

Independent Auditor's Review Report
on the condensed interim financial statements
for the period from 1 January 2011 to 30 June 2011

for the Shareholders of Petrolinvest S.A.

We have reviewed the accompanying condensed interim financial statements of Petrolinvest S.A. with its registered office in Gdynia, ul. Podolska 21, consisting of:

- the balance sheet prepared as at 30 June 2011, showing total assets and liabilities of TPLN.1 **296 238**;
- the profit and loss account for the period from 1 January 2011 to 30 June 2011, showing a net loss of TPLN **31 360**;
- the statement of comprehensive income for the period from 1 January 2011 to 30 June 2011, showing a total comprehensive loss of TPLN **31 360**;
- the statement of changes in shareholders' equity for the period from 1 January 2011 to 30 June 2011, showing an increase in shareholders' equity of TPLN **85 766**;
- the cash flow statement for the period from 1 January 2011 to 30 June 2011, showing a net cash increase of TPLN 160;
- notes to the financial statements.

The Management Board of Petrolinvest S.A. is responsible for the preparation of these condensed interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting", which has been approved by the European Union, as well as with other binding regulations.

Our responsibility was to perform a review of these financial statements.

We performed the review in accordance with the provisions of the professional auditing standards issued by the Polish National Chamber of Certified Auditors. These standards require us to plan and perform the review to obtain moderate assurance that the financial statements are free of material misstatements.

We conducted the review mainly by analyzing the data presented in the financial statements, examining the books of account and using information provided by the management and employees in charge of the entity's finances and accounting.

The scope and methodology of a review of condensed interim financial statements differ significantly from that of an audit based on which an opinion is issued on the truth and fairness of annual financial statements. Accordingly, we are unable to express such an opinion on the accompanying financial statements.

1. Prior to the issue of the present report we had received no balance confirmations of loan receivables totaling TPLN 93 398; for this reason we are unable to confirm the accuracy of the amounts listed in the balance sheet under "Short-term investments".
2. As described in Notes 10.5 and 27.2 to the accompanying financial statements, the Company has concluded agreements with companies from its main shareholder's group, establishing the methods based on which the said companies enable the Company to use their assets as credit collateral. The above agreements contain a clause granting the companies from the main shareholder's group the right (call option) to convert liabilities into the Company's share capital as part of the target capital waiving the existing shareholders' preemptive rights, as well as other embedded derivative instruments. In previous years the loans received by the Company from the main shareholder had also contained a call option. Unable to precisely estimate some of the assumptions, the Company did not perform a valuation of the embedded derivative instruments contained in the above mentioned agreements. The effects of the valuation of the embedded derivative instruments would affect the financial result for the first six months of the year 2011 and on accumulated profits.
3. As at 30 June 2011 the Company failed to fulfill one of the contractual terms relating to the security ratio of a TPLN 41 593 credit presented in the Company's long-term liabilities. In view of this, in accordance with IAS 1 the credit should be classified as a short-term liability.

Except for the effects of the matter described above, based on our review nothing has come to our attention that would prevent us from finding that the condensed interim financial statements have been prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting", which has been approved by the European Union.

Without expressing any further qualifications, we draw your attention to the following matters:

- a) In Note No. 2 to the accompanying financial statements the Company's Management listed the factors that pose a potential threat to the Company's going concern, as well as the actions undertaken to eliminate them. In 2006 the Company commenced the realization of an investment program meant to develop the Company's operations in the area of exploring for and subsequently mining hydrocarbons. Although the Company's further growth and continuation of operations depend on the realization of these plans, as at the date of the accompanying financial statements there is no certainty that the Company will achieve its goals in the planned period of time.

Realization of the investment program depends on the Company's ability to obtain sufficient financing on suitable terms. The investment program is being financed from the Company's funds, loans from its main shareholder and borrowed funds.

As described more extensively in Note 2 to the Consolidated financial statements, on 18 April 2011 the Company's main shareholder based on annexes signed to the Agreement of 20 March 2009, undertook to take actions aimed at obtaining financing for the realization of the Company's investment projects.

As at the date of the present report, credit agreement negotiations aimed at restructuring the debt at the lending banks have not been completed with the signing of appropriate annexes. No conditions precedent to obtaining financing from external entities have been fulfilled either.

The main shareholder's failure to fulfill its obligations, the inability to maintain or obtain further sources of financing, as well as failure to fulfill the conditions precedent to obtaining financing will prevent the Company from realizing the investment program and will have a negative effect on the Company's financial position, financial result and its ability to continue as a going concern.

The accompanying financial statements have been prepared on a going concern basis and contain no adjustments relating to different methods of valuation and classification of assets and liabilities, which could turn out to be necessary if the Company was unable to continue as a going concern for a period of 12 months of the balance sheet date.

- b) The Company is the holding company of the Petrolinvest S.A. Group and in addition to the separate financial statements it also prepares the Group's Consolidated financial statements; for this reason the presented separate financial statements cannot constitute the sole basis for assessing the Company's financial position. The Consolidated financial statements for the six-month period ended 30 June 2011 were prepared on 31 August 2011 and show a net loss of TPLN 39 606, Consolidated shareholders' equity of TPLN 560 979 and Consolidated assets of TPLN 1 167 310.

In Note No. 13 to the Consolidated financial statements the Group presented the most significant assumptions taken into account in the impairment testing of the assets taken over along with the acquired shares of subsidiaries and co-subidiaries. The assumptions adopted by the Company's Management are based on analyses and experiences of the Group's companies, as well as on work performed by an independent expert. These assumptions, such as the value of oil production, depend on future events and circumstances, which cannot be determined today and whose possible effect on these assumptions, and thus on the Company's financial result, is unknown.

- c) In Note 13 to the Consolidated financial statements the Group presented its licenses to explore for and mine hydrocarbons on the territory of the Republic of Kazakhstan. The described licenses contain specific license obligations and investment programs, which if breached or not met by the Group's companies, may result in a suspension of the license or taking away of the rights arising thereof. Because the obligations are to be fulfilled in the future, as at the date of the present report there is an uncertainty whether all of the license obligations will be met in accordance with the license requirements and the approved investment programs, and whether the licenses to explore for and mine hydrocarbons will not be suspended or taken away in the future.

- d) As described in Note 13 to the consolidated financial statements, the deadline for extending the exploration period of one of the licenses to explore for and mine hydrocarbons on the territory of the Republic of Kazakhstan expired on 29 June 2011. The Company's Management is expecting to sign an annex to the contract with the Ministry of Oil and Gas of the Republic of Kazakhstan, extending the exploration period under this license. As at the issue of the present report the Company's Management is convinced that the said annex will be signed in the very near future.

Warsaw, 31st August 2011


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