



Petrolinvest

PETROLINVEST GROUP

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2011
TOGETHER WITH AN INDEPENDENT AUDITORS' REPORT

APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2011

The Management Board of PETROLINVEST S.A. has approved the Interim condensed consolidated financial statements of the PETROLINVEST Group for the 6-month period ended 30 June 2011 for publication.

The interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated balance sheet, interim condensed consolidated cash flow statement, interim condensed consolidated statement of changes in equity and additional explanatory notes to the financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the EU, and in particular IAS 34.

Information is presented in the following order:

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for the period from 1 January 2011 to 30 June 2011	with a net loss amounting to: (39 686) PLN thousand
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for the period from 1 January 2011 to 30 June 2011	with comprehensive loss amounting to: (80 770) PLN thousand
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as at 30 June 2011	with total assets and liabilities amounting to: 1 167 024 PLN thousand
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for the period from 1 January 2011 to 30 June 2011	with a net cash inflow amounting to: 1 206 PLN thousand
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for the period from 1 January 2011 to 30 June 2011	with an increase in equity amounting to: 36 356 PLN thousand
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The interim condensed consolidated financial statements were prepared in thousands of Polish zloty unless otherwise explicitly stated.

Bertrand Le Guern
President

Marek Pietruszewski
Vice President

Franciszek Krok
Board Member

Roman Niewiadomski
Board Member

Maciej Wantke
Board Member

Gdynia, 31 August 2011

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INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>for 6 months</i>	
	<i>ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>unaudited</i>	<i>restated</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Continuing operations		
Sale of goods	52 580	57 446
Rendering of services	187	338
Revenue	52 767	57 784
Value of goods and materials sold	46 143	50 422
Materials and energy	1 104	1 121
Employee benefits	7 928	8 458
Depreciation and amortisation	1 794	2 125
External services	9 935	8 791
Taxes and charges	1 154	1 375
Other expenses	998	731
Operating expenses	69 056	73 023
Gross profit/ (loss)	(16 289)	(15 239)
Other operating income	617	419
Other operating expenses	14 786	14 424
Finance income	13 510	170
Finance costs	24 598	59 745
Impairment of investments	41	0
Profit/ (loss) before tax	(41 587)	(88 819)
Income tax expense	(1 901)	(1 889)
Profit/ (loss) for the period from continuing operations	(39 686)	(86 930)
Profit/ (loss) from discontinued operations	0	0
Profit/ (loss) for the period	(39 686)	(86 930)
Attributable to:		
Equity holders of the parent	(39 094)	(86 324)
Non-controlling interests	(592)	(606)
Weighted average number of issued shares for basic earnings per share computations	58 464 555	26 700 848
Number of diluting potential ordinary shares	0	0
Earnings (loss) per share in PLN	(0,67)	(3,23)
Earnings (loss) from continuing operations per share in PLN	(0,67)	(3,23)
Diluted earnings (loss) per share in PLN	(0,67)	(3,23)
Diluted earnings (loss) from continuing operations per share in PLN	(0,67)	(3,23)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>for 6 months</i>	
	<i>ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>unaudited</i>	<i>restated</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Profit/ (loss) for the period	(39 686)	(86 930)
Other comprehensive income		
Exchange differences on translation of foreign operation	(41 084)	103 904
Total net other comprehensive income	(41 084)	103 904
Total comprehensive income for the period	(80 770)	16 974
 Total income attributable to:		
Equity holders of the parent	(78 598)	13 930
Non-controlling interests	(2 172)	3 044

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2011	31 December 2010
	<i>unaudited</i>	<i>audited</i>
	PLN '000	PLN '000
ASSETS		
Non-current assets (long-term)		
Licenses recognized for exploration and extraction subsidiaries	323 967	350 887
Goodwill	506	75
Intangible assets	100	84
Property, plant and equipment	46 609	48 672
Expenditure on exploration for and evaluation of mineral resources	526 581	522 603
Investment properties	2 567	2 567
Other financial assets	93 449	98 759
Non-current receivables	24 751	22 297
Long-term deposits	38	40
Deferred tax	7 204	6 779
	<u>1 025 772</u>	<u>1 052 763</u>
Non-current assets held for sale	<u>13 887</u>	<u>13 773</u>
Current assets (short-term)		
Inventories	2 186	1 424
Trade and other receivables	12 022	8 571
Income tax overpayment	26	20
Prepayments and deferred costs	8 558	7 264
Current investments	91 110	87 967
Cash and cash equivalents	13 463	13 177
<i>restricted use cash</i>	<i>11 420</i>	<i>11 889</i>
	<u>127 365</u>	<u>118 423</u>
TOTAL ASSETS	<u>1 167 024</u>	<u>1 184 959</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Issued capital	661 156	505 177
Contributions to share capital	1 800	37 831
Exchange differences on translation of foreign operations	(66 775)	(27 271)
Other reserves	897 406	900 228
Retained earnings	(932 588)	(893 492)
	<u>560 999</u>	<u>522 473</u>
Minority interest	19 199	21 371
Total equity	<u>580 198</u>	<u>543 844</u>
Non-current liabilities		
Non-current provisions	5 566	9 643
Deferred tax liability	0	0
Interest-bearing loans and borrowings	46 047	73 448
Finance lease liabilities	59	54
Other non-current liabilities	190 304	197 745
	<u>241 976</u>	<u>280 890</u>
Current liabilities		
Current provisions	21 401	25 969
Current portion of interest-bearing loans and borrowings	242 300	258 754
Finance lease liabilities	159	46
Trade and other payables	79 458	73 849
Income tax payable	0	0
Accruals and deferred income	1 532	1 607
	<u>344 850</u>	<u>360 225</u>
Total liabilities	<u>586 826</u>	<u>641 115</u>
TOTAL EQUITY AND LIABILITIES	<u>1 167 024</u>	<u>1 184 959</u>

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<i>for 6 months</i>	
	<i>ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>unaudited</i>	<i>restated</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Cash flows from operating activities		
Profit/ (loss) before taxation	(41 587)	(88 819)
Adjustments for:	27 586	63 371
Depreciation and amortisation	1 794	2 125
Interest and dividends, net	5 232	9 806
Foreign exchange differences	(12 950)	20 458
Gain/ (loss) from investing activities	(117)	57
(Increase)/ decrease in receivables	(3 223)	(7 311)
(Increase)/ decrease in inventories	(766)	(813)
Increase/ (decrease) in payables except loans and borrowings	11 123	1 784
Change in accruals and prepayments	(167)	349
Change in provisions	(3 210)	(4 790)
Income tax paid	0	(17)
Other, including	29 870	41 723
impairment of expenditures on exploration for and evaluation of mineral	(30)	0
impairment of tangible assets	32	0
impairment of non-current assets held for sale	623	0
conversion of collateral-related fee to equity	13 735	13 440
valuation of equity instruments	0	6 727
liabilities discount	15 373	20 679
bank fees	137	235
other	0	642
Net cash flows from operating activities	(14 001)	(25 448)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangible assets	559	11
Purchase of property, plant and equipment and intangible assets	(637)	(1 225)
Expenditure on exploration for and evaluation of mineral resources	(34 392)	(39 719)
Capitalised costs of external financing	(5 344)	(11 887)
Purchase of financial assets	(2 890)	0
Acquisition of a subsidiary and jointly-controlled entity, net of cash acquired	(207)	0
Loans granted	0	(40 999)
Net cash flows from investing activities	(42 911)	(93 819)
Cash flows from financing activities		
Proceeds from share capital increase	94 889	203 770
Costs relating to share issue	(4 135)	(3 914)
Payment of finance lease liabilities	(41)	(74)
Proceeds from loans and borrowings	0	52 510
Repayment of loans and borrowings	(28 431)	(92 336)
Interest paid	(4 015)	(10 978)
Other	(149)	(203)
Net cash flows from financing activities	58 118	148 775
Net increase/ (decrease)		
in cash and cash equivalents	1 206	29 508
Net foreign exchange difference	(920)	2 319
Cash and cash equivalents at the beginning of the period	13 177	(7 603)
Cash, cash equivalents		
at the end of the period	13 463	24 224
including restricted use cash	11 420	13 159
cash, cash equivalents at the end of the period according to IAS 7 (excluding restricted use cash)	2 043	11 065

PETROLINVEST GROUP

Interim condensed consolidated financial statements for the period of 6 months ended 30 June 2011
(PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Foreign exchange differences on translation of foreign operations	Other capital, including	Attributable to equity holders of the parent						Retained earnings/ Accumulated (losses)	Total	Non-controlling interests	Total equity
				From profit appropriation		Unregistered share capital increase	Revaluation of assets and liabilities	Other reserves	Contributions to share capital				
				PLN '000	PLN '000								
As at 1 January 2011	505 177	(27 271)	900 228	15 441	930 439	0	(226 594)	180 942	37 831	(893 492)	522 473	21 371	543 844
Currency translation differences	0	(39 504)	0	0	0	0	0	0	0	0	(39 504)	(1 580)	(41 084)
Loss for the period	0	0	0	0	0	0	0	0	0	(39 094)	(39 094)	(592)	(39 686)
Total comprehensive income for the period	0	(39 504)	0	0	0	0	0	0	0	(39 094)	(78 598)	(2 172)	(80 770)
Issue of share capital	155 979	0	0	0	0	0	0	0	(36 031)	0	119 948	0	119 948
Transaction costs	0	0	(2 822)	0	(2 822)	0	0	0	0	0	(2 822)	0	(2 822)
As at 30 June 2011	661 156	(66 775)	897 406	15 441	927 617	0	(226 594)	180 942	1 800	(932 586)	561 001	19 199	580 200
As at 1 January 2010	215 266	(53 578)	805 175	15 441	879 165	8 523	(226 594)	128 640	0	(744 245)	222 618	26 529	249 147
Currency translation differences	0	100 254	0	0	0	0	0	0	0	0	100 254	3 650	103 904
Loss for the period	0	0	0	0	0	0	0	0	0	(86 324)	(86 324)	(606)	(86 930)
Total comprehensive income for the period	0	100 254	0	0	0	0	0	0	0	(86 324)	13 930	3 044	16 974
Issue of share capital	112 466	0	94 084	0	102 607	(8 523)	0	0	25 000	0	231 550	0	231 550
Transaction costs	0	0	44 373	0	0	0	0	44 373	0	0	44 373	0	44 373
Subscription of shares and stocks in subsidiaries	0	0	(48 402)	0	(48 402)	0	0	0	0	0	(48 402)	0	(48 402)
As at 30 June 2010	327 732	46 676	895 231	15 441	933 371	0	(226 594)	173 013	25 000	(830 569)	464 070	29 573	493 643
As at 1 January 2010	215 266	(53 578)	805 175	15 441	879 165	8 523	(226 594)	128 640	0	(744 245)	222 618	26 529	249 147
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 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)
As at 31 December 2010	505 177	(27 271)	900 228	15 441	930 439	0	(226 594)	180 942	37 831	(893 492)	522 473	21 371	543 844

Accounting policies and notes to the consolidated financial statements are included on pages 9 to 36 and are an integral part of these interim consolidated financial statements.

ADDITIONAL EXPLANATORY NOTES

1. Corporate information

The PETROLINVEST Capital Group is composed of PETROLINVEST S.A. ("PETROLINVEST" / "the Company") and its subsidiaries. In addition, PETROLINVEST owns shares in a company where it has joint-control. For presentation purposes, the parent company, its subsidiaries and the jointly-controlled entity are collectively referred to as "the PETROLINVEST Group" ("the Group") (see note 3 for more detail). The interim condensed consolidated financial statements of the Group have been drawn for the 6-month period ended 30 June 2011 and contain comparative data for the 6-month period ended 30 June 2010 and as at 31 December 2010.

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

The 22 December 2006 resolution of the Shareholders' Meeting of PETROLINVEST Spółka z ograniczoną odpowiedzialnością (limited liability company) regarding the transformation of PETROLINVEST Spółka z ograniczoną odpowiedzialnością into PETROLINVEST Spółka Akcyjna (joint stock company) was registered on 29 December 2006. On 16 July 2007, rights to shares of PETROLINVEST S.A. were first quoted on the Warsaw Stock Exchange.

The Company is entered in the Register of Entrepreneurs kept by the District Court, 8th Commercial Division of the National Court Register, entry No. KRS 0000270970. The Company was assigned statistical number (REGON) 190829082.

The parent company, its subsidiaries and jointly-controlled entities have an unlimited period of operation.

The main area of the Company's business activities includes:

- activities relating to hydrocarbon field production and service activities auxiliary to oil field production,
- wholesale of solid, liquid and gaseous fuels and related products,
- retail sale of automotive fuel,
- manufacture of gaseous fuel,
- services connected with installation of metal structures,
- gas fittings and installations.

Since 1 July 2008, gas trading activities have been carried out by the Company's branch with a self-balancing set of accounts: PETROLINVEST Spółka Akcyjna — Oddział LPG (LPG Branch) headquartered in Gdynia. The branch was granted statistical number (REGON) 190829082-00022.

As at the date of approval of the condensed consolidated financial statements, the parent company of PETROLINVEST S.A. is PROKOM Investments S.A. The controlling entity of PROKOM Investments S.A. is Mr Ryszard Krauze. As set out in the Company's Statutes, if the Management Board is composed of two or three persons, PROKOM Investments S.A. has personal powers to appoint and dismiss the President of the Management Board while Mr Ryszard Krauze, one of the shareholders of PETROLINVEST S.A. and PROKOM Investments S.A., has personal powers to appoint and dismiss the Vice President. The number of Board members is determined by PROKOM Investments S.A. The Supervisory Board is composed of nine members, two of them (including the Chairperson and Deputy Chairperson of the Supervisory Board), pursuant to the Statutes, are appointed and dismissed by PROKOM Investments S.A. while one member of the Supervisory Board is appointed and dismissed by Mr Ryszard Krauze.

2. Going concern

The interim condensed consolidated financial statements have been prepared on the assumption that the Group will continue as going concern in the foreseeable future, for at least 12 months from the balance sheet date.

At the same time, the Company's Management Board acknowledges that there are certain factors that may, under certain circumstances, pose a threat to the Group's continuing as going concern in the future. The risks presented below are considered by the Management Board to be the most important; they are presented together with the activities undertaken by the Group in order to eliminate the possible negative impact of those risks on the Group's business in the future:

1. The Company and its subsidiaries continue the investment programme, the aim of which is to expand PETROLINVEST's activities in the area of exploration and production of crude oil and natural gas. In view of the early stage of the investments being executed as well as exploration risks commonly associated with this industry, the Management Board finds that as at the date of approval of the financial statements for the period of 6 months ended 30 June 2011 there exist external risk factors which may pose a threat to the Company reaching its goals within the set deadline, in spite of the fact the ongoing investment programme is being executed pursuant to the schedule approved by the Management Board of the Company. The Company and the entities of the PETROLINVEST Group may take a number of steps and decisions in order to minimise any negative effects of these risk factors. These include: cooperation with reputable and reliable subcontractors, flexibility in responding to changing geological conditions, use of alternative techniques which make it possible to increase the pace of works and minimise costs locally, etc.
2. The investment programme is financed with the Group's own funds, loans extended by Prokom Investments S.A., and external financing. The realisation of the investment programme is dependent upon the Company's ability to obtain proper financing, as well as the terms and conditions of such financing. Failure to obtain the necessary financing in the amount required and time space given may result in delays or postponement of a part of or the entire investment programme and may have a material adverse effect on the Company's business, financial condition and results of operations. A material component of raising funds by the Company is the aforementioned agreement with PROKOM Investments S.A. which is under performance on an ongoing basis, as a result of which the Company is being provided with a steady inflow of funds by PROKOM Investments S.A. and by indicated entities through capital increase.

Moreover, the Company and the entities of the PETROLINVEST Group may take a number of steps and decisions in order to minimise any negative effects of limited access to external financing. Those steps and decisions may involve focusing on less capital-intensive projects, reducing the scale of the Company's operations, slowing down the pace of exploration works, selling selected assets, securing alternative sources of finance, renegotiation of debt repayment schedules, etc.

3. As at 30 June 2011, the Group's overall indebtedness ratio was 0.50 and the debt to equity ratio was 1.01. The Management Board believes that the levels of those ratios are appropriate at the current stage of development of the Project, and they do not pose a threat to the Group's going concern in the period of at least 12 months from 30 June 2011.
4. As at the date of approval of these financial statements, the Company is using a credit facility secured on assets made available by PROKOM Investments S.A. Hence, the Management Board is of the opinion that the Company's ability to manage its liabilities has been and continues to be unthreatened. Moreover, the Company has secured the support and participation in the financing of the Company's business in the future from PROKOM Investments S.A. granted in connection with the credit facility and specified under a relevant agreement, as well as a declaration regarding subordination of loans extended by PROKOM Investments S.A. to the above-mentioned credit facility.

The Management Board of PETROLINVEST S.A. declares continuity of investments for 12 consecutive months following 30 June 2011 based on the following facts and circumstances:

1. On 29 March 2010, the Company concluded a loan agreement with the European Bank for Reconstruction and Development, under which EBRD extended a loan facility to the Company in the maximum amount of USD 50 million designated for the purpose of financing exploration and production-related investments of OTG and EmbaJugNieft. The availability of financing under the agreement is conditional on a number of requirements to be met by the Company and by third parties, as described in respective current reports. The Management Board expects that all conditions precedent contained in the agreement will be fulfilled.
2. On 16 March 2010, the Company and OTG concluded a farm-out agreement with an entity of the TOTAL Group. The Company expects that all conditions precedent contained in the agreement will be fulfilled. The involvement of the TOTAL Group in the most capital-intensive project of the Petrolinvest Group will provide financing for the necessary work in the OTG contract area for at least 12 months from the date of the financial statements.
3. The Company signed an agreement with Prokom Investments S.A. on 20 March 2009, for the period ending on 31 December 2010, whereby Prokom undertook to take appropriate actions to obtain financing for the Company's operations in the amount of PLN 150 million. On 31 December 2010, an annex to the agreement was signed. Pursuant to the Annex, the parties agreed on extending the period for conducting activities by Prokom aimed at seeking financing for the Company's operations by 18 months, i.e. until 30 June 2012. Simultaneously, Prokom undertook to seek financing in the period of the aforementioned 18 subsequent months up to the amount of PLN 200 million. On 18 April 2011, the Company and Prokom concluded another annex to the aforementioned agreement. 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 won by Prokom to support the PETROLINVEST Group's projects, the parties have decided to extend until the end of 2013 the cooperation consisting in Prokom obtaining financing for the PETROLINVEST Group's investment projects on the basis of the current provisions of the Agreement, and to increase the financing by an additional amount of PLN 100 million. The financing is continually provided on the basis of loan agreements or other agreements of similar nature, on an arm's length basis, or as a direct equity investment into Petrolinvest shares, with the reservation that the loans or similar agreements will be uncollateralised and subordinated to the Company's bank debt, unless otherwise agreed by the parties.
4. In order to provide financing for its investment programme, the Company also concluded an agreement with GEM Global Yield Fund on 29 April 2009 providing the Company with a financing of up to PLN 200 million available in tranches to be drawn at the Company's discretion over the period of 3 years from the date of the agreement and regarding an issue of subscription warrants convertible into a total of 1.3 million Petrolinvest shares at PLN 60 per share. By the date of approval of these financial statements, the Company had issued 1,270,800 shares to GEM Global Yield Fund under the agreement, with the amount of PLN 150 million still being available.
5. After the period covered by these financial statements, the Group concluded agreements with Tabacchi Enterprises Ltd. under which the Company was granted the right to use financing in the form of cash contributions to the Company's share capital amounting to PLN 30 million.

3. Composition of the Group

The PETROLINVEST Group is composed of PETROLINVEST S.A. and the following subsidiaries:

Full name	Short name	Registered office	Business activities	% held by the Company in share capital	
				30 June 2011	31 December 2010
subsidiaries					
UAB Petrolinvest Mockavos Perpyla Sp. z o.o.	Mockavos / MC	Lithuania	Trans-shipment of liquid fuels	87%	87%
PETROLINVEST TRADE S.A.**	Petrolinvest Trade/PT	Poland	Wholesale of liquid fuels	100%	100%
SIGNA ENTERPRISES LIMITED ***	Signal/SI	Cyprus	Finance and investment	100%	100%
Occidental Resources, Inc.	Occidental Resources / OR	USA	Investments into entities involved in crude oil exploration and extraction	88,1%	88,1%
OilTechnoGroup*	OTG	Kazakhstan	Exploration for and extraction of crude petroleum and natural gas	88,1%	88,1%
TOO EmbaJugNieft	EmbaJugNieft / EM	Kazakhstan	Exploration for and extraction of crude petroleum and natural gas	79%	79%
Silurian Sp. z o.o.	Silurian/SN	Poland	Exploration for and extraction of crude petroleum and natural gas and service activities auxiliary to exploration of gas deposits	60%	60%
Silurian Energy Services Sp. z o.o.****	SES	Poland	Service activities auxiliary to exploration of gas deposits	54%	-

* Interest in OilTechnoGroup (OTG) is held indirectly through Occidental Resources Inc., owner of a 100% interest in OTG.

** Change of the business name from PETROLINVEST GAZ S.A. to PETROLINVEST TRADE S.A.

*** Interest in SIGNA ENTERPRISES LIMITED is held indirectly through Petrolinvest Trade S.A., owner of a 100% interest in Signa.

**** Interest in Silurian Energy Services Sp. z o.o. is held indirectly through Silurian Sp. z o.o., owner of a 90% interest in SES.

Moreover, the Group has joint-control over the following entities:

Full name	Short name	Registered office	Business activities	% held by the Company in share capital	
				30 June 2011	31 December 2010
jointly-controlled entities					
TOO Company Profit	Profit / PR	Kazakhstan	Exploration for and extraction of crude petroleum and natural gas	50%	50%

For presentation purposes the parent company, its subsidiaries and the jointly-controlled entity are collectively referred to in these interim condensed consolidated financial statements as "the PETROLINVEST Group" (the Group).

As at 30 June 2011 and 31 December 2010, the percentage of voting rights held by the Group in the subsidiaries and jointly-controlled entities corresponded to the percentage held in the share capital of those entities.

4. Composition of the Management Board of the parent entity

As at the date of approval of these interim condensed consolidated financial statements, the Management Board of the Company consisted of:

- Bertrand Le Guern — President of the Management Board,
- Marek Pietruszewski — Vice-President of the Management Board,
- Franciszek Krok — Member of the Management Board,
- Roman Niewiadomski — Member of the Management Board,
- Maciej Wantke — Member of the Management Board.

5. Approval of interim condensed consolidated financial statements

These interim condensed consolidated financial statements were authorised for issue by the Management Board on 31 August 2011.

6. Basis of preparation of interim condensed consolidated financial statements

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investment properties and selected categories of financial instruments, which have been measured at fair value.

These interim condensed consolidated financial statements are presented in Polish zlotys ("PLN") and all values are indicated in thousands PLN except where otherwise indicated.

These interim condensed consolidated financial statements have been prepared on the assumption that the entities of the Group will continue as going concern in the foreseeable future. The facts and circumstances that may indicate a threat to the continued activity of the Group are presented in note 2.

6.1. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") endorsed by the European Union, in particular in accordance with IAS 34: Interim Financial Reporting. As at the date of authorisation of these interim condensed consolidated financial statements, in light of the current

process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the IFRS applied by the Group and the IFRS endorsed by the European Union. IFRS comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

PETROLINVEST S.A. and the other Group companies operating in Poland keep their books of account in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the EU. The Group companies and jointly-controlled entities operating outside of Poland keep their books of account in accordance with the applicable national regulations. The interim condensed financial statements include a number of adjustments not included in the books of account of the Group entities and jointly-controlled companies, which were made in order to bring the financial accounts of those entities to conformity with IFRS.

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

6.2. Functional currency and presentation currency

The Polish zloty is the functional currency of the parent entity, PETROLINVEST TRADE S.A., together with its subsidiary Signa Enterprises Limited, and Silurian Sp. z o.o., together with its subsidiary Silurian Energy Services Sp. z o.o., in these interim condensed consolidated financial statements as well as the presentation currency of these interim condensed consolidated financial statements.

The Lithuanian litas is the functional currency of UAB Petrolinvest Mockavos Perpyla headquartered in Lithuania. The functional currency of Occidental Resources, Inc. headquartered in the United States is the American dollar, the functional currency of OilTechnoGroup, EmbaJugNieft and Profit headquartered in Kazakhstan is the Kazakh tenge.

7. Summary of significant accounting policies

The accounting policies adopted in the preparation of these condensed consolidated financial statements for the 1st half of 2011 are consistent with those followed in the preparation of the annual consolidated financial statements for 2010, except for changes described below.

The same policies were applied to the current period and the comparative period. A detailed description of accounting standards adopted by the PETROLINVEST Capital Group was presented in the annual consolidated financial statements for 2010 published on 29 April 2011.

In these financial statements, the Group did not decide to apply published standards or interpretations before the date of their coming into force.

The following standards and interpretations were issued by the IASB or IFRIC but, as at the balance sheet date, are not yet effective:

- IFRS 9 *Financial Instruments*

The new standard was published on 12 November 2009 and is the first step of the IASB aiming to supersede IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard will enter into force on 1 January 2013.

The Group will apply the new standard from 1 January 2013.

As at the date of preparing these financial statements, it is not possible to reliably estimate the effect of applying the new standard.

- Amendments to IFRS 7 *Disclosures — Transfer of Financial Assets*

The amendments to IFRS 7 were published on 7 October 2010 and are effective for annual periods beginning on or after 1 July 2011. The objective of the amendments to the standard was to enable the users of financial statements to better understand the transaction of financial assets transfer (e.g. securitisations), including understanding of effects of risks which remain with the asset transferor. The amendments also require additional disclosures in the case of transferring assets with considerable value near the end of the reporting period.

The Group will apply new IFRS 7 from 1 January 2012.

As at the date of preparing these financial statements, it is not possible to reliably estimate the effect of applying the new standard.

- Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates*

The amendments to IFRS 1 were published on 20 December 2010 and are effective for annual periods beginning on or after 1 July 2011. The amendments pertain to the reference to the fixed date "1 January 2004" as the date of applying the IFRS for the first time and change it to "the date of transition to IFRSs" in order to remove the necessity of transforming transactions which occurred before the day of an entity's transition to IFRSs. Moreover, guidelines on resuming the application of IFRSs in periods following the periods of severe hyperinflation making full compliance with IFRSs impossible will be added to the standard.

The Group will apply new IFRS 1 from 1 January 2012.

Amended IFRS 1 will not have an effect on the Group's financial statements.

- Amendment to IAS 12 *Deferred Tax: Recovery of Underlying Assets*

The amendment to IFRS 12 was published on 20 December 2010 and is effective for annual periods beginning on or after 1 January 2012. The amendment specifies, among other things, the way of valuing assets and deferred tax provisions in the case of investment property valued in accordance with the fair value model set forth in IAS 40 *Investment Property*. The amended standard coming into force will result in withdrawing the SIC-21 interpretation *Income Taxes — Recovery of Revalued Non-Depreciable Assets*.

The Group will apply new IAS 12 from 1 January 2012.

As at the date of preparing these financial statements, it is not possible to reliably estimate the effect of applying the new standard.

- IFRS 10 *Consolidated Financial Statements*

The new standard was published on 12 May 2011 and is to supersede the SIC-12 interpretation *Consolidation — Special Purpose Entities* and certain provisions of IAS 27 *Consolidated and Separate Financial Statements*. The standard defines "control" as a factor that determines whether an entity should be included in the consolidated financial statements and contains guidelines which can help establish whether an entity is or is not a controlling entity.

The Group will apply the new standard from 1 January 2013.

As at the date of preparing these financial statements, it is not possible to reliably estimate the effect of applying the new standard.

- IFRS 11 *Joint Arrangements*

The new standard was published on 12 May 2011 and is to supersede the SIC-13 interpretation *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* and IAS 31 *Interests in Joint Ventures*. The standard emphasises the rights and obligations resulting from a joint agreement regardless of its legal form and eliminates inconsistency in reporting by specifying a method of settling assets in jointly controlled entities.

The Group will apply the new standard from 1 January 2013.

As at the date of preparing these financial statements, it is not possible to reliably estimate the effect of applying the new standard.

- IFRS 12 *Disclosure of Interests in Other Entities*

The new standard was published on 12 May 2011 and contains requirements relating to information disclosures on connections between entities.

The Group will apply the new standard from 1 January 2013.

As at the date of preparing these financial statements, it is not possible to reliably estimate the effect of applying the new standard.

- IFRS 13 *Fair Value Measurement*

The new standard was published on 12 May 2011 and is assumed to facilitate the application of fair value measurement by decreasing the complexity of solutions and increasing consistency in applying the fair value measurement principles. The standard clearly specifies the objective of such measurement and the definition of fair value.

The Group will apply the new standard from 1 January 2013.

As at the date of preparing these financial statements, it is not possible to reliably estimate the effect of applying the new standard.

- IAS 27 *Separate Financial Statements*

The new standard was published on 12 May 2011 and is a result of, above all, transferring certain provisions of previous IAS 27 to new IFRS 10 and IFRS 11. The standard contains requirements relating to presentations and disclosures of investments in associates, subsidiaries and joint ventures in separate financial statements. The standard will supersede previous IAS 27 *Consolidated and Separate Financial Statements*.

The Group will apply the new standard from 1 January 2013.

As at the date of preparing these financial statements, it is not possible to reliably estimate the effect of applying the new standard.

- IAS 28 *Investments in Associates and Joint Ventures*

The new standard was published on 12 May 2011 and relates to settling investments in associates. It also sets forth requirements related to the application of the equity method in associates and joint ventures. The standard will supersede previous IAS 28 *Investments in Associates*.

The Group will apply the new standard from 1 January 2013.

As at the date of preparing these financial statements, it is not possible to reliably estimate the effect of applying the new standard.

- Amendments to IAS 19 *Employee Benefits*

The amendments to IAS 19 were published on 16 June 2011 and are effective for annual periods beginning on or after 1 January 2013. The amendments eliminate the possibility of delay in recognising profits and losses known as the "corridor method". Moreover, they enhance the presentation of balance sheet changes resulting from employee benefit plans and necessary estimations presented in other comprehensive income, and extend the scope of related compulsory disclosures.

The Group will apply the new IAS from 1 January 2013.

As at the date of preparing these financial statements, it is not possible to reliably estimate the effect of applying the amended standard.

- Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 were published on 16 June 2011 and are effective for annual periods beginning on or after 1 July 2012. Amendments pertain to grouping items of other comprehensive income which can be transferred to the profit and loss account. Moreover, the amendments confirm the possibility of presenting items of other comprehensive income and items of the profit and loss account as one or two separate statements.

The Group will apply the new IAS from 1 January 2013.

As at the date of preparing these financial statements, it is not possible to reliably estimate the effect of applying the amended standard.

IFRSs in the form approved by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB) except for the below-listed standards, interpretations and amendments to them, which as of the date of approving these financial statements for publication had not been yet adopted for application by the EU:

- IFRS 9 *Financial Instruments* published on 12 November 2009 (as amended),
- Amendments to IFRS 7 *Disclosures — Transfer of Financial Assets* published on 7 October 2010,
- Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates* published on 20 December 2010,
- Amendment to IAS 12 *Deferred Tax: Recovery of Underlying Assets* published on 20 December 2010,
- IFRS 10 *Consolidated Financial Statements* published on 12 May 2011,
- IFRS 11 *Joint Arrangements* published on 12 May 2011,
- IFRS 12 *Disclosure of Interests in Other Entities* published on 12 May 2011,
- IFRS 13 *Fair Value Measurement* published on 12 May 2011,
- IFRS 27 *Separate Financial Statements* published on 12 May 2011,
- IAS 28 *Investments in Associates and Joint Ventures* published on 12 May 2011,
- Amendments to IAS 19 *Employee Benefits* published on 16 June 2011,
- Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* published on 16 June 2011.

Effect of applying new accounting standards and changes of accounting policy

The Group prepared the first consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), i.e. including an unconditional statement of compliance with IFRSs, for the financial year ended 31 December 2006 and including comparative data for the years 2004 and 2005. The day of the Group's transition to IFRSs was 1 January 2004.

The types of corrections that the Group needed to introduce in order to fully apply IFRSs for the first time and their influence on the financial performance and equity in comparative periods were presented in historic consolidated financial information for the years ended 31 December 2006, 31 December 2005 and 31 December 2004, published in the prospectus of the parent entity, prepared in relation to the public offering of its shares ("prospectus").

The accounting policies adopted in the preparation of these condensed consolidated financial statements for the 1st half of 2011 are consistent with those followed in the preparation of the annual consolidated financial statements for the financial year ended 31 December 2010, except for changes described below. The same policies were applied to the current period and the comparative period, except for when a standard or an interpretation were provided for prospective application only.

- Changes resulting from amendments to IFRSs

The following new or amended standards and interpretations issued by the IASB or IFRIC were applied in these financial statements for the first time:

- Amended IFRS 1 *First-time Adoption of International Financial Reporting Standards*
- Amendment to IAS 24 *Related Party Disclosures* published on 4 November 2009
- Amendment to IAS 32 *Financial Instruments: Presentation*
- Modifications of various accounting standards resulting from the annual review of the International Financial Reporting Standards (*Annual Improvements*)
- Amendment to IFRIC Interpretation 14 *Prepayments of a Minimum Funding Requirement*
- IFRIC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*

Their application did not influence the performance and financial standing of the Group but only resulted in changes of applied accounting standards or an extension of the scope of necessary disclosures or the applied terminology.

The key consequences of applying the new regulations:

- Amended IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Amended IFRS 1 was published on 28 January 2010 and is effective for annual periods beginning on or after 1 July 2010. The amended standard includes regulations relating to the limited exemption from the disclosure of comparative data under IFRS 7. Amended IFRS 1 does not have an effect on the Group's financial statements.

- Amendment to IAS 24 *Related Party Disclosures* published on 4 November 2009

The amendment to IAS 24 was published on 4 November 2009 and is effective for annual periods beginning on or after 1 January 2011. Changes encompass the simplification of the definition of related parties and introduction of simplifications regarding disclosing transactions with entities owned by the State Treasury.

The amendment to IAS 24 does not have an effect on the Group's financial statements.

- Amendment to IAS 32 *Financial Instruments: Presentation*

On 8 October 2009, an amendment was issued relating to the regulations concerning the classification of pre-emptive rights denominated in a foreign currency. Previously, such rights, as derivatives, were represented under financial liabilities. After the modification, upon the fulfilment of certain conditions, they are to be recognised as an equity element, regardless of the currency in which they are denominated. The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010.

The amendment to IAS 32 does not have an effect on the Group's financial statements.

- Modifications of various accounting standards resulting from the annual review of the International Financial Reporting Standards (*Annual Improvements*)

On 6 May 2010, further amendments to seven standards, resulting from the proposed draft amendments to the International Financial Reporting Standards published in August 2009, were published. Most of them are effective for annual periods beginning on or after 1 January 2011 (depending on the standard).

The Group has applied the amended standards including amendments since 1 January 2011, unless other date of their entry into force was provided for.

Applying amended standards does not have an effect on the Group's financial statements.

- Amendment to IFRIC Interpretation 14 *Prepayments of a Minimum Funding Requirement*

The amendment was published on 26 November 2009 and is effective for annual periods beginning after 1 January 2011. The amendment to the interpretation will apply to situations where the entity is subject to minimum financing requirements relating to the existing employee benefit programmes and makes prepayments in order to fulfil those requirements. The amended interpretation does not have an effect on the Group's financial statements.

- IFRIC Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*

IFRIC Interpretation 19 was published on 26 November 2009 and is effective for annual periods beginning after 1 July 2010. The interpretation includes guidelines on recording transactions of extinguishing financial liabilities with equity instruments. The amended interpretation does not have an effect on the Group's financial statements.

8. Seasonality

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, characteristic of that period. In the winter months, there is less vehicular traffic, which is reflected by a decrease in the sales of automotive gas.

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

The phenomena discussed above have a material impact on the Company's results generated on those operations. The first half of the year is always a period of weaker sales and results generated on these operations.

9. Segment Information

The Group identifies two reportable operating segments:

- LPG — trading activities carried out in Poland, comprising import, distribution and sales of liquefied petroleum gas (LPG) for heating and automotive purposes (automotive gas), gas cylinders and to wholesale distributors;
- Exploration and Production — operations carried out in the countries where Oil Exploration and Production Companies conduct their activities, including geophysical research, site preparation and drilling.

Results of the Exploration and Production segment are characteristic of a start-up phase of an exploration project. The Management Board expects that the negative results of the segment may sustain until commercial production of crude oil is commenced.

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

The Management Board monitors the operating results of segments 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 tax are monitored at the Group level and are not assigned to operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties.

With respect to financial statements prepared for reporting periods beginning on 1 January 2009, IFRS 8 Operating Segments, which superseded IAS 14 Segment Reporting, is applicable. Pursuant to IFRS 8, segment reporting is based on information submitted for analysis to persons responsible for internal management decisions.

The following tables present revenues and profits of particular operating segments of the Group for the 6-month period ended 30 June 2011 and the 12-month period ended 31 December 2010, as well as assets and liabilities as at 30 June 2011 and 31 December 2010.

PETROLINVEST GROUP
Interim condensed consolidated financial statements for the period of 6 months ended 30 June 2011
Additional explanatory notes
(PLN thousand)

<i>for 6-month period ended 30 June 2011 and as at 30 June 2011 (PLN '000)</i>	<i>LPG</i>	<i>Prospecting and extraction</i>	<i>Unallocated</i>	<i>Total operations</i>
Revenue				
Third party	52 767	0	0	52 767
Inter-segment	0	0	0	0
Total segment revenue	52 767	0	0	52 767
Expenses				
Operating expenses	(56 489)	(12 344)	(223)	(69 056)
<i>including depreciation and amortisation</i>	<i>(1 510)</i>	<i>(284)</i>	<i>0</i>	<i>(1 794)</i>
Other operating activities results	(2 281)	(11 888)	0	(14 169)
Impairment of investments		(41)	0	(41)
Segment profit/ loss before finance income and costs	(6 003)	(24 273)	(223)	(30 499)
Financial activities results			(11 088)	(11 088)
Tax			1 901	1 901
Profit/ (loss) for the period				(39 686)
Segment assets				
Segment assets	100 705	1 063 751	2 568	1 167 024
Segment liabilities	81 089	503 809	1 928	586 826
Capital expenditure	637	39 736	0	40 373

1. Revenues from transactions between the segments are eliminated upon consolidation.
2. Segment assets do not include investment properties (PLN 2.6 million).
3. Segment liabilities do not include accrued expenses (PLN 1 million) and a portion of other provisions (PLN 0.9 million).
4. Capital expenditure is consistent with cash flows related to the acquisition of property, plant and equipment, intangible assets, as well as to expenditure on exploration and evaluation of resources, including assets acquired in business combinations.

<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>
Revenue				
Third party	149 250	707	0	149 957
Inter-segment	0	0	0	0
Total segment revenue	149 250	707	0	149 957
Expenses				
Operating expenses	(155 938)	(43 634)	(173)	(199 745)
<i>including depreciation and amortisation</i>	<i>(3 293)</i>	<i>(832)</i>	<i>0</i>	<i>(4 125)</i>
Other operating activities results	1 408	(42 352)	0	(40 944)
Impairment of investments		187	0	187
Segment profit/ loss before finance income and costs	(5 280)	(85 092)	(173)	(90 545)
Financial activities results			(69 187)	(69 187)
Tax			3 983	3 983
Profit/ (loss) for the period				(155 749)
Segment assets				
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

1. Revenues from transactions between the segments are eliminated upon consolidation.
2. Segment assets do not include investment properties (PLN 2.6 million).
3. Segment liabilities do not include accrued expenses (PLN 1 million) and a portion of other provisions (PLN 0.9 million).

4. Capital expenditure is consistent with expenditure on acquisition of property, plant and equipment, intangible assets and expenditure on exploration and evaluation of resources, including assets acquired in business combinations.

10. Revenues and expenses

10.1. Other operating income and expenses

	<i>for 6 months</i>	
	<i>ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>unaudited</i>	<i>restated</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Net profit on disposal of property, plant and equipment	127	0
Release of provision for liabilities	165	0
Other	325	419
other operating income	617	419
Collateral-related fees	10 921	13 440
Provisions for liabilities	0	0
Impairment of receivables and prepayments	36	364
Net loss on disposal of property, plant and equipment	0	57
Net loss on disposal of assets held for sale	10	0
Impairment of non-current assets held for sale	623	14
Impairment of property, plant and equipment	32	0
Other	3 164	549
other operating expenses	14 786	14 424

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 6-month period ended 30 June 2011 was PLN 13.7 million, of which PLN 10.9 million were taken to other operating expenses and PLN 2.8 million were taken to the Company's financial costs (the discounted fee calculated for the 6-month period ended 30 June 2010 was PLN 20.4 million, of which PLN 13.4 million were taken to other operating expenses and PLN 7 million were taken to the Company's financial costs). The commission-related liabilities are convertible to equity. By 30 June 2011, the commission charged for the 6-month period of 2011 amounting to PLN 13,6 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.

10.2. Financial revenues

	<i>for 6 months</i>	
	<i>ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>unaudited</i>	<i>restated</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Bank interest receivable	59	170
Loans granted to other parties	817	0
Foreign exchange differences	12 501	0
Other	133	0
	13 510	170

10.3. Financial costs

	<i>for 6 months</i>	
	<i>ended 30 June</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	6 008	9 811
Lenders fees	138	235
Valuation of derivatives	0	6 727
Valuation (discount) of future liabilities	18 188	20 695
Foreign exchange differences	0	22 081
Finance costs under finance leases	5	6
Other	259	190
	<u>24 598</u>	<u>59 745</u>

On 18 May 2010, the Company concluded an agreement with Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. (hereinafter in note 10.3 "the 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 of certain Investors' rights under the agreement dated 18 March 2010.

Under the agreements, upon meeting the obligations set out therein, the Company acquired the right to issue up to four tranches of convertible bonds or pre-paid subscription warrants at a total issue price of PLN 127.5 million. The Investors also have the right to demand that the Company issue the remaining tranches and accordingly to purchase bonds or prepaid subscription warrants issued under such tranches. The right of the Investors to call for the issue of the above-specified instruments is a derivative, which, according to the IFRS, is subject to fair value measurement.

As of 30 June 2010, the measured value of the derivative was PLN 6.7 million, and was charged to the finance cost (finally, following the issuance of all the tranches of warrants during the subsequent accounting periods of 2010, the cost of the derivative valuation reached PLN 9 million at the end of 2010). The cost will not impact the Group's cash flows.

10.4. Costs of employee benefits

	<i>for 6 months</i>	
	<i>ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>unaudited</i>	<i>restated</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Wages and salaries	6 910	7 386
Social security costs	944	995
Other	74	77
	<u>7 928</u>	<u>8 458</u>

10.5. Impairment of investments

During the period of 6 months ended 30 June 2011, an impairment revaluing assets relating to the investment in Petrolinvest Mockavos Perpyla in the amount of PLN 41 thousand was executed.

	<i>for 6 months</i>	
	<i>ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>unaudited</i>	<i>restated</i>
	<i>PLN '000</i>	<i>PLN '000</i>
UAB Petrolinvest Mockavos Perpyla	41	0
	<u>41</u>	<u>0</u>

11. Income tax

Major components of income tax expense for the 6-month period ended 30 June 2011 and 30 June 2010 are:

	<i>for 6 months</i>	
	<i>ended 30 June</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	(1 901)	(1 906)
Income tax expense reported in consolidated income statement	(1 901)	(1 889)

12. Earnings per share

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

	<i>for 6 months</i>	
	<i>ended 30 June</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	(39 094)	(86 324)
from continuing operations	(39 094)	(86 324)
from discontinued operations	0	0
Weighted average number of shares for basic earnings per share computations	58 464 555	26 700 848
Number of diluting potential ordinary shares	0	0
Earnings (loss) per share in PLN	(0,67)	(3,23)
Earnings (loss) from continuing operations per share in PLN	(0,67)	(3,23)
Diluted earnings (loss) per share in PLN	(0,67)	(3,23)
Diluted earnings (loss) from continuing operations per share in PLN	(0,67)	(3,23)

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 series T shares. 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 file the request referred to above at any point falling no later than within 2 years from the date of signing 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 IFRSs, 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 option agreements described above. As at the date of these financial statements, the options issued do not have a diluting effect.

	minimum issue price	instrument execution price	number of instruments issued	number of instruments issued at fair value	number of diluting potential ordinary shares
options	10,00	50,00	247 000	1 235 000	0
			247 000	1 235 000	0

13. Expenditure on exploration and evaluation of mineral resources; property, plant and equipment

The value of capitalised borrowing costs relating to expenditure on exploration and evaluation of mineral resources during the 6-month period ended 30 June 2011 was PLN 5.3 million (in the 12-month period ended 31 December 2010, it was PLN 19.5 million).

In the 6-month period ended 30 June 2011, the Group incurred expenditure on exploration and evaluation of mineral resources totalling PLN 34.4 million (in the 12-month period ended 31 December 2010, it was PLN 41 million).

As at 30 June 2011, liabilities relating to expenditure on exploration and evaluation of resources totalled PLN 34.2 million (as at 31 December 2010 — PLN 36.3 million).

A detailed description of the contracts 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.

In the view of the Management Board of PETROLINVEST, during the period covered by the interim condensed financial statements, there were no indications of impairment of the value of assets relating to exploration and production investments and the assumptions adopted for impairment testing at the end of 2010, described in the consolidated financial statements for the year ended 31 December 2010, remained valid.

On 21 June 2011, an annex to the Emba Contract was signed whereby the exploration period was extended by two years, i.e. to 29 June 2011. The annex was signed on the basis of a decision issued by the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan on 16 November 2009. The Management Board took actions aiming at concluding a new annex extending the exploration period.

In accordance with the approval of the Ministry of Oil and Gas of the Republic of Kazakhstan of 7 December 2010, on 22 June 2011 Annex No. 2 to the Profit Contract regarding the extension of the exploration period by two years was registered.

In the 6-month period ended 30 June 2011, the Group purchased fixed assets worth PLN 637 thousand, whereas in the 12-month period ended 31 December 2010 such expenditure amounted to PLN 464 thousand.

14. Acquisitions of businesses and shares in subsidiaries and jointly-controlled entities

2011 Acquisitions

Silurian Energy Services Sp. z o.o. (subsidiary of Silurian Sp. z o.o.)

On 31 May 2011, Silurian Sp. z o.o., a subsidiary of Petrolinvest S.A., concluded an agreement regarding the acquisition of 90% shares in Silurian Energy Services Sp. z o.o. at the price of USD 100,000. Control over Silurian Energy Services was acquired on 2 June 2011 (i.e. on the day of payment for the shares). As transactions were insignificant in the period from 31 May to 2 June 2011, for consolidation purposes 31 May 2010 is considered the date of the change of control. Goodwill on consolidation determined as of the date of the change of control amounts to PLN 718 thousand. The settlement of the purchase of the company is provisional. The main reason for the transaction of the acquisition of shares in SES being settled on a provisional basis is the short time interval between the acquisition of control and the end of the reporting period and the date of approval of this Report.

The following table includes an initial settlement of the acquisition of SES from the perspective of Silurian.

	PLN '000	Carrying amount	fair valuation	Amount recognised on acquisition
Expenditure on exploration for and evaluation resources		2 103	0	2 103
Property, plant and equipment and intangible assets		364	0	364
Cash and cash equivalent		71	0	71
Trade and other receivables, prepayments, accruals		1 518	(1 372)	146
		4 056	(1 372)	2 684
Liabilities, provisions for liabilities and accruals		3 173	0	3 173
		3 173	0	3 173
Fair value of net assets				(489)
Silurian's share in acquired net assets of SES				90,00%
Goodwill arising on acquisition				718
Consideration:				
Total consideration (share issue)				278
Total cash outflow on acquisition is as follows:				
Net cash acquired with interest in subsidiary (90%)				64
Cash transferred in connection with acquisition				(278)
Net cash outflow				(214)

In the table below, a settlement of the acquisition of SES from the perspective of the PETROLINVEST Group, i.e. taking into account its indirect interest in that company, is presented.

	PLN '000	Carrying amount	fair valuation	Amount recognised on acquisition
Expenditure on exploration for and evaluation resources		2 103	0	2 103
Property, plant and equipment and intangible assets		364	0	364
Cash and cash equivalent		71	0	71
Trade and other receivables, prepayments, accruals		1 518	(1 372)	146
		4 056	(1 372)	2 684
Liabilities, provisions for liabilities and accruals		3 173	0	3 173
		3 173	0	3 173
Fair value of net assets				(489)
Petrolinvest's share in acquired net assets of SES				54,00%
Share in the net assets controlled				(264)
Goodwill arising on acquisition				431
Consideration:				
Petrolinvest's share in total consideration				60,00%
Total consideration				278
Part of the total consideration assigned to Petrolinvest				167
Total cash outflow on acquisition is as follows:				
Net cash acquired with interest in subsidiary (54%)				38
Cash transferred in connection with acquisition				(167)
Net cash outflow				(129)

Goodwill on consolidation as of the date of preparing the financial statements and as of 31 December 2010 is as follows:

	<u>30 June</u>	<u>31 December</u>
	<u>2011</u>	<u>2010</u>
	<u>unaudited</u>	<u>audited</u>
	<u>PLN '000</u>	<u>PLN '000</u>
Silurian sp. z o.o.	75	75
Silurian Energy Services sp.z o.o.	431	0
Total carrying amount	<u>506</u>	<u>75</u>

In the statements published to date (the last one for the period of 12 months ended 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 31 December 2009 and 2008, included in the opinions a reservation regarding the method of presenting the surplus mentioned. Based on the opinion of the 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. The following table presents the value of the identified licenses.

	<u>30 June</u>	<u>31 December</u>
	<u>2011</u>	<u>2010</u>
	<u>unaudited</u>	<u>audited</u>
	<u>PLN '000</u>	<u>PLN '000</u>
Occidental Resources, Inc.	220 735	239 078
TOO EmbaJugNief	103 232	111 809
Total carrying amount	<u>323 967</u>	<u>350 887</u>

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.

In the 6-month period ended 30 June 2011, Petrolinvest S.A. took up 6 shares in Silurian Sp. z o.o. with the nominal value of PLN 500 each and the total nominal value of PLN 3 thousand, and provided a cash contribution to the increased share capital in the amount of PLN 3 thousand. As at 30 June 2011 and 31 December 2010, Petrolinvest held shares representing jointly 60% of the share capital of Silurian. This transaction did not have an effect on the consolidated statements.

15. Other financial assets

A detailed description of other financial assets is included in the Consolidated Financial Statements for the year ended 31 December 2010 in note 24. In the 6-month period ended 30 June 2011, the Group charged interest due on financial assets held and valued items expressed in foreign currencies as at the balance sheet date. No transactions relating to other financial assets were made. In the view of the Management Board of PETROLINVEST, during the period covered by the financial statements, there were no indications of impairment of the value of financial assets held and the assumptions adopted for impairment testing at the end of 2010, described in the consolidated financial statements for the year ended 31 December 2010, remained valid.

The following table presents the value of the Group's financial assets as at 30 June 2011 and as at 31 December 2010.

	<u>30 June</u>	<u>31 December</u>
	<u>2011</u>	<u>2010</u>
	<u>unaudited</u>	<u>audited</u>
	<u>PLN '000</u>	<u>PLN '000</u>
Loans granted and loan discounts	164 309	166 476
including current loans and borrowings	91 110	87 967
Payments under agreements for acquisition of financial assets	20 250	20 250
Total other financial assets, including	<u>184 559</u>	<u>186 726</u>
non-current	93 449	98 759
current	<u>91 110</u>	<u>87 967</u>

16. Inventories

	<u>30 June</u>	<u>31 December</u>
	<u>2011</u>	<u>2010</u>
	<u>unaudited</u>	<u>audited</u>
	<u>PLN '000</u>	<u>PLN '000</u>
Other raw materials	148	159
Goods	2 019	1 252
Prepaid goods	19	13
	<u>2 186</u>	<u>1 424</u>

There were no inventories measured at net selling price as at 30 June 2011 or as at 31 December 2010.

As at 30 June 2011, the Group disclosed in the balance sheet obligatory inventories valued at PLN 952.5 thousand (as at 31 December 2010: PLN 14.6 thousand).

17. Trade Receivables, Receivables from Public Authorities and Other Short- and Long-Term Receivables

	<u>30 June</u>	<u>31 December</u>
	<u>2011</u>	<u>2010</u>
	<u>unaudited</u>	<u>audited</u>
	<u>PLN '000</u>	<u>PLN '000</u>
Trade receivables	11 562	8 417
Receivables from public authorities	248	76
Receivables from employees	106	64
Other receivables	106	14
Current receivables	<u>12 022</u>	<u>8 571</u>
Receivables from public authorities	24 751	22 297
Other receivables	0	0
Non-current receivables	<u>24 751</u>	<u>22 297</u>
	<u>36 773</u>	<u>30 868</u>

Receivables from public authorities are primarily long-term VAT receivables relating to purchases of materials and services in connection with the Group's activities in the area of exploration and evaluation of mineral resources.

18. Cash and Long-Term Deposits

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for one day and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents as at 30 June 2011 was PLN 13.5 million (31 December 2010: PLN 13.2 million). As at 30 June 2011, the Group had no overdraft facilities. As at 30 June 2011, OilTechnoGroup had PLN 10.8 million cash placed on a blocked account serving as collateral for payment for services.

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

	30 June 2011	31 December 2010
	<i>unaudited</i>	<i>audited</i>
	PLN '000	PLN '000
Cash at bank and on hand	13 463	13 177
Revolving credit facility	0	0
Cash and cash equivalents in the cash flow statement	13 463	13 177
including restricted use cash	11 420	11 889
Cash and cash equivalents in the cash flow statement (according to IAS 7)	2 043	1 288

The Group has long-term cash deposits connected with the performance of contracts for exploration and production of crude oil and gas under which companies are obliged to establish a decommissioning fund in the amount of from 0.5% to 1% of annual capital expenditure, which is transferred to a special purpose deposit account. As at 30 June 2011, the portion of the deposit that was attributable to the Group was PLN 38 thousand. As at 31 December 2010, the Group's share in the deposit was PLN 40 thousand.

19. Equity

19.1. Share capital

As at 30 June 2011, the Company's share capital amounted to PLN 661.2 million and was divided into 66,115,559 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.	3 759 418	3 759 418	37 594 180	5,69%
Osiedle Wilanowskie Sp. zo.o.	999 201	999 201	9 992 010	1,51%
Ryszard Krauze	3 586	3 586	35 860	0,01%
Other shareholders	61 353 354	61 353 354	613 533 540	92,79%
Share capital, total	66 115 559	66 115 559	661 155 590	100,00%

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%
Share capital, total	50 517 656	50 517 656	505 176 560	100,00%

During the 6-month period ended 30 June 2011, the share capital increased by PLN 155,979 thousand as a result of the following share issues:

- 2,500,000 series B shares — share capital increase on 20 January 2011,
- 1,800,000 series B shares — share capital increase on 28 January 2011,
- 1,900,000 series B shares — share capital increase on 14 February 2011,
- 2,410,348 series B shares — share capital increase on 20 March 2011,
- 1,168,595 series B shares — share capital increase on 22 March 2011,
- 1,250,000 series C shares — share capital increase on 1 June 2011,

- 1,929,296 series C shares — share capital increase on 2 June 2011,
- 1,000,000 series C shares — share capital increase on 13 June 2011,
- 1,000,000 series C shares — share capital increase on 22 June 2011,
- 639,664 series C shares — share capital increase on 30 June 2011.

Series B and C shares 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 at 30 June 2011 was as follows:

Series	Number of shares	Type of shares	Nominal value	Share capital (PLN)
Series A	40 526 599	bearer	10	405 265 990
Series B	19 000 000	bearer	10	190 000 000
Series C	5 818 960	bearer	10	58 189 600
Series P	770 000	bearer	10	7 700 000
Share capital, total	66 115 559			661 155 590

19.2. Exchange differences on translation of foreign operations

The balance of currency translation capital is adjusted by exchange differences arising from translation of the financial statements of foreign subsidiaries and jointly-controlled entities.

	30 June 2011	31 December 2010
	0	0
	PLN '000	PLN '000
Foreign exchange differences on valuation of goodwill at balance sheet date	(26 920)	21 478
Other foreign currency translation	(39 855)	(48 749)
Total carrying amount at the end of the period	(66 775)	(27 271)

19.3. Dividends paid and declared

As at 30 June 2011 and 31 December 2010, the following limitations existed on the payment of dividends:
Under the agreement concluded on 21 March 2007 between the Company and Bank PKO BP S.A., the Company agreed not to propose dividend payments during the term of the agreement without the Bank's prior written consent.
Dividends are paid from profits stated in the separate financial statements of PETROLINVEST S.A. The Company did not pay dividends in 2010 and does not plan to pay dividends in 2011.

20. Interest-bearing loans and borrowings

The following events related to interest-bearing loans and borrowings extended to PETROLINVEST took place in the 6-month period ended 30 June 2011.

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 an instalment part amounting to USD 4,862 thousand, which was to be repaid by 31 December 2010, would be repaid by 30 June 2011. The amount in question was repaid on 13, 20 and 30 June 2011. The outstanding balance of the credit facility as at 30 June 2011 was USD 48,509 thousand. After the period covered by these financial statements, the Company effected an early repayment of the credit facility amounting to USD 1,239.6 thousand. The Company has entered the final stage of negotiations held with the bank consortium regarding the credit facility repayment schedule. Negotiation is expected to end and a relevant annex is expected to be signed in the 3rd quarter of 2011.

Bank CenterCredit JSC

On 5 March 2011, OTG received from the Bank modified repayment schedules to credit facility agreements concluded as part of the arrangements on a credit line facility of 13 April 2006. 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%).

21. Trade and other payables (current and non-current)

	30 June 2011 <i>unaudited</i> PLN '000	31 December 2010 <i>audited</i> PLN '000
Trade liabilities	21 416	16 597
Liabilities to public authorities	4 450	1 831
Liabilities related to expenditure for exploration for and evaluation of resources	34 223	36 323
Concession and share option liabilities	12 157	11 626
Other liabilities	7 212	7 472
Current liabilities	<u>79 458</u>	<u>73 849</u>
Collateral-related liabilities	105	3 889
Concession and share option liabilities	190 199	193 856
Non-current liabilities	<u>190 304</u>	<u>197 745</u>
	<u>269 762</u>	<u>271 594</u>

Non-current liabilities of PLN 105 thousand as at 30 June 2011 comprise discounted liabilities resulting from the fee due for providing assets as collateral for the credit facility.

22. Prepayments and accruals

Current prepayments and accruals on the assets' side comprise:

	30 June 2011 <i>unaudited</i> PLN '000	31 December 2010 <i>audited</i> PLN '000
Capital raising expenses	8 144	6 945
Gas cylinders expensed over time	24	60
Other	390	259
	<u>8 558</u>	<u>7 264</u>

23. Contingent Liabilities and Assets

The Company's contingent liabilities are blank promissory notes deposited with the Customs House in Gdynia and serving as security for excise duty, which allows for transferring goods under suspended excise duty procedures. This type of security is a substitute for a deposit securing the above-mentioned receivables of the Customs House. The Company has been verified by the Customs House as a blank promissory note issuer and thus need not freeze cash on deposits. The Company has full control over its liabilities and continues to perform well under the suspended excise duty procedures; hence, it does not make any provisions for potential liabilities resulting from the promissory notes issued. The value of promissory notes as at 30 June 2011 was PLN 2,850 thousand as general collateral and PLN 930 thousand as lump-sum collateral (as at 31 December 2010, it was PLN 2,850 thousand as general collateral).

Bank guarantee agreement and conditional deposit agreement dated 7 May 2007 between OilTechnoGroup and AO HSBC Bank Kazakhstan

The agreement provides that AO HSBC Bank Kazakhstan shall issue a bank guarantee for USD 2.9 million as collateral for the performance by OilTechnoGroup of the agreement with Saipem S.p.A. The guarantee remained in force until 31 December 2008; the annex dated 10 December 2008 extended the term of the guarantee to 31 December 2009; the annex dated 21 December 2009 extended this term to 31 December 2010; the annex dated 22 November 2010 extended the term of the guarantee to 31 December 2011. In order to secure any potential liabilities to the bank, OTG signed a conditional deposit agreement.

Bank guarantee agreement and conditional deposit agreement dated 7 December 2007 between OilTechnoGroup and AO HSBC Bank Kazakhstan

The agreement provides that AO HSBC Bank Kazakhstan shall issue a bank guarantee for USD 0.96 million as collateral for the payment of a demobilization fee by OilTechnoGroup as provided for in the agreement with Saipem S.p.A. The guarantee remained in force until 31 December 2008; the annex dated 10 December 2008 extended the term of the guarantee to

31 December 2009; the annex dated 21 December 2009 extended this term to 31 December 2010; the annex dated 22 November 2010 extended the validity term of the guarantee to 31 December 2011. In order to secure any potential liabilities to the bank, OTG signed a conditional deposit agreement.

23.1. Legal proceedings

As at 30 June 2011, the Company was party to legal proceedings as the plaintiff, claimant or applicant. The value of the said proceedings does not exceed 10% of the Company's equity. Due to payment orders issued by court, enforcement proceedings are being performed. The Company's claims for payment orders from the court pertained to the ongoing business of the Company, in particular the sale of liquefied petroleum gas (LPG). The Company created impairments on receivables in appropriate amounts.

As at 30 June 2011, the Company was party to legal proceedings as the defendant. The value of the said proceedings does not exceed 10% of the Company's equity. The Company made a provision to secure those commitments in the appropriate amounts.

As at 30 June 2011, the other entities of the PETROLINVEST Group are party to legal proceedings as the defendant; however, the value of the said proceedings does not exceed 10% of the Company's equity. The Group's entities made allowances to secure those commitments in appropriate amounts.

24. Related party disclosures

24.1. Entity with significant influence over the Group

The table below sets forth aggregate amounts of transactions concluded by the Group with entities which had significant influence on the Group in the 6-month period ended 30 June 2011 and 2010 as well as balances of receivables and liabilities as at 31 December 2010 and 30 June 2011:

Related party		<i>Sales to related</i>	<i>Purchases from</i>	<i>Receivables from</i>	<i>Liabilities to related</i>
		<i>parties</i>	<i>related parties</i>	<i>related parties</i>	<i>parties</i>
		<i>(PLN '000)</i>	<i>(PLN '000)</i>	<i>(PLN '000)</i>	<i>(PLN '000)</i>
Ryszard Krauze	2011	0	0	50	414
	2010	0	0	50	406
Prokom Investments & Osiedle Wilanowskie Sp. z o.o.	2011	0	15 357	0	285
	2010	3	20 686	1	10 283

24.2. Terms and conditions of transactions with related parties

The agreements discussed below are agreements pertaining to transactions within the Group as well as transactions with related parties of the Group companies, concluded in the 6-month period ended 30 June 2011.

Agreements concluded between the Company and Occidental Resources, Inc.

During the reporting period covered herein, the Company concluded one agreement with Occidental Resources, Inc. The agreement regarded a loan granted by the Company for an amount of USD 20,000 thousand. As at 30 December 2011, USD 3,188 thousand had been made available by the Company (USD 6,291 thousand were made available as at the date of these financial statements). The interest rate of the loan was fixed at 18% p.a. In order to secure the above-mentioned receivable, the Company entered into a guarantee agreement with OTG as the guarantor for USD 30,000 thousand. Additionally, during the period under discussion, an annex was signed to extend the repayment date of the loan that matured on 30 June 2011. The loan is now payable by 30 November 2011.

Agreements concluded between the Company and Petrolinvest Mockavos Perpyla

During the reporting period covered herein an annex was signed to increase the agreement amount from EUR 400 thousand to EUR 450 thousand. Moreover, during the reporting period, the repayment period of the loan was extended until 30 October 2011. The previous repayment period expired on 30 June 2011. Other terms of the agreement remained unchanged.

Agreements concluded between the Company and EmbayugNieft

During the reporting period covered herein, the repayment period of the loan of 6 March 2008, whose repayment period expired on 31 January 2011, was extended to 31 January 2012. Other terms of the agreement remained unchanged.

Agreements concluded between the Company and Silurian Sp. z o.o.

During the reporting period covered herein, the Company concluded five loan agreements with Silurian Sp. z o.o. for a total amount of USD 1,150 thousand and PLN 8,815 thousand. Up until 30 June 2011, USD 1,000 thousand have been made available by the Company as part of the loans for a total amount of USD 1,150 thousand and PLN 2,254 thousand as part of the loans for a total amount of PLN 8,815 thousand (up until the date of these financial statements, those amounts are respectively USD 1,000 thousand and PLN 2,799 thousand). Interest on the loans is based on WIBOR and LIBOR (for agreements denominated in USD, pursuant to signed annexes to the agreements). Four agreements were concluded for a period ending on 31 December 2012 and one for a period ending on 31 May 2013.

Agreements concluded between the Company, PROKOM Investments S.A. and Osiedle Wilanowskie Sp. z o.o.

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 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 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 ordinary bearer shares to Prokom 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 parent entity of the Company, with its registered seat 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 engaged by Prokom to support Petrolinvest's projects, the parties have decided to extend until the end of 2013 the cooperation consisting in Prokom obtaining financing for Petrolinvest's investment projects on the basis of current provisions of the Agreement, and to increase the financing by an additional amount of PLN 100,000,000.00. 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.

On 30 May 2011, the Company received from Prokom, as an entity making a direct equity investment in the shares of the Company, and from Osiedle Wilanowskie, as an entity designated by Prokom as a financing entity, the following, filed in compliance with the financial support agreement of 20 March 2009 (with annexes):

(i) 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 the Company's shares in the amount of PLN 10,000,000 made by Prokom in the form of a cash payment and the issue price equal to PLN 10.00; and a call to offer to Prokom 1,000,000 ordinary bearer shares of the Company at the issue price of PLN 10.00 per share, that is for the total amount of PLN 10,000,000;

(ii) a request to transfer to Osiedle Wilanowskie 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 600,000 made by Osiedle Wilanowskie in the form of a cash payment and the issue price equal to PLN 10.00; and a call to offer to Osiedle Wilanowskie 60,000 ordinary bearer shares of the Company at the issue price of PLN 10.00 per share, that is for the total amount of PLN 600,000;

Payments for series C shares were effected as cash payments made by Prokom and Osiedle Wilanowskie from 30 March 2011 to 30 May 2011.

Moreover, on 30 May 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 562,434 ordinary bearer shares of the Company to Prokom, at an issue price of PLN 10,00 per share of the Company, i.e. for a total amount of PLN 5,624,340. Prokom's payments for 562,434 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Prokom. On 30 May 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 C shares totalling PLN 5,624,340 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 29 May 2011 amounting to PLN 5,232,591.75, the commercial accounts payable in the amount of PLN 391,751.11 charged for the period until 30 April 2011. As a result of the netting, the cash contribution due by Prokom in connection with the take-up by Prokom of 562,434 series C shares of the Company was fully covered.

Also on 30 May 2011, the Company received a call and a request from Osiedle Wilanowskie, filed in compliance with the agreement of 14 May 2009, to offer 275,457 ordinary bearer shares of the Company to Osiedle Wilanowskie, at an issue price of PLN 10,00 per share of the Company, i.e. for a total amount of PLN 2,754,570. Osiedle Wilanowskie's payments for 275,457 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Osiedle Wilanowskie. On 30 May 2011, the Company concluded a netting agreement with Osiedle Wilanowskie under which the Company and Osiedle Wilanowskie netted an outstanding account receivable by the Company under the subscription for series C shares totalling PLN 2,754,570 with outstanding accounts payable by the Company to Osiedle Wilanowskie, resulting from the advance towards the fee for providing and maintaining collateral for the credit facility charged for the period until 29 May 2011 amounting to PLN 2,754,571.97. As a result of the netting, the cash contribution due by Osiedle Wilanowskie to the Company in connection with the take-up by Osiedle Wilanowskie of 275,457 series C shares was fully covered.

On 28 June 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 32,000 ordinary bearer shares of the Company to Prokom at an issue price of PLN 10,00 per share, i.e. for a total amount of PLN 320,000. Payments for series C shares were effected as cash payments by Prokom on 3 June 2011.

Moreover, on 28 June 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 238,635 ordinary bearer shares of the Company to Prokom, at an issue price of PLN 10,00 per share of the Company, i.e. for a total amount of PLN 2,386,350. Prokom's payments for 238,635 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Prokom. On 28 June 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 C shares totalling PLN 2,386,350 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 27 June 2011 amounting to PLN 1,629,940.09 and the commercial accounts payable in the amount of PLN 756,416.59 charged for the period until 20 June 2011. As a result of the netting, the cash contribution due by Prokom to the Company in connection with the take-up by Prokom of 238,635 series C shares was fully covered.

Also on 28 June 2011, the Company received a call and a request from Osiedle Wilanowskie, filed in compliance with the agreement of 14 May 2009, to offer 19,029 ordinary bearer shares of the Company to Osiedle Wilanowskie, at an issue price of PLN 10,00 per share of the Company, i.e. for a total amount of PLN 190,290. Osiedle Wilanowskie's payments for 19,029 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Osiedle Wilanowskie. On 28 June 2011, the Company concluded a netting agreement with Osiedle Wilanowskie under which the Company and Osiedle Wilanowskie netted an outstanding account receivable by the Company under the subscription for series C shares totalling PLN 190,290 with outstanding accounts payable by the Company to Osiedle Wilanowskie, resulting from the advance towards the fee for providing and maintaining collateral for the credit facility charged for the period until 27 June 2011 amounting to PLN 190,298.00. As a result of the netting, the cash contribution due by Osiedle Wilanowskie to the Company in connection with the take-up by Osiedle Wilanowskie of 19,029 series C shares was fully covered.

Agreements concluded by and between TOO EmbaJugNieft and TOO Company Profit

During the reporting period covered herein, TOO EmbaJugNieft and TOO Profit Company entered into four financial support agreements totalling KZT 22,300 thousand. The loans become payable within one year from the date on which funds become available. As at 30 June 2011, the whole amount had been made available. Financial support agreements are non-interest bearing.

Agreements concluded by and between Silurian Sp. z o.o. and Silurian Energy Services Sp. z o.o.

During the reporting period covered herein, the Silurian Sp. z o.o. concluded five loan agreements with Silurian Energy Services Sp. z o.o. for a total amount of USD 1,150 thousand and PLN 647.4 thousand. Up until 30 June 2011, one loan was repaid and the amount of funds used under four remaining loans was USD 1,000 thousand and PLN 451 thousand. Interest on the loans is based on WIBOR and LIBOR (for agreements denominated in USD, pursuant to signed annexes to the agreements). Agreements denominated in PLN were concluded for a 6-month period from the date of signing them whereas agreements denominated in USD were concluded for a period ending on 31 December 2012.

25. Financial risk management objectives and policies

The Management is of the opinion that no significant changes to financial risk or financial risk management objectives and policies have occurred in relation to the financial statements for the year ended 31 December 2010.

26. Capital Management

The Group's long-term objective when managing capital is to maintain a good credit rating and safe capital ratios that can support the Group's operating activities and increase its value to shareholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure — subject to the restriction referred to in note 19.3 — the Group may issue new shares or bonds convertible into shares, adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. In the reporting periods ended 30 June 2011 and 31 December 2010, there were no changes to the Group's objectives, policies and processes for managing capital.

The Group monitors capital using the leverage ratio calculated as the ratio of net debt to net debt plus total equity. Net debt is calculated as interest-bearing loans and borrowings, together with trade and other payables less cash and cash equivalents. Capital comprises equity attributable to equity holders of the parent entity less reserve capital relating to unrealised net gains and shareholder loans and convertible liabilities, which due to the existence of certain contractual obligations are treated by the Group as subordinated debt.

The Management Board of the parent entity is aware that the Group is in the start-up phase of a long-term development programme and so an increase in the scale and variety of the sources of finance used (both equity and debt instruments) is to be expected in future reporting periods. The scale and long-term character of the undertaking may result in material fluctuations in the financial leverage ratio calculated at the end of each reporting period when exploration works are in progress.

	30 June 2011 <i>unaudited</i> PLN '000	31 December 2010 <i>audited</i> PLN '000
Interest-bearing loans and borrowings and finance lease liabilities	288 565	332 302
Shareholder loans	(414)	(451)
Liabilities convertible to equity	(105)	(3 889)
Trade and other payables	269 762	271 594
Less cash and cash equivalents and long-term deposits	(13 501)	(13 217)
Net debt	<u>544 307</u>	<u>586 339</u>
Convertible preference shares		
Equity attributable to equity holders of the parent	560 999	522 473
Shareholder loans	414	451
Liabilities convertible to equity	105	3 889
Total equity	<u>561 518</u>	<u>526 813</u>
Net debt and equity	<u>1 105 825</u>	<u>1 113 152</u>
Leverage ratio	49,2%	52,7%

27. Events after the balance sheet date

In relation to the cash payment in the total amount of PLN 2,200,000 received on 30 June 2011 and 4 July 2011, made by an entity designated by Prokom Investments S.A. 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 annexes dated 31 December 2010 and 18 April 2011 — which makes a direct equity investment, on 4 July 2011 the Company received:

(i) 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 shares of the Company in the amount of PLN 2,200,000 performed by the Financing Entity in the form of cash payment and the issue price equal to PLN 10.00, and

(ii) a call to offer to the Financing Entity 220,000 ordinary bearer shares of the Company at an issue price of PLN 10.00 per share, that is for a total amount of PLN 2,200,000.

In connection with the said request and call, and also in connection with the resolution of the Extraordinary General Shareholders' Meeting of 9 May 2011 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, on 4 July 2011 the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants entitling to take-up of series C shares of the Company ("Subscription Warrants") and setting forth the detailed terms and conditions of the issue of the Subscription Warrants. The Management Board decided to issue 220,000 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 C shares and filed a statement of acquisition of 220,000 ordinary series C bearer shares of the Company.

The issue price of the ordinary series C bearer shares, issued to holders of Subscription Warrants on the basis of the Issue Resolution as part 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 4 July 2011.

The value of the cash payment made for the take-up of series C shares was PLN 2,200 thousand. Funds received by the Company will be used mainly for the implementation of the exploration and production project and the decrease of the Company's indebtedness.

On 6 July 2011, 220,000 series C Company shares subscribed for in exercise of 220,000 subscription warrants at an issue price of PLN 10.00 per share were registered with the National Depository for Securities and introduced to trading on the WSE.

In consequence, no later than on the day indicated above, the shares were registered on the subscribers' securities accounts and pursuant to Article 452 § 1 in conjunction with 451 § 2 sentence 2 of the Code of Commercial Companies, the increase of the Company's share capital to PLN 663,355,590 was effected.

On 7 July 2011, the Management Board of the Company received a notice of awarding to Silurian Sp. z o.o. (a subsidiary of PETROLINVEST S.A.) ("Silurian") another three licences for the exploration of oil and gas fields by the Minister of Environment:

- Licence No. 27/2011/p for the exploration of oil and gas fields in the "Kędzierzyn Koźle" area (part of licence block No. 369) covering 994.00 km²;

- Licence No. 28/2011/p for the exploration of oil and gas fields in the "Opole" area (part of licence blocks No. 348 and 349) covering 1,044.40 km²;

- Licence No. 29/2011/p for the exploration of oil and gas fields in the "Głubczyce" area (part of licence blocks No. 368 and 388) covering 1,155.99 km².

The total area under awarded licences is 3,194.39 km².

The validity period of each licence has been set at 3 years from the date of awarding.

Pursuant to the terms and conditions of the awarded licences, the scope of exploration works has been divided into two stages where the first one, to be realised within 12 months, covers reprocessing, reinterpretation and analysis of geological data and the second, scheduled for 24 months — the acquisition of a seismic 2D survey.

Together with the exploration licences in the northern block (areas: Lidzbark Warmiński, Węgorzewo, Kętrzyn and Gołdap), Silurian currently holds seven exploration licences of the total area of 5,527.94 km².

On 7 July 2011, the Company concluded a Joint Investment Agreement (hereinafter referred to as the "Agreement") with the following entities: (i) Hallwood Energy Group Inc. ("Hallwood Energy"), (ii) Silurian Sp. z o.o. ("Silurian"), (iii) Silurian Energy Services Sp. z o.o. ("SES"), (iv) Tabacchi Enterprises Ltd. ("Tabacchi") and (v) Mr Wiesław Skrobowski (hereinafter jointly referred to as the "Parties").

The subject of the Agreement is the specification of cooperation conditions within a joint-venture company carrying out activities in the following scope: (i) exploring hydrocarbons (including shale gas) in Poland, (ii) providing maintenance and drilling services across Europe and particularly in Poland, and (iii) performing services for the hydraulic fracturing and other services relating to the exploration and production of hydrocarbons.

The Parties intend to implement the joint venture through a joint-venture company created for that purpose with the name Silurian Hallwood Limited ("JVC") and through SES (currently a subsidiary of Silurian), in which JVC intends to purchase all shares. The Parties intend to have the following capital structure at JVC before introducing it to trading on the stock exchange in London:

(i) Hallwood Energy will take up 50% shares in JVC;

(ii) Petrolinvest will take up 25% shares in JVC;

(iii) Tabacchi will take up 20% shares in JVC;

(iv) Mr Wiesław Skrobowski will take up 5% shares in JVC.

Under the signed Agreement, JVC will acquire 100% of shares in SES from the shareholders of SES, i.e. Silurian (90% of SES shares) and Mr Wiesław Skrobowski (10% of SES shares) for the total price of PLN 1 million. Within SES, Petrolinvest currently develops its activities in the area of providing maintenance services to the holders of shale gas exploration and production licenses in Poland, including in particular the conduct of drilling. In the first and the second quarters of 2012, SES expects the delivery of two drilling devices dedicated for shale gas exploration.

Moreover, SES will hold four out of seven exploration licences in Poland currently held by Silurian and will hold options for two additional licences.

Additionally, in relation to the transaction, Petrolinvest will obtain a premium in the amount of USD 6 million (payable in the form of shares in JVC before its introduction to trading on the stock exchange).

Under this agreement, Hallwood Energy shall transfer to SES its know-how (advisory services, support services, intellectual property rights) and technology of hydraulic fracturing, in the scope necessary to enable SES to use the technology of hydraulic fracturing of rocks in the process of shale gas production. Under this agreement, SES shall obtain the exclusive right to use Hallwood Energy technologies across Europe within its own licences, and to offer them to third parties.

The Parties intend to transform JVC into a public limited company (Plc.) and then to cooperate in order to carry out private placement of JVC and introduce shares in JVC to trading on the AIM (London).

The agreement also regulates, among other things, the basic principles of corporate governance at JVC and SES.

Hallwood Energy is a company specialising in unconventional gas production and one of industry leaders in the field of hydraulic fracturing technology used all over the world in the process of shale gas production. Hallwood has rich, long-standing experience in the field of shale gas production with the use of horizontal drilling and hydraulic fracturing technologies. Investment projects implemented recently by the Hallwood Group included an investment in the amount of approx. USD 120 million in a shale gas production company in the United States which was sold to the American concern Chesapeake Energy Corporation for the total amount of approx. USD 535 million.

The investment in JVC will enable Petrolinvest to strengthen its position in the segment related to the provision of services to entities involved in exploration and production of shale gas. As a result of the transaction made, the Petrolinvest Group will be able to extend the scope of services provided in the field of shale gas exploration and production, and develop its operations regarding exploration works within its own licences in Poland, based on Hallwood Energy know-how and additional financing acquired by private and public issuance of shares.

On 12 July 2011, the Management Board of the Company was notified about the issuing by the Minister of the Environment of a decision to transfer to Silurian Energy Services Sp. z o.o. (a subsidiary of Silurian Sp. z o.o.) ("SES") four licences for exploration of oil and gas fields which had been issued earlier to Silurian Sp. z o.o. (a subsidiary of PETROLINVEST S.A.) ("Silurian"):

- Licence No. 11/2011/p for exploration of oil and gas fields in the "Lidzbark Warmiński" area (a part of licence blocks No. 73 and 74) covering 895.23 km²;
- Licence No. 22/2011/p for exploration of oil and gas fields in the "Węgorzewo" area (a part of licence block No. 56) covering 134.26 km²;
- Licence No. 23/2011/p for exploration of oil and gas fields in the "Kętrzyn" area (a part of licence block No. 75) covering 683.25 km²;
- Licence No. 24/2011/p for exploration of oil and gas fields in the "Gołdap" area (a part of licence blocks No. 57, 58 and 59) covering 620.82 km².

The transfer of licences was executed at the request of Silurian and SES in connection with the planned Joint Investment Agreement, the conclusion of which was announced by the Company in current report No. 65/2011.

On 12 July 2011, the Company concluded an agreement with TOO AlatauMunaiGaz (the "Buyer"), a company registered in the Republic of Kazakhstan, in which it obliges itself to sell 50% of shares in TOO Company Profit ("Profit"), an entity of the PETROLINVEST S.A. Group registered in the Republic of Kazakhstan ("Profit Shares") (the "Agreement").

The Profit Shares sale price was set at USD 8,000,000, and the price will be reduced by 50% of the amounts which the Buyer will provide to Profit in the cases specified in the Agreement. The Management Board of Petrolinvest estimates that the amount of price reduction will not exceed USD 250,000.

The parties agreed that the Profit Shares disposal transaction shall be executed after the successful completion of a comprehensive due diligence and upon the receipt of all required approvals. The Company is committed to taking all necessary actions to transfer the Profit Shares within 90 days from the date of the conclusion of the Agreement. In addition, the Company undertook to confirm that there are no claims against Profit, which means the obligation to redeem Profit's liabilities against the Company.

The conclusion of the Agreement implies the performance of the strategy of concentration on high efficiency investment activities adopted by the Management Board of the Company. The Management Board of the Company estimates that the implementation of the Agreement will reduce the liabilities of the PETROLINVEST Group while obtaining a positive result of the proposed transaction (the current book value of the Company's assets for the TOO Company Profit investment amounts to USD 5,213 thousand).

On 13 July 2011, the Company concluded a share sale agreement for shares in a company under a business name of Pomorskie Farmy Wiatrowe Sp. z o.o., headquartered in Gdynia ("PFW"), with its parent entity, Prokom Investments S.A. headquartered in Gdynia ("Prokom") ("Agreement"). Pursuant to the Agreement, the Company purchased 676,116 shares in PFW, which jointly constitute 100% of the share capital of PFW and carry 100% votes at shareholders meetings ("Shares"). Petrolinvest purchased the shares for the price of PLN 36,932,000 which will be settled in Company shares acquired by Prokom at an issue price of at least PLN 10 per share, under the conversion mechanism provided for in the agreement between the Company and Prokom of 13 January 2009, of which the Company informed the public in current report No. 4/2009.

PFW was created by Prokom in order to implement projects of constructing land wind farms and, currently, it implements three land wind farm projects in Żuławy with the total capacity of 100 MW. It also owns land property with a total area of approximately 423 ha ("Land Property") which ensures maximum flexibility in securing allocation of the best plots for wind farms.

The Land Property remaining after identifying plots for wind turbines, with the total area of around 400 ha, is subject to a put/call option to transfer it to foreign investors for the price of around PLN 16 million in cash. The Company is expecting this inflow before the end of the first quarter of 2012. Consequently, the effective purchase price at which Petrolinvest purchases PFW shares will be equal to approximately PLN 20.9 million.

PFW is a party to a cooperation agreement relating to the implementation of two out of three wind projects mentioned above with the total capacity of 64 MW with a foreign investment fund, specialising in investments in wind energy production, partly owned by one of the largest European banks. The fund is well-known and regarded in Poland, it specialises in investments in wind energy production. Currently, it has a portfolio of wind projects with the total capacity of 200 MW and the value of EUR 300 million. As the majority shareholder, the fund will be responsible for the construction and launch of these wind

projects, including in particular the management of the process of obtaining financing, equipment delivery and construction, launch and operation of the wind farms. Additionally, based on the signed agreement, due to the objective of the fund which is to exit from the investment within the period of 2–3 years, the fund secured a guarantee to repurchase shares of Petrolinvest (drag-along) when exiting from the investment. Moreover, pursuant to the above-mentioned cooperation agreement, Prokom granted a guarantee for PFW obligations, including the obligation to provide the relevant contribution of PFW for the financing of the projects. The guarantee is valid throughout the whole period of implementation of the projects and will not be affected by a change of the owner of PFW shares.

PFW holds the majority of shares in the third project with the potential of 30 MW in which Prokom Investments remains a minority shareholder. Currently, negotiations with potential industry and financial partners are taking place, including a fund specialising in investments in wind farm projects, owned by another large European bank.

Taking into account the current participation of PFW in the above-mentioned wind projects, the Management Board of Petrolinvest estimates the Company inflows under the sale of the launched wind farms at the total level of around PLN 200 million. The Management Board intends to commit the funds obtained in this way, not encumbered with cash outflows in connection with effecting this transaction since its settlement will take place in Company shares, for increasing the commercial production of hydrocarbons on the Shyrak structure, should the wells drilled currently bring positive results, as well as on the Emba structure.

In relation to the cash payment in the total amount of PLN 5,000,000 received on 11 and 12 July 2011, made by an entity designated by Prokom Investments S.A. 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 annexes dated 31 December 2010 and 18 April 2011 — which makes a direct equity investment (“Financing Entity”), on 14 July 2011 the Company received:

- (i) 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 shares of the Company in the amount of PLN 5,000,000 performed by the Financing Entity in the form of cash payment and the issue price equal to PLN 10.00, and
- (ii) a call to offer to the Financing Entity 500,000 ordinary bearer shares of the Company at an issue price of PLN 10.00 per share, that is for a total amount of PLN 5,000,000.

Furthermore, on 14 July 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 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 — the Company received from Prokom:

- (i) 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 the settlement of the sale price of PLN 36,932,000.00 in accordance with the agreement of 13 July 2011 concerning the sale of 100% of shares within Pomorskie Farmy Wiatrowe Sp. z o.o., for an advance payment towards the fee for providing and maintaining collateral for the credit facility charged for the period until 13 July 2011 in the amount of PLN 725,661.95 and the commercial accounts payable in the amount of PLN 214,000.00 charged for the period until 13 July 2011,

as well as (ii) the issue price of PLN 10.00;

- (ii) a call to offer to Prokom 3,787,166 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 37,871,660.

In connection with the said requests and calls, and also in connection with the resolution of the Extraordinary General Shareholders' Meeting dated 9 May 2011 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 14 July 2011, the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants entitling to take-up of series C Company shares (“Subscription Warrants”) and setting forth detailed terms and conditions of the issue of Subscription Warrants. The Management Board decided to issue 4,287,166 Subscription Warrants and offered them for subscription to: (i) Prokom — in the amount of 3,787,166; and (ii) the Financing Entity — in the amount of 500,000. Subsequently, the Subscription Warrants were taken up by the above mentioned entities and the rights to take up series C shares were executed, as a result of which 4,287,166 ordinary series C bearer shares of the Company were taken up.

Prokom's payments for 3,787,166 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Prokom. On 14 July 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 C shares totalling PLN 37,871,660 with outstanding accounts payable by the Company to Prokom, set forth in item (i) above. As a result of the netting, the cash contribution due by Prokom to the Company in connection with the take-up by Prokom of 3,787,166 series C shares was fully covered.

The issue price of the ordinary series C bearer shares, issued to holders of Subscription Warrants on the basis of the Issue Resolution as part 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 14 July 2011.

The value of the cash payment for the take-up of series C shares was PLN 5,000,000. Funds received by the Company will be used mainly for the implementation of the exploration and production project in Kazakhstan.

On 18 July 2011, 4,287,166 series C Company shares subscribed for in exercise of 4,287,166 subscription warrants at an issue price of PLN 10.00 per share were registered with the National Depository for Securities and introduced to trading on the WSE.

In consequence, no later than on the day indicated above, the shares were registered on the subscribers' securities accounts and pursuant to Article 452 § 1 in conjunction with 451 § 2 sentence 2 of the Code of Commercial Companies, the increase of the Company's share capital to PLN 706,227,250 was effected.

On 20 July 2011, in exercise of the Joint Investment Agreement, the Company concluded a Subscription and Shareholders' Agreement (hereinafter referred to as the "Agreement") with the following entities: (i) Hallwood Energy Group Inc. ("Hallwood Energy"), (ii) Silurian Hallwood Limited, (iii) Silurian Sp. z o.o. ("Silurian"), (iv) Silurian Energy Services Sp. z o.o. ("SES"), (v) Tabacchi Enterprises Ltd. ("Tabacchi") and (vi) Mr Wiesław Skrobowski (hereinafter jointly referred to as the "Parties").

The object of the Agreement is the regulation of the acquisition of shares in the newly created joint venture named Silurian Hallwood Limited ("JVC") and defining the rules for the joint venture of JVC and SES, a part of shares in which was purchased by JVC.

JVC (directly or through SES, which possesses four exploration licenses for oil and natural gas) will explore oil and gas, perform consulting services in the area of drilling activities and hydraulic fracturing, and provide other services related to shale gas in Europe.

Petrolinvest bought, for PLN 580.000, 125.860 shares in JVC, constituting 29% of JVC's share capital and entitling Petrolinvest to 29% of votes at the meeting of shareholders of the company. Under the Agreement, the following JVC capital structure was established:

(i) Hallwood Energy took up 44% shares in JVC;

(ii) Petrolinvest took up 29% shares in JVC;

(iii) Tabacchi took up 22% shares in JVC;

(i) Mr Wiesław Skrobowski took up 5% shares in JVC.

Moreover, Petrolinvest and Hallwood Energy Ltd. concluded an agreement which confirmed that 4% of shares in JVC's share capital (out of 29% of shares covered by Petrolinvest) were issued to Petrolinvest due to previous Petrolinvest involvement in the activities of Silurian and SES (assuming a valuation of the company at USD 150 million), which equals the premium of USD 6 million, which Petrolinvest mentioned in current report No. 65/2011 of 7 July 2011.

Pursuant to the provisions of the Agreement, a share sale agreement was concluded on 20 July 2011, under which JVC acquired 100% of shares in SES from SES's shareholders — i.e. Silurian (90% of SES shares) and Mr Wiesław Skrobowski (10% of SES shares) for the total price of PLN 1 million. Within SES, Petrolinvest has developed its activities in the area of providing maintenance services to the holders of shale gas exploration and production licenses in Poland, including in particular the conduct of drilling. SES has four licences for oil and natural gas exploration and, through JVC, the priority right to obtain two additional licenses. Moreover, in the first and the second quarter of 2012, SES expects the delivery of two drilling devices dedicated for shale gas exploration.

In addition, on 20 July 2011, SES and Hallwood Energy concluded an agreement under which Hallwood Energy provided SES (or, at the discretion of SES, its subsidiaries), for PLN 1 million, with an irrevocable license to use, as well as offer to third parties, the know-how, technology and intellectual property rights for exploration and production of unconventional gas from sedimentary rocks, and in particular for hydraulic fracturing of rocks during the process of shale gas production, and the exclusive right to use certain Hallwood Energy services for the period of 18 months. Under the agreement, SES acquired exclusive rights to the performance of the above activities across Europe.

The Parties intend to transform JVC into a public limited company (Plc.) and then to cooperate in order to carry out private placement of JVC and introduce shares in JVC to trading on the AIM (London).

On 16 August 2011, the Company was informed that TOO OilTechnoGroup, a Kazakh law company controlled by the Company, received from SCHLUMBERGER LOGELCO INC. interpretation results of logs performed in the Shyrak 1 well. Logs were performed on the drilled-through sub-salt layers, from the depth of 5,337 m to 6,552 m, i.e. to the total depth of the well as at the day of performing the logs.

The end depth of the Shyrak 1 well, established based on the results of the performed logs, i.e. 6,597.1 m, was reached. Further deepening of the well is not planned and a possible slight change of the depth may be connected with works which will be carried out in order to prepare the well for casing a 7-inch diameter column.

On the basis of the interpretation results of the performed logs, initially, 19 hydrocarbon-saturated levels with the total thickness of 464 metres were selected for testing. The thickness of individual levels ranges from 10 to 45 metres.

All reservoir horizons selected to be tested coincide with the zones during the drilling of which high gas readings in the drilling mud or gas flow to the well were observed.

In the nearest future, the casing and cementing of a 7-inch diameter column will take place. Subsequently, the plan is to replace the Saipem drilling devices with devices which are smaller and at the same time cheaper in use, which will serve to test the well.

The interpretation results of performed logs confirm the hydrocarbon saturation of the entire profile of sub-salt rocks that was observed during the drilling. The porous character of reservoir rocks reaches 12%, which should be considered a high value, considering that the rocks are located at a great depth. Moreover, on the basis of the interpretation of the log results it was not determined that the reservoir rocks, besides the hydrocarbons, were saturated with movable deposit waters. This fact is of positive significance both for the well testing process and the production of hydrocarbons from the field. It should also be noted that the reservoir properties of rocks and their saturation estimated on the basis of log results are congruent with the results obtained in the lab during the examination of the collected cores.

The logs confirmed that the permeability of reservoir rocks and the gas shows found during the drilling are closely connected with fissuring. Both the observed intensity of fissuring and the fact that most fissures are open make the occurrence of a flow of hydrocarbons during testing very likely. The size of the flow as well as the type of hydrocarbons will be determined based on

the well testing results. Based on the composition of the gas obtained during the drilling, researchers expect a flow of gas and gas with condensate.

In relation to the cash payments in the total amount of PLN 5,420,000 received in the period from 22 July 2011 to 16 August 2011, made by an entity designated by Prokom Investments S.A. as the financing entity — within the meaning of the agreement on financing concluded by the Company and Prokom on 20 March 2009 — which makes a direct equity investment ("Financing Entity"), on 16 August 2011 the Company received:

(i) 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 shares of the Company in the amount of PLN 5,420,000 performed by the Financing Entity in the form of cash payment and the issue price equal to PLN 10.00, and

(ii) a call to offer to the Financing Entity 542,000 ordinary bearer shares of the Company at an issue price of PLN 10.00 per share, that is for a total amount of PLN 5,420,000.

Furthermore, on 16 August 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 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 — the Company received from Prokom:

(i) 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 the early repayment by Prokom, on 5 and 8 March 2011, of PLN 3,199,612.44 of the credit facility extended to the Company by PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego under the agreement dated 21 March 2007, for a PLN 2,109,918.02 advance towards the fee for providing and maintaining collateral for the credit facility charged for the period until 15 August 2011 and the commercial accounts payable in the amount of PLN 202,124.49 charged for the period until 16 August 2011 and (ii) an issue price of PLN 10.00;

(ii) a call to offer to Prokom 551,165 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 5,511,650.

On the same 16 August 2011 — in accordance with the provisions of the agreement dated 14 May 2009 concluded with Osiedle Wilanowskie, setting forth the terms on which Osiedle Wilanowskie makes its assets available to the Company to use as collateral 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, which was the subject of current report No. 45/2009 — the Company received from Osiedle Wilanowskie Sp. z o.o.:

(i) a request to transfer to Osiedle Wilanowskie a number of shares that corresponds to the quotient of (i) the accounts payable to Osiedle Wilanowskie by Petrolinvest for the early repayment by Osiedle Wilanowskie, on 8 August 2011, of PLN 347,653.56 of the credit facility extended to the Company by PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego under the agreement dated 21 March 2007 and for a PLN 262,107.43 advance towards the fee for providing and maintaining collateral for the credit facility charged for the period until 15 August 2011 and (ii) an issue price of PLN 10.00;

(ii) a call to offer to Osiedle Wilanowskie 60,976 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 609,760.

In connection with the said requests and calls, and also in connection with the resolution of the Extraordinary General Shareholders' Meeting dated 9 May 2011 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. 35/2011, on 16 August 2011, the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants entitling to take up series C Company shares ("Subscription Warrants") and setting forth detailed terms and conditions of the issue of the Subscription Warrants. The Management Board decided to issue 1,154,141 Subscription Warrants and offered them for subscription to: (i) Prokom, in the amount of 551,165, (ii) Osiedle Wilanowskie, in the amount of 60,976, and (iii) the Financing Entity, in the amount of 542,000. Subsequently, the Subscription Warrants were taken up by the above mentioned entities and the rights to take up series C shares were executed, as a result of which 1,154,141 ordinary series C bearer shares of the Company were taken up.

Prokom's payments for 551,165 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Prokom. On 16 August 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 C shares totalling PLN 5,511,650 with outstanding accounts payable by the Company to Prokom, set forth in the second paragraph, item (i) 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 551,165 series C shares was fully covered.

Osiedle Wilanowskie's payments for 60,976 series C shares were made by netting mutual accounts receivable/accounts payable of the Company and Osiedle Wilanowskie. On 16 August 2011, the Company concluded a netting agreement with Osiedle Wilanowskie under which the Company and Osiedle Wilanowskie netted an outstanding account receivable by the Company under the subscription for series C shares totalling PLN 609,760 with outstanding accounts payable by the Company to Osiedle Wilanowskie, set forth in the third paragraph, item (i) of this current report. As a result of the netting, the cash contribution due by Osiedle Wilanowskie to the Company in connection with the take-up by Osiedle Wilanowskie of 60,976 series C shares was fully covered.

The issue price of the ordinary series C bearer shares, issued to holders of Subscription Warrants on the basis of the Issue Resolution as part 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 16 August 2011.

The value of the cash payment made for the take-up of series C shares was PLN 5,420,000. The funds received were used mainly for the implementation of the exploration and production project in Kazakhstan.

The total amount of direct payments made by the Prokom Group entities for early repayment of the Company's credit debt was PLN 3,547,266.

As at the issue date, the total value of financing invested in PETROLINVEST S.A. by Prokom Investments S.A. and the entities indicated by the same as part of performance of the above-mentioned Agreement on Financing was over PLN 174 million, of which payments made in the current year amounted to PLN 105.7 million.

On 26 August 2011, under the agreement on the purchase of shares in Silurian Hallwood Limited ("JVC") concluded on 23 August 2011 with Tabacchi Enterprises Ltd. ("JVC Share Sale Agreement"), the Company received a request from Tabacchi for 7,100,000 free-of-charge subscription warrants issuable by Petrolinvest, entitling to the take-up of the Company's shares in the conditionally increased share capital of Petrolinvest.

In connection with the said request, and also in connection with the resolution of the Extraordinary General Shareholders' Meeting of 9 May 2011 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, on 26 August 2011 the Management Board of the Company adopted a resolution regarding detailed conditions of issuing subscription warrants, offering Subscription Warrants, establishing a detailed content of mass segment of Subscription Warrants and determining the issue price of series C shares issued to the holders of Subscription Warrants. The Management Board of the Company resolved to issue 7,100,000 registered Subscription Warrants and offer them to be taken up by Tabacchi in private offering. Subscription Warrants were taken up by Tabacchi. Subsequently, Tabacchi exercised its rights to take up 3,550,000 ordinary series C bearer shares of the Company.

Tabacchi's payments for 3,550,000 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Tabacchi. On 26 August 2011, the Company entered into a netting agreement with Tabacchi, under which the Company and Tabacchi netted the outstanding account receivable by the Company from Tabacchi for series C shares in the amount of PLN 35,500,000 with outstanding accounts payable to Tabacchi by Petrolinvest for a total amount of not less than PLN 35,500,000 under the JVC Share Sale Agreement. As a result of the netting, the cash contribution due by Tabacchi to the Company in connection with the take-up by Tabacchi of 3,550,000 series C shares was fully covered.

The issue price of the ordinary series C bearer shares, issued to holders of Subscription Warrants on the basis of the Issue Resolution as part 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 26 August 2011.