shall be repaid in monthly instalments. The final repayment date is 5 April 2012.
- Interest on the loan accrues at 18% p.a. (effective interest rate is 19.6%).

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**14) Receivables**

	31 March 2011	31 December 2010	31 March 2010
	<i>unaudited</i>	<i>audited</i>	<i>restated</i>
	PLN '000	PLN '000	PLN '000
Trade receivables	7 428	8 417	7 869
Receivables from public authorities	20	76	84
Receivables from employees	39	64	53
Other receivables	15	14	53
<b>Current receivables</b>	<b>7 502</b>	<b>8 571</b>	<b>8 059</b>
Receivables from public authorities	23 771	22 297	23 048
Other receivables	0	0	0
<b>Non-current receivables</b>	<b>23 771</b>	<b>22 297</b>	<b>23 048</b>
	<b>31 273</b>	<b>30 868</b>	<b>31 107</b>

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

	31 March 2011	31 December 2010	31 March 2010
	<i>unaudited</i>	<i>audited</i>	<i>restated</i>
	PLN '000	PLN '000	PLN '000
Trade liabilities	14 973	16 597	13 510
Liabilities to public authorities	2 173	1 831	3 088
Liabilities related to expenditure for exploration for and evaluation of resources	36 559	36 323	63 628
Concession and share option liabilities	12 346	11 626	13 150
Other liabilities	5 551	7 472	7 834
<b>Current liabilities</b>	<b>71 602</b>	<b>73 849</b>	<b>101 210</b>
Collateral-related liabilities	3 141	3 889	478
Concession and share option liabilities	186 695	193 856	160 919
<b>Non-current liabilities</b>	<b>189 836</b>	<b>197 745</b>	<b>161 397</b>
	<b>261 438</b>	<b>271 594</b>	<b>262 607</b>

**16) Prepayments and accruals**

Current prepayments and accruals on the assets' side comprise:

	31 March 2011	31 December 2010	31 March 2010
	<i>unaudited</i>	<i>audited</i>	<i>restated</i>
	PLN '000	PLN '000	PLN '000
Capital raising expenses	6 945	6 945	5 522
Gas cylinders expensed over time	60	60	124
Other	982	259	1 339
	<b>7 987</b>	<b>7 264</b>	<b>6 985</b>

## 17) Related party transactions

The table below sets forth aggregate amounts of transactions concluded by the Company with related entities in the 3-month period ended 31 March 2011 and 2010 and balances of receivables and liabilities as at 31 March 2011 and 31 December 2010.

Related party		Sales to related parties (PLN '000)	Purchases from related parties (PLN '000)	Receivables from related parties (PLN '000)	Liabilities to related parties (PLN '000)
Ryszard Krauze wraz z S.Ulrich założone w 1805 roku w Warszawie S.A.	2011	0	0	50	410
	2010	0	0	50	406
Prokom Investments wraz z Osiedle Wilanowskie Sp. z o.o.	2011	0	7 542	0	5 845
	2010	0	14 008	1	10 283
UAB Petrolinvest Mockavos Perpyla Sp. z o.o.	2011	0	0	0	0
	2010	0	36	0	0
PETROLINVEST GAZ S.A.	2011	0	0	564	0
	2010	0	0	558	0
Silurian Sp. zo.o.	2011	0	0	2 849	0
	2010	0	0	0	0
Occidental Resources, Inc.	2011	0	0	280 348	0
	2010	0	0	248 367	0
TOO Profit Company	2011	0	0	0	0
	2010	0	0	0	0
TOO EmbaJugNieft	2011	0	0	142 925	0
	2010	0	0	148 413	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 Silurian Sp. z o.o.

During the reporting period, the Company concluded three loan agreements with Silurian Sp. z o.o., for a total amount of USD 1,150 thousand and PLN 1,000 thousand. Until 31 March 2011, USD 1,000 thousand had been made available by the Company, constituting a loan for a total amount of USD 150 thousand. After the period covered by this Report, PLN 300 thousand had been made available by the Company, constituting a loan for a total amount of PLN 1,000 thousand. The interest rate on the loan has been determined based on WIBOR. The Agreements were concluded for a period ending on 31 December 2012.

### Agreements concluded between the Company and PROKOM Investments S.A. ("Prokom")

On 3 February 2011, the Company and Prokom concluded a chargeable warranty agreement, in relation to the blank bill of exchange warranted by Petrolinvest to Orlen Gaz Sp. z o.o., as a security for trade liabilities of up to PLN 7.5 million, incurred by 31 January 2012. Prokom is entitled to a remuneration of 6.5% p.a. calculated based on the amount of the warranty.

On 10 February 2011, the Company received from Prokom as an entity making a direct equity investment in the shares of the Company, a call and a request, filed in compliance with the financial support agreement of 20 March 2009 (with annexes), to offer 1,500,000 million ordinary bearer shares to Prokom, at an issue price of PLN 10 per share, i.e. for a total amount of PLN 15,000,000.00. Payments for series B shares were effected by Prokom as cash payments on 8 February 2011.

On 8 March 2011, the Company received from Prokom as an entity making a direct equity investment in the shares of the Company, a call and a request, filed in compliance with the financial support agreement of 20 March 2009 (with annexes), to offer 1,000,000 million ordinary bearer shares to Prokom, at an issue price of PLN 10 per share, i.e. for a total amount of PLN 10,000,000.00. Payments for series B shares were effected as cash payments by Prokom on 3 March 2011.

Moreover, on 8 March 2011, the Company received a call and a request from Prokom, filed in compliance with the agreements of 13 January 2009 and 14 May 2009, to offer 1,410,348 ordinary bearer shares to Prokom, at an issue price of PLN 10 per share, i.e. for a total amount of PLN 14,103,480.00.

Prokom's payments for 1,410,348 series B shares were made by netting mutual accounts receivable/accounts payable by the Company and Prokom. On 8 March 2011, the Company concluded a netting agreement with Prokom under which the Company and Prokom netted an outstanding account receivable by the Company under the subscription for series B shares totalling PLN 14,103,480 with outstanding accounts payable by the Company to Prokom, resulting from the advance towards the fee for providing and maintaining collateral for the credit facility charged for the period until 7 March 2011 amounting to PLN 11,337,151.37, the commercial accounts payable in the amount of PLN 2,527,255.62 charged for the period until 31 December 2010 and the accounts payable to Prokom by Petrolinvest pursuant to the agreement dated 3 February 2011 on paid collateral in the amount of PLN 239,075.34.

On 18 March 2011, the Company received from Prokom as an entity making a direct equity investment in the shares of the Company, a call and a request, filed in compliance with the financial support agreement of 20 March 2009 (with annexes), to offer 1,200,000 million ordinary Prokom bearer shares at an issue price of PLN 10 per share, i.e. for a total amount of PLN 12,000,000.00. Payments for shares were effected as cash payments made by Prokom on 15 and 17 March 2011.

On 18 April 2011, the Company concluded with Prokom Investments S.A., the dominant entity of the Company, with its registered office in Gdynia, an annex to the agreement between the Company and Prokom, dated 20 March 2009, setting forth the terms and conditions for cooperation in seeking financing for the Company, which was announced by the Company in current report No 33/2009 dated 20 March 2009 and in current report No 1/2011 dated 3 January 2011 (the "Annex"). Considering the capital requirements of Petrolinvest connected with the implementation of the new development strategy and prospective business projects, as well as the intent to increase the share of Prokom Investments S.A in the shareholding structure of the Company and the intent of Prokom and other financing entities obtained by Prokom to support Petrolinvest's projects, the parties have decided to extend until the end of 2013 the cooperation consisting in obtaining by Prokom financing for Petrolinvest's investment projects on the basis of current provisions of the Agreement, and to increase the financing by the additional amount of PLN 100 million. Pursuant to the Annex, all other terms and conditions of the agreement dated 20 March 2009 were maintained. The Annex was concluded at arm's length.

*Agreements concluded by and between TOO EMBA JUG NIEFT and TOO Company Profit*

In the period covered by this current Report, EMBA JUG NIEFT and TOO Profit Company entered into two financial support agreements totalling KZT 16,400 thousand. The loans become payable within one year from the date on which funds become available. As at 31 December 2011, the whole amount had been made available. Financial support agreements are non-interest bearing.

**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 3 months</i>	
	<i>ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>PLN '000</i>	<i>PLN '000</i>
<b>Continuing operations</b>		
Sale of goods	19 119	25 308
Rendering of services	99	169
<b>Revenue</b>	<b>19 218</b>	<b>25 477</b>
Value of goods and materials sold	16 830	22 169
Materials and energy	468	513
Employee benefits	2 657	2 382
Depreciation and amortisation	772	842
External services	5 113	3 388
Taxes and charges	288	186
Other expenses	312	242
<b>Operating expenses</b>	<b>26 440</b>	<b>29 722</b>
<b>Gross profit/ (loss)</b>	<b>(7 222)</b>	<b>(4 245)</b>
Other operating income	11	77
Other operating expenses	5 305	6 931
Finance income	11 481	7 156
Finance costs	17 672	36 333
Impairment of assets	123	103
<b>Profit/ (loss) before tax</b>	<b>(18 830)</b>	<b>(40 379)</b>
Income tax expense	0	0
<b>Net profit/ (loss) for the year from continuing operations</b>	<b>(18 830)</b>	<b>(40 379)</b>
<b>Net profit/ (loss) for the year</b>	<b>(18 830)</b>	<b>(40 379)</b>
Weighted average number of issued shares for basic earnings per share computations	55 331 374	22 526 281
Number of diluting potential ordinary shares	0	0
Earnings (loss) per share in PLN	(0,34)	(1,79)
Diluter earnings (loss) per share in PLN	(0,34)	(1,79)

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

	<i>for 3 months</i>	
	<i>ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>PLN '000</i>	<i>PLN '000</i>
<b>Profit/(loss) for the period</b>	<b>(18 830)</b>	<b>(40 379)</b>
<b>Total net other comprehensive income</b>	<b>0</b>	<b>0</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(18 830)</b>	<b>(40 379)</b>

SKONSOLIDOWANY RAPORT KWARTALNY GRUPY PETROLINVEST ZA I KWARTAŁ 2011 ROKU  
ZAKOŃCZONY DNIA 31 MARCA 2011 ROKU  
SKRÓCONE ŚRÓDROCZNE SPRAWOZDANIE FINANSOWE PETROLINVEST S.A.

**INTERIM CONDENSED BALANCE SHEET**

	<u>31 March</u> <u>2011</u> <u>PLN '000</u>	<u>31 December</u> <u>2010</u> <u>PLN '000</u>	<u>31 March</u> <u>2010</u> <u>PLN '000</u>
<b>ASSETS</b>			
<b>Non-current assets (long-term)</b>			
Property, plant and equipment	41 991	42 897	43 390
Investment properties	2 567	2 567	2 567
Intangible assets	30	35	0
Other financial assets	192 834	197 925	171 342
Shares in subsidiaries and jointly-controlled entities	633 375	634 111	633 553
	<u>870 797</u>	<u>877 535</u>	<u>850 852</u>
<b>Current assets (short-term)</b>			
Inventories	1 766	1 372	2 533
Trade and other receivables	7 673	8 675	7 754
Prepayments and deferred costs	7 954	7 227	6 950
Current investments	377 138	343 670	193 492
Cash and cash equivalents	838	658	915
	<u>395 369</u>	<u>361 602</u>	<u>211 644</u>
<b>TOTAL ASSETS</b>	<b><u>1 266 166</u></b>	<b><u>1 239 137</u></b>	<b><u>1 062 496</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	602 966	505 177	304 495
Contributions to share capital	0	37 831	0
Other reserves	1 126 396	1 126 975	1 115 734
Unregistered share capital	0	0	0
Retained earnings	(654 807)	(635 977)	(639 591)
<b>Total equity</b>	<u>1 074 555</u>	<u>1 034 006</u>	<u>780 638</u>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	47 339	49 734	154 526
Non-current provisions	4 525	6 092	9 401
Finance lease liabilities	33	54	11
Other non-current liabilities	3 141	3 889	478
	<u>55 038</u>	<u>59 769</u>	<u>164 416</u>
<b>Current liabilities</b>			
Trade and other payables	20 875	21 261	46 273
Finance lease liabilities	46	46	87
Current portion of interest-bearing loans and borrowings	108 873	114 274	59 909
Current provisions	5 504	8 749	9 364
Accruals and deferred income	1 275	1 032	1 809
	<u>136 573</u>	<u>145 362</u>	<u>117 442</u>
<b>Total liabilities</b>	<u>191 611</u>	<u>205 131</u>	<u>281 858</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>1 266 166</u></b>	<b><u>1 239 137</u></b>	<b><u>1 062 496</u></b>

SKONSOLIDOWANY RAPORT KWARTALNY GRUPY PETROLINVEST ZA I KWARTAŁ 2011 ROKU  
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**CONDENSED INTERIM CASH FLOW STATEMENT**

	<i>for 3 months</i>	
	<i>ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>PLN '000</i>	<i>PLN '000</i>
<b>Cash flows from operating activities</b>		
Profit/ (loss) before taxation	(18 830)	(40 379)
Adjustments for:	11 774	32 563
Depreciation and amortisation	772	842
Interest and dividends, net	(10 078)	(3 447)
Foreign ex change differences	13 487	(946)
Gain/ (loss) from investing activities	(81)	1
(Increase)/ decrease in receivables	1 002	(2 968)
(Increase)/ decrease in inventories	(393)	(1 312)
Increase/ (decrease) in payables except loans and borrowings	2 221	1 005
Change in prepayments and accruals	107	(1 162)
Change in provisions	(3 628)	152
Other, including	8 365	40 398
share-based payments	0	0
lending costs	110	193
valuation of equity instruments	0	26 311
impairment charge re-measurement	1 197	(113)
impairment of assets	123	103
collateral-related fees	6 935	13 904
<b>Net cash flows from operating activities</b>	<b>(7 056)</b>	<b>(7 816)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment and intangibles	233	10
Purchase of property, plant and equipment and intangibles	(12)	(17)
Expenditure on exploration for and evaluation of mineral resources	0	0
Acquisition of subsidiary and jointly-controlled entity, net of cash	(78)	0
Interest received	0	0
Repayment of loans granted	0	1
Granting of loans	(38 773)	(31 081)
Other	0	0
<b>Net cash flows from investing activities</b>	<b>(38 630)</b>	<b>(31 087)</b>
<b>Cash flows from financing activities</b>		
Proceeds from share capital increase	48 169	148 770
Costs relating to share issue	(569)	(1 513)
Payment of finance lease liabilities	(21)	(47)
Proceeds from loans and borrowings	(45)	2 500
Repayment of loans and borrowings	(220)	(92 116)
Interest paid	(1 337)	(2 692)
Other	(110)	(192)
<b>Net cash flows from financing activities</b>	<b>45 867</b>	<b>54 710</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>181</b>	<b>15 807</b>
Cash and cash equivalents at the beginning of the period	658	(19 969)
<b>Cash, cash equivalents and long-term deposits at the end of the period</b>	<b>839</b>	<b>(4 162)</b>
Including restricted use cash	0	0

CONSOLIDATED QUARTERLY REPORT OF PETROLINVEST GROUP ON THE FIRST QUARTER OF 2011  
ENDED 31 MARCH 2011  
CONDENSED INTERIM FINANCIAL STATEMENTS OF PETROLINVEST S.A.

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

	<i>Issued capital</i>	<i>Other capital, including</i>	<i>Revaluation and other reserves</i>	<i>From share premium</i>	<i>Other capital</i>	<i>Unregistered share capital increase</i>	<i>Contributions to share capital</i>	<i>Retained earnings/ Accumulated (losses)</i>	<i>Total equity</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 2011</b>	<b>505 177</b>	<b>1 126 975</b>	<b>15 593</b>	<b>930 440</b>	<b>180 942</b>	<b>0</b>	<b>37 831</b>	<b>(635 977)</b>	<b>1 034 006</b>
Total comprehensive income for the period	0	0	0	0	0	0	0	(18 830)	(18 830)
Issue of share capital	97 789	0	0	0	0	0	(37 831)	0	59 958
Transaction cost	0	(579)	0	(579)	0	0	0	0	(579)
<b>As at 31 March 2011</b>	<b>602 966</b>	<b>1 126 396</b>	<b>15 593</b>	<b>929 861</b>	<b>180 942</b>	<b>0</b>	<b>0</b>	<b>(654 807)</b>	<b>1 074 555</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>	<i>PLN '000</i>
<b>As at 1 January 2010</b>	<b>215 266</b>	<b>1 023 399</b>	<b>15 593</b>	<b>879 166</b>	<b>128 640</b>	<b>8 523</b>	<b>0</b>	<b>(599 212)</b>	<b>647 976</b>
Total comprehensive income for the period	0	0	0	0	0	0	0	(40 379)	(40 379)
Issue of share capital	89 229	95 845	0	95 845	0	(8 523)	0	0	176 551
Transaction cost	0	(26 317)	0	(26 317)	0	0	0	0	(26 317)
Warrant issue	0	22 807	0	0	22 807	0	0	0	22 807
<b>As at 31 March 2010</b>	<b>304 495</b>	<b>1 115 734</b>	<b>15 593</b>	<b>948 694</b>	<b>151 448</b>	<b>0</b>	<b>0</b>	<b>(639 591)</b>	<b>780 638</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>	<i>PLN '000</i>
<b>As at 1 January 2010</b>	<b>215 266</b>	<b>1 023 399</b>	<b>15 593</b>	<b>879 166</b>	<b>128 640</b>	<b>8 523</b>	<b>0</b>	<b>(599 212)</b>	<b>647 976</b>
Total comprehensive income for the period	0	0	0	0	0	0	0	(36 765)	(36 765)
Issue of share capital	289 911	111 486	0	111 486	0	(8 523)	37 831	0	430 705
Transaction cost	0	(60 212)	0	(60 212)	0	0	0	0	(60 212)
Equity instruments issue	0	52 302	0	0	52 302	0	0	0	52 302
<b>As at 31 December 2010</b>	<b>505 177</b>	<b>1 126 975</b>	<b>15 593</b>	<b>930 440</b>	<b>180 942</b>	<b>0</b>	<b>37 831</b>	<b>(635 977)</b>	<b>1 034 006</b>