



Petrolinvest

PETROLINVEST GROUP

**INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2010
TOGETHER WITH AN INDEPENDENT AUDITORS' REPORT**

APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2010

The Management Board of PETROLINVEST S.A. has approved the Interim condensed financial statements of the PETROLINVEST Group for the 6-month period ended 30 June 2010 for publication.

The interim condensed income statement, interim condensed balance sheet, interim condensed cash flow statement, interim condensed 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 2010 to 30 June 2010	with a net loss amounting to: (86 930) PLN thousand
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for the period from 1 January 2010 to 30 June 2010	with comprehensive income amounting to: 25 611 PLN thousand
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as at 30 June 2010	with total assets and liabilities amounting to: 1 320 611 PLN thousand
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for the period from 1 January 2010 to 30 June 2010	with a net cash inflow amounting to: 29 508 PLN thousand
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for the period from 1 January 2010 to 30 June 2010	with an increase in equity amounting to: 253 132 PLN thousand
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The interim condensed financial statements were prepared in thousands of Polish zloty unless otherwise explicitly stated.

Roman Niewiadomski
President of the Management Board

Marek Pietruszewski
Vice President of the Management Board

Gdynia, 31 August 2010

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INTERIM CONDENSED INCOME STATEMENT

		<i>for 6 months</i>	
		<i>ended 30 June</i>	
		<i>2010</i>	<i>2009</i>
		<i>unaudited</i>	<i>unaudited</i>
<i>note</i>		<i>PLN '000</i>	<i>PLN '000</i>
Continuing operations			
	Sale of goods	57 446	33 477
	Rendering of services	338	316
	Revenue	57 784	33 793
	Value of goods and materials sold	50 422	24 631
	Materials and energy	1 121	1 133
	Employee benefits	8 458	59 544
	Depreciation and amortisation	2 125	1 841
	External services	8 791	12 546
	Taxes and charges	1 375	2 906
	Other expenses	731	864
	Operating expenses	73 023	103 465
	Gross profit/ (loss)	(15 239)	(69 672)
	Other operating income	419	2 239
	Other operating expenses	14 424	71 528
	Finance income	170	4 386
	Finance costs	59 745	141 350
	Impairment of investments	0	30 699
	Profit/ (loss) before tax	(88 819)	(306 624)
	Income tax expense	(1 889)	(9 019)
	Profit/ (loss) for the period from continuing operations	(86 930)	(297 605)
	Profit/ (loss) from discontinued operations	0	(7 760)
	Profit/ (loss) for the period	(86 930)	(305 365)
Attributable to:			
	Equity holders of the parent	(86 324)	(283 112)
	Non-controlling interests	(606)	(22 253)
Weighted average number of issued shares for basic earnings per share computations			
		26 700 848	10 432 600
	Number of diluting potential ordinary shares	0	0
	Earnings (loss) per share in PLN	(3,23)	(27,14)
	Earnings (loss) from continuing operations per share in PLN	(3,23)	(26,39)
	Diluted earnings (loss) per share in PLN	(3,23)	(27,14)
	Diluted earnings (loss) from continuing operations per share in PLN	(3,23)	(26,39)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>for 6 months</i>	
	<i>ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>unaudited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Profit/ (loss) for the period	(86 930)	(305 365)
Other comprehensive income		
Ex change differences on translation of foreign operation	112 541	(134 443)
Available-for-sale financial assets	0	0
Cash flow hedges	0	0
Actuarial gains/(losses) on defined benefit pension plans	0	0
Share of other comprehensive income of associates	0	0
comprehensive income	0	0
Revaluation of assets and liabilities	0	0
Total net other comprehensive income	112 541	(134 443)
Total comprehensive income for the period	25 611	(439 808)
Total income attributable to:		
Equity holders of the parent	27 530	(425 512)
Non-controlling interests	(1 919)	(14 296)

INTERIM CONDENSED BALANCE SHEET

		30 June 2010	31 December 2009
		<i>unaudited</i>	<i>audited</i>
	<i>note</i>	<i>PLN '000</i>	<i>PLN '000</i>
ASSETS			
Non-current assets (long-term)			
Goodwill	14	413 431	350 046
Intangible assets		135	195
Property, plant and equipment		54 939	53 498
Expenditure on exploration for and evaluation of mineral resources	13	573 575	469 135
Investment properties		2 567	2 567
Other financial assets	15	89 272	75 664
Non-current receivables	17	27 735	22 204
Long-term deposits		743	88
Deferred tax	11	54 703	48 061
		<u>1 217 100</u>	<u>1 021 458</u>
Non-current assets held for sale		<u>13 674</u>	<u>11 409</u>
Current assets (short-term)			
Inventories	16	2 145	1 315
Trade and other receivables	17	11 698	4 967
Income tax overpayment		22	18
Prepayments and deferred costs	22	8 106	7 611
Current investments	15	41 039	40
Cash and cash equivalents	18	26 827	13 139
		<i>restricted use cash</i>	<i>11 269</i>
		<u>89 837</u>	<u>27 090</u>
TOTAL ASSETS		<u>1 320 611</u>	<u>1 059 957</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	19.1	327 732	215 266
		25 000	0
Exchange differences on translation of foreign operations	19.2	(34 656)	(148 510)
Other reserves		1 099 950	1 009 895
Retained earnings		(851 458)	(765 134)
		<u>566 568</u>	<u>311 517</u>
Minority interest		(1 919)	0
Total equity		<u>564 649</u>	<u>311 517</u>
Non-current liabilities			
Non-current provisions		11 217	14 434
Deferred tax liability		0	0
Interest-bearing loans and borrowings	20	236 519	279 929
Finance lease liabilities		0	27
Other non-current liabilities	21	184 237	175 343
		<u>431 973</u>	<u>469 733</u>
Current liabilities			
Current provisions		22 773	18 946
Current portion of interest-bearing loans and borrowings	20	220 416	167 603
Finance lease liabilities		76	118
Trade and other payables	21	78 248	89 546
Accruals and deferred income	22	2 476	2 494
		<u>323 989</u>	<u>278 707</u>
Total liabilities		<u>755 962</u>	<u>748 440</u>
TOTAL EQUITY AND LIABILITIES		<u>1 320 611</u>	<u>1 059 957</u>

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<i>for 6 months</i>	
	<i>ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>unaudited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Cash flows from operating activities		
Profit/ (loss) before taxation	(88 819)	(306 624)
Adjustments for:	63 371	289 931
Depreciation and amortisation	2 125	1 948
Interest and dividends, net	9 806	9 675
Foreign exchange differences	20 458	40 398
Gain/ (loss) from investing activities	57	(880)
(Increase)/ decrease in receivables	(7 311)	1 502
(Increase)/ decrease in inventories	(813)	448
Increase/ (decrease) in payables except loans and borrowings	1 784	128 046
Change in accruals and prepayments	349	(386)
Change in provisions	(4 790)	1 713
Income tax paid	(17)	(131)
Other, including	41 723	107 598
result of discontinued operations (before write-off and tax)	0	(2 018)
impairment of investments	0	30 699
acquisition cost of right to use financing	0	29 640
conversion of collateral-related fee to equity	13 440	0
share-based payment	0	49 275
valuation of equity instruments	6 727	0
liabilities discount	20 679	0
bank fees	235	0
other	642	2
Net cash flows from operating activities	(25 448)	(16 693)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangible assets	11	38
Purchase of property, plant and equipment and intangible assets	(1 225)	(27)
Expenditure on exploration for and evaluation of mineral resources	(39 719)	(4 474)
Capitalised costs of external financing	(11 887)	(1 979)
Acquisition of a subsidiary and jointly-controlled entity, net of cash acquired	0	0
Interest received	0	2
Repayment of loans granted	0	4
Loans granted	(40 999)	(195)
Net cash flows from investing activities	(93 819)	(6 631)
Cash flows from financing activities		
Proceeds from share capital increase	203 770	13 292
Costs relating to share issue	(3 914)	(2 250)
Payment of finance lease liabilities	(74)	(133)
Proceeds from loans and borrowings	52 510	0
Repayment of loans and borrowings	(92 336)	(440)
Interest paid	(10 978)	(4 754)
Other	(203)	(217)
Net cash flows from financing activities	148 775	5 498
Net increase/ (decrease)		
in cash and cash equivalents	29 508	(17 826)
	2 319	0
Cash and cash equivalents at the beginning of the period	(7 603)	(1 623)
Cash, cash equivalents at the end of the period	24 224	(19 449)
including restricted use cash	13 159	12 622
cash, cash equivalents at the end of the period according to IAS 7 (excluding restricted use cash)	11 065	(32 071)

PETROLINVEST GROUP

Interim condensed consolidated financial statements for the period of 6 months ended 30 June 2010
(PLN thousand)

INTERIM CONDENSED 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	From share premium	Unregistered share capital increase	Revaluation of assets and liabilities	Other reserves	Prepaid capital				
As at 1 January 2010	215 266	(148 510)	1 009 895	15 441	879 165	8 523	(21 874)	128 640	0	(765 134)	311 517	0	311 517
Total comprehensive income for the period	0	113 854	0	0	0	0	0	0	0	(86 324)	27 530	(1 919)	25 611
Issue of share capital	112 466	0	94 084	0	102 607	(8 523)	0	0	25 000	0	231 550	0	231 550
Issue of equity instruments	0	0	44 373	0	0	0	0	44 373	0	0	44 373	0	44 373
Transaction costs	0	0	(48 402)	0	(48 402)	0	0	0	0	0	(48 402)	0	(48 402)
As at 30 June 2010	327 732	(34 656)	1 099 950	15 441	933 370	0	(21 874)	173 013	25 000	(851 458)	566 568	(1 919)	564 649
As at 1 January 2009	63 481	39 670	633 096	15 441	473 930	153 590	(21 874)	12 009	0	(344 977)	391 270	14 399	405 669
Total comprehensive income for the period	0	(142 400)	0	0	0	0	0	0	0	(283 112)	(425 512)	(14 296)	(439 808)
Issue of share capital	64 903	0	44 860	0	198 450	(153 590)	0	0	0	0	109 763	0	109 763
Warrant issue / share based payments	0	0	49 275	0	0	0	0	49 275	0	0	49 275	0	49 275
Transaction costs	0	0	29 640	0	0	0	0	29 640	0	0	29 640	0	29 640
Subscription of shares and stocks in subsidiaries	0	0	(5 339)	0	(5 339)	0	0	0	0	0	(5 339)	0	(5 339)
As at 30 June 2009	128 384	(102 730)	751 532	15 441	667 041	0	(21 874)	90 924	0	(628 089)	149 097	103	149 200
As at 1 January 2009	63 481	39 670	633 096	15 441	473 930	153 590	(21 874)	12 009	0	(344 977)	391 270	14 399	405 669
Total comprehensive income for the period	0	(188 180)	0	0	0	0	0	0	0	(420 157)	(608 337)	(14 399)	(622 736)
Issue of share capital	151 785	0	278 579	0	423 646	(145 067)	0	0	0	0	430 364	0	430 364
Issue of share capital / share based payments	0	0	80 705	0	0	0	0	80 705	0	0	80 705	0	80 705
Warrant issue	0	0	29 640	0	0	0	0	29 640	0	0	29 640	0	29 640
Issue of equity instruments	0	0	6 286	0	0	0	0	6 286	0	0	6 286	0	6 286
Transaction costs	0	0	(18 411)	0	(18 411)	0	0	0	0	0	(18 411)	0	(18 411)
As at 31 December 2009	215 266	(148 510)	1 009 895	15 441	879 165	8 523	(21 874)	128 640	0	(765 134)	311 517	0	311 517

ADDITIONAL EXPLANATORY NOTES

1. Corporate information

The PETROLINVEST 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 2010 and contain comparative data for the 6-month period ended 30 June 2009 and as at 31 December 2009.

The Company's registered office 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, VIII Economic Department of the National Court Register, Entry No. KRS 0000270970. The Company was assigned a 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 incidental to crude oil and natural gas extraction,
- wholesale of solid, liquid and gaseous fuels and related products,
- retail sale of automotive fuel,
- manufacture of gaseous fuel,
- services connected with installation of metal structures,
- gas fittings and installations.

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

As at the date of approval of the 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 eight members, according to the statutes two of them (including the chairperson and deputy chairperson of the supervisory board) are appointed and dismissed by PROKOM Investments S.A. while one member of the supervisory board is appointed and dismissed by Mr Ryszard Krauze.

2. Going concern

The interim condensed 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 prospecting and production of crude oil and natural gas. Due to the start-up phase of the investment, as at the date of approval of the financial statements for the 6-month period ended 30 June 2010, there is no certainty that the Group will achieve its stated goals in the time space given. The investment program is financed with the Company's own cash, loans extended by PROKOM Investments S.A., and external financing. The realisation of the investment program 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 an entire investment program and may have a material adverse effect on the Group's financial condition, its assets and results of operations. 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 prospecting works, selling selected assets etc.

2. As of 30 June 2010, the Group's overall indebtedness ratio was 0.57 and the debt to equity ratio was 1.34. 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 2009. As at the date of approval of these financial statements, the Group is using a credit facility secured on its own assets and assets made available by PROKOM Investments S.A. Hence, the Management Board is of the opinion that the Group's ability

to manage its liabilities has been and continues to be unthreatened. Moreover, the Group has a contractual declaration of support and participation in the financing of the Group's business in the future from PROKOM Investments S.A. granted in connection with the credit facility, 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 2010 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 50,000,000 designated for the purpose of financing prospecting- and extraction-related investments of OTG and Emba Jug Niefert. 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 TOTAL Group. The Company expects that all conditions precedent contained in the agreement will be fulfilled. The involvement of TOTAL Group in the most capital intensive project of the Petrolinvest Group will provide finance for the necessary work on the OTG Concession for at least 12 months from the date of the financial statements.
3. The Company has funds at its disposal from the execution of the agreement concluded on 18 March 2010 with a group of international investment funds providing the Company with financing in the form of subscription warrants totalling PLN 127.5 million (certain rights of the Investors under the agreement were assumed by Prokom on the basis of the Assumption Agreement concluded on 28 May 2010). By 30 June 2010, the Company had received funds totalling PLN 92.5 million. After the balance sheet date the Company received another PLN 35 million.
4. The Company obtained support from PROKOM Investments S.A. in the form of early repayment of a portion of the credit facility to the Company's financing banks and also direct financial support of PLN 30 million.

The Management Board is also taking into account the fact that the Company signed an agreement with PROKOM Investments S.A. on 20 March 2009, whereby PROKOM undertook to take appropriate actions to obtain financing for the Company's operations in the amount of PLN 150 million. The financing will be 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.

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 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 has issued 1,270,800 shares to GEM Global Yield Fund under the agreement while PLN 150 million is still available.

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 2010	31 December 2009	30 June 2009
subsidiaries						
UAB Petrolinvest Mockavos Perpyla Sp. z o.o.	Mockavos / MC	Lithuania	Trans-shipment of liquid fuels	87%	87%	87%
PETROLINVEST GAZ S.A.**	Petrolinvest Gaz	Poland	Trans-shipment of liquid fuels	100%	100%	100%
SIGNA ENTERPRISES LIMITED ***	Signa/SI	Cyprus	Finance and investment	100%	-	-
Occidental Resources, Inc.	Occidental Resorces / OR	USA	Investments into entities involved in crude oil exploration and extraction	88,1%	88,1%	88,1%
OilTechnoGroup*	OTG	Kazakhstan	Exploration for and extraction of crude petroleum and natural gas	88,1%	88,1%	88,1%
TOO EmbaJugNiefert	EmbaJugNiefert / EM	Kazakhstan	Exploration for and extraction of crude petroleum and natural gas	79%	79%	79%

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

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

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

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 2010	31 December 2009	30 June 2009
jointly-controlled entities						
TOO Company Profit	Profit / PR	Kazakhstan	Exploration for and extraction of crude petroleum and natural gas	50%	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 2010 and 31 December 2009, 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 financial statements, the Management Board of the Company consisted of:

- Roman Niewiadomski — President of the Management Board,
- Marek Pietruszewski — Vice President of the Management Board

On 9 June 2010, in accordance with its personal powers, Prokom Investments S.A. specified that the Management Board of the Company would consist of three members. On the same day, the Company’s Supervisory Board appointed Mr Marek Pietruszewski as Member of the Management Board of PETROLINVEST S.A. responsible for financial affairs.

The mandate of the previous members of the Management Board expired on 30 June 2010, that is on the day of the Annual General Meeting approving the financial statements for 2009. Mr Paweł Gricuk, President of the Management Board, and Mr Marcin Balicki, Vice President of the Management Board, decided not to seek re-election to the Management Board for another term. On the same day, pursuant to his personal powers, Mr Ryszard Krauze appointed Mr Marek Pietruszewski as Vice President of the Management Board for the term of three years beginning as of 30 June 2010.

On 8 July 2010, Prokom Investments S.A., exercising its personal powers, set the number of Management Board members at two and, having obtained a positive opinion of the Supervisory Board of the Company, entrusted the performance of the duties of Company President during this term of office to Mr Roman Niewiadomski.

5. Approval of interim condensed financial statements

These interim condensed financial statements were authorised for issue by the Management Board on 31 August 2010.

6. Basis of preparation of interim condensed financial statements

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

These interim condensed financial statements are presented in Polish zloty (“PLN”) and all values are indicated in thousands PLN except when otherwise indicated.

These interim condensed 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 financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), in particular in accordance with IAS 34: Interim Financial Reporting endorsed by the European Union. As at the date of authorisation of these interim condensed 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 entities, 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 as at 31 December 2009.

6.2. Functional currency and presentation currency

The Polish zloty is the functional currency of the parent entity and PETROLINVEST GAZ S.A. together with its subsidiary 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 the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2009, except for the adoption of new or amended Standards and Interpretations applicable to annual reporting periods beginning on or after 1 January 2010, as noted below:

- IFRS 2 Share-based Payments: Group Cash-settled Share-based Payment Transactions — effective as of 1 January 2010. The purpose of the amendment is to clarify the manner of representing group payment transactions in the books of account in the form of cash-settled shares. The amendment supersedes IFRIC 8 and IFRIC 11.
- IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (amended) — effective as of 1 July 2009. The revised IFRS 3 introduces significant modifications in the manner of representing business combinations following that date. These modifications concern valuation of minority interest, recognition of costs directly related to transactions, initial recognition and subsequent valuation of conditional payment and settlement of multistage connections. These modifications have an impact on the recognised value of the company, the results presented for the period in which the entity was purchased, and the results reported in subsequent periods. The amended IAS 27 requires that changes in equity interest of a subsidiary (which do not result in a loss of control) be recognised as transactions with owners. Consequently, such transactions will not lead to creating the company's value or recognising profits or losses. In addition, the standard changes the manner of allocation of losses incurred by subsidiaries and recognition of a loss of control over them. Amendments to IFRS 3 and IAS 27 will also influence future acquisitions or losses of control over subsidiaries, as well as transactions with minority shareholders.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items — effective after 1 July 2009. The modifications concern determining a unilateral risk in a hedged item and determining, in certain situations, the inflation as a hedged risk or a part of that risk.
- IFRIC 17 Distributions of Non-cash Assets to Owners — effective after 1 July 2009. The interpretation includes guidelines concerning accounting recognition of transactions in the course of which owners obtain non-cash assets in form of distribution of reserves or dividends.
- Amendments to IFRS (issued in May 2008) — in May 2008 the Board issued the first set of amendments to the published standards. Amendments applied by the Company after 1 January 2010 include:
 - IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations: the amendment sets forth that if a subsidiary meets classification criteria as an entity held for sale, all its assets and liabilities shall be classified as held for sale, even if after the sale the parent company retains minority interest in that subsidiary.
- Amendments to IFRS (issued in April 2009) — in April 2009 the Board issued the second set of amendments to the published standards, above all in order to state precisely and clarify used expressions. Transition periods apply for particular standards.
 - IFRS 8 Operating Segments: It was explained that segment assets and liabilities should be showed only when such assets and liabilities are included in measures used by the main body responsible for taking operational decisions.
 - IAS 36 Impairment of assets: It explains that the highest eligible value assignment unit of a company purchased as a result of merging units for the purpose of impairment tests is an operating segment within the meaning of IFRS 8 before aggregation for the purpose of reporting. This amendment did not have an effect on the financial statements of the Company since the annual impairment test is carried out before aggregation.
 - IAS 39 Financial Instruments: Recognition and Measurement: It was explained that the early repayment option is considered closely related to the host contract if the price of executing the option gives the creditor a return in the amount approximating to the current value of lost interest for the remaining part of the host contract period.
 - IAS 32 Financial instruments: Presentation (of 8 October 2009) — the amendment to IAS 32 states precisely in what way pre-emptive rights should be recognised if issued financial instruments are denominated in a currency other than the issuer's functional currency. If such instruments are offered pro rata to the issuer's current shareholders for a fixed amount of cash, they should be classified as equity instruments also when their exercise price is fixed in a currency other than the issuer's functional currency.
 - Revised IFRS 1 First-time Adoption of International Financial Reporting Standards (revised in November 2008) — effective for annual periods beginning on or after 1 July 2009. The introduced amendments are related to entities applying IFRS for the first time.
 - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Additional Exemptions for First-time Adopters — effective for annual periods beginning on or after 1 January 2010. The introduced amendments are related to entities applying IFRS for the first time.

As of the balance sheet date, the adoption of the above listed standards and interpretations did not result in any significant changes in the accounting policy of the Company or in the presentation of data in its financial statements.

Published standards and interpretations which have been issued but are not applicable because they have not been approved by the European Union yet or have been approved by the European Union but were not applied by the Company earlier are as follows:

- Amended IFRS 1 First-time Adoption of International Financial Reporting Standards. The 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. The Company is currently analysing the impact of the amendments on its financial statements.
- IFRS 9 Financial Instruments — the new standard is to replace International Accounting Standard 39. The Company is currently analysing the impact of the amendments on its financial statements.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirement – effective for annual periods beginning on or after 1 January 2011. The Company is currently analysing the impact of the amendments on its financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity — the interpretation explains the guidelines of the International Financial Reporting Standards (IFRS) relating to the situation in which an entity renegotiates conditions of financial liabilities with creditors and creditors agree to accept the entity's shares or its other equity instruments to settle financial liabilities entirely or partially (the Company is currently analysing the impact of the amendments on its financial statements).
- IAS 24 Related Party Disclosures (revised in November 2009) — effective for annual periods beginning on or after 1 January 2011. The Company is currently analysing the impact of the amendments on its financial statements.
- Modifications resulting from the annual IFRS revision apply to annual reporting periods beginning on 1 January 2011. The purpose of the annual review is to improve and specify precisely the international accounting standards. Most modifications state precisely the existing IFRS or introduce amendments to them, or constitute modifications resulting from previous modifications of IFRS.
- 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 presented in financial liabilities. After the modification, upon meeting 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 Company is currently analysing the impact of the amendments on its financial statements.
- Amendments to IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13 include modifications of applicable requirements or constitute additional explanations concerning the implementation of these requirements.

IFRS in the form approved by the EU do not differ significantly from 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 were not adopted for application by the EU:

- IFRS 9 Financial instruments published on 12 November 2009.
- Modifications of various accounting standards resulting from the annual review of the International Financial Reporting Standards published on 6 May 2010.

At the date of authorisation of these condensed consolidated financial statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Company's activities, there is no difference between the IFRS applied by the Company and the IFRS endorsed by the European Union.

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. In the winter months, there is less vehicular traffic, which is reflected by a decrease in sales of automotive gas. The demand for gas for heating purposes concentrates in the period before the start of the winter season and throughout that season. The sales of gas for heating purposes are greatly limited in the spring and summer months.

The phenomena discussed above have a material impact on the Company's results generated on those operations. The 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 sale of liquefied petroleum gas (LPG) for heating and automotive purposes (auto gas), gas cylinders and to wholesale distributors;
- Prospecting and Extraction — 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 Prospecting and Extraction segment are characteristic of a start-up phase of a prospecting 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 business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Financial income, financial costs and income taxes are monitored on the Group level and are not assigned to operating segments.

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 replaced IAS 14 Segment Reporting, is applicable. According to IFRS 8, segment reporting is based on information prepared 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 2010 and 30 June 2009, as well as assets and liabilities as at 30 June 2010 and 31 December 2009.

<i>for 6-month period ended 30 June 2010 and as at 30 June 2010 (PLN '000)</i>	<i>LPG</i>	<i>Prospecting and extraction</i>	<i>Unallocated</i>	<i>Total operations</i>
Revenue				
Third party	57 784	0	0	57 784
Total segment revenue	57 784	0	0	57 784
Expenses				
Operating expenses	(61 456)	(11 567)	0	(73 023)
<i>including depreciation and amortisation</i>	(1 679)	(446)	0	(2 125)
Other operating activities results	(166)	(13 839)	0	(14 005)
Segment profit/ loss before finance income and costs	(3 838)	(25 406)	0	(29 244)
Financial activities results			(59 575)	(59 575)
Tax			1 889	1 889
Profit/ (loss) for the period				(86 930)
Segment assets				
Segment assets	113 226	1 196 815	10 571	1 320 611
Segment liabilities	92 368	661 010	2 583	755 962
Capital expenditure	39	51 606	0	51 645

1. Revenues from transactions between the segments are eliminated upon consolidation.
2. Segment assets do not contain investment properties (PLN 2.6 million) and deferred expenses (PLN 8 million).
3. Segment liabilities do not include accrued expenses (PLN 1.8 million) and a portion of other provisions (PLN 0.7 million).
4. Capital expenditures are consistent with cash flows related to the acquisition of property, plant and equipment, intangible assets, as well as to expenditures on prospecting and evaluation of resources, including assets acquired in business combinations.

PETROLINVEST GROUP
Interim condensed consolidated financial statements for the period of 6 months ended 30 June 2010
Additional explanatory notes
(PLN thousand)

<i>for 6-month period ended 30 June 2010 and as at 31 December 2009 (PLN '000)</i>	<i>LPG</i>	<i>Prospecting and extraction</i>	<i>Unallocated</i>	<i>Total operations</i>
Revenue				
Third party	33 793	0	0	33 793
Total segment revenue	33 793	0	0	33 793
Expenses				
Operating expenses	(36 550)	(66 914)	0	(103 464)
<i>including depreciation and amortisation</i>	(1 245)	(596)	0	(1 841)
Other operating activities results	(129)	(19 886)	(49 275)	(69 290)
Impairment of investments		(30 699)	0	(30 699)
Segment profit/ loss before finance income and costs	(2 886)	(117 499)	(49 275)	(169 660)
Financial activities results			(136 964)	(136 964)
Tax			9 019	9 019
Profit/ (loss) from discontinued operations			(7 760)	(7 760)
Profit/ (loss) for the period				(305 365)
Segment assets				
Segment assets	51 850	997 202	10 905	1 059 957
Segment liabilities	60 797	684 982	2 661	748 440
Capital expenditure	27	6 453	0	6 480

1. Revenues from transactions between the segments are eliminated upon consolidation.
2. Segment operating loss does not include remuneration costs in the amount of PLN 49.3 million and discontinued operations loss (PLN 7.7 million).
3. Segment assets do not contain prepayments and accruals (PLN 7.6 million), investment properties (PLN 2.6 million), and a fraction of cash (PLN 0.7 million).
4. Segment liabilities do not include accrued expenses (PLN 1.9 million) and a portion of other provisions (PLN 0.7 million).
5. Capital expenditures are consistent with cash flows related to the acquisition of property, plant and equipment, intangible assets, as well as to expenditures on prospecting 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 ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>unaudited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Other	419	2 239
other operating income	419	2 239
Collateral-related fees	13 440	70 797
Impairment of receivables and prepayments	364	95
Net loss on disposal of property, plant and equipment	57	0
Impairment of non-current assets held for sale	14	0
Impairment of property, plant and equipment	0	71
Other	549	565
	14 424	71 528

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 use 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 commission calculated under the agreements referred to above to the six months ended 30 June 2010 was PLN 20.4 million, of which PLN 13.4 million was taken to other operating expenses and PLN 7 million was taken to the Company's finance costs. The commission-related liabilities are convertible to equity. By 30 June 2010, the commission charged for the six months of year 2010 of PLN 13 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. Finance income

	<i>for 6 months ended 30 June</i>	
	2010	2009
	<i>unaudited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Bank interest receivable	170	474
Loans granted to other parties	0	3 912
	170	4 386

10.3. Finance costs

	<i>for 6 months ended 30 June</i>	
	2010	2009
	<i>unaudited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Interest on bank loans and overdrafts	9 811	13 567
Lenders fees	235	218
Acquisition cost of right to use financing	0	31 640
Valuation of derivatives	6 727	0
Valuation (discount) of future liabilities	20 695	14 347
Foreign exchange differences	22 081	81 038
Finance costs under finance leases	6	19
Other	190	521
	59 745	141 350

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

Under the agreements which the Company has concluded, funds are to be made available to the Company through the issue by the Company of unsecured convertible bonds or prepaid subscription warrants with a total nominal value of up to PLN 112.5 million and prepaid subscription warrants totalling PLN 15 million, and, furthermore, the delivery to Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd. of up to 4,200,000 subscription warrants (hereinafter "the Warrants") for up to 4,200,000 Company shares. By 30 June 2010, the Company had received funds totalling PLN 92.5 million. In addition, the Company issued 2,400,000 subscription warrants to the Investors for 2,400,000 shares in the Company. Under the Assumption Agreement dated 28 May 2010, PETROLINVEST S.A. obtained the possibility to procure earlier financing of the Company by the Investors through the Investors' subscription for shares as a result of the exercise of the rights under the subscription warrants. If during 60 consecutive stock exchange sessions the closing price for the shares in the Company remains at a level exceeding PLN 30, the Company will have the right to request the Investors to exercise 50% of all the Warrants that have not been exercised by that time. Moreover, the Company will have the right to request the Investors to exercise 50% of all the Warrants that have not been exercised by that time if during 60 consecutive stock exchange sessions the closing price for the shares in the Company remains at a level exceeding PLN 40.

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 prepaid 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. The cost will not impact the Group's cash flows.

On 29 April 2009, the Company entered into an agreement with GEM Global Yield Fund under which a PLN 200 million financing was made available to the Company through an equity line of credit. The Company may decide when to use the equity line of credit at its own discretion, depending on its current capital requirements, and use each tranche of the financing as needed within 3 years from signing the agreement. The issue price per share is determined based on 90% of the average Petrolinvest close price quoted on 15 consecutive quoting days preceding the day on which subscription warrants conferring the right to subscribe for shares are taken up. The Company is not obliged to use the full amount of the equity line of credit. In exchange for the right to use the committed equity line of credit, the Company agreed to pay to GEM a remuneration (commission) of PLN 2 million and to issue subscription warrants convertible into 1.3 million Company shares in total for PLN 60 per share.

In compliance with IFRS, the Company was required to make an assessment of the fair value of the warrants issued to GEM. The cost of warrant issue calculated using the Black-Scholes model was PLN 29.6 million. IFRS does not allow to treat the right to use the equity line of credit acquired by the Company as the cost of capital; hence, the full cost was taken to the Group's finance costs for the second quarter of 2009. The cost of PLN 29.6 million pertaining to warrant issue will not impact the Group's cash flows.

10.4. Employee benefits

	<i>for 6 months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>unaudited</i>	<i>unaudited</i>
	<i>PLN '000</i>	<i>PLN '000</i>
Wages and salaries	7 386	8 969
Share Incentive Programme	0	49 275
Social security costs	995	1 198
Other	77	102
	8 458	59 544

During the period of 6 months ended 30 June 2009, the Management Board of PETROLINVEST S.A. resolved to increase the Company's share capital by a total PLN 13,292 thousand via the issuance of 1,329,212 ordinary series K and M shares, each of a nominal value of PLN 10. Series K and M shares were offered in a private placement to the Company's executives, employees and associates, as well as the executives, key employees and associates of the companies of the PETROLINVEST Group. In compliance with IFRS 2, the Company was required to measure the fair value of the shares granted. The measurement to fair value was performed as at the subscription date. The excess of fair value over nominal value of the shares paid up by eligible persons totalling PLN 49.2 million was charged to the Group's expenses for the first half of 2009. The cost will not impact the Group's cash flows.

10.5. Impairment of oil&gas investments

During the period of 6 months ended 30 June 2010 the Company did not execute impairments of assets. Such an impairment in the amount of PLN 30.7 million was executed during the period of 6 months ended 30 June 2009.

Due to the current crisis on financial markets and delays in increasing the Company's share capital, PETROLINVEST S.A. has limited financial resources that may prove insufficient for full and complete delivery of investment programs on all concessions held by the companies in which PETROLINVEST owns shares or stocks. Taking into account the stage of advancement of prospecting works, the size of prospective resources, results of the drillings already completed, the stability and attractiveness of the tax and regulatory environments for prospecting and production activities in Russia and Kazakhstan, the assessment of prospective resources drawn up by McDaniel&Associates Consultants Ltd. (Independent Competent Person), and after discussions with advisors to the Company, the Management Board decided that PETROLINVEST's focus should be around continuing the work in Kazakhstan, with a particular focus on the concessions of OTG and EmbajugNift.

According to the Independent Competent Person's report, the value of prospective resources on the concession of Company Profit was estimated at USD 5,213 thousand, which according to the Management Board — given the geological and

economic conditions of Company Profit concession, the independent nature of the valuation and conservative assumptions underlying the valuation — may be treated as fair value at the current stage of the project. The decision resulted in the recognition of a one-off impairment loss as of 30 June 2009 of PLN 30.7 million.

10.6. Discontinued operations

In 2008, with respect to the concessions of the Russian companies as the least prospective, the Management Board decided to discontinue exploration on the territory of the Russian Federation and to begin working towards selling those assets. In consequence of the decision to discontinue exploration on the territory of the Russian Federation and to begin working towards selling the assets associated with investments in the Russian companies, on 25 June 2009 the Company signed agreements committing the Company to dispose in favour of three buyers of the shares and stocks held by the Company in the following companies:

	30.06.2009	30.06.2009	30.06.2009
	<i>before impairment</i>	<i>impairment loss</i>	<i>after impairment</i>
	<i>(PLN '000)</i>		
Non-current assets, including	50 694	(35 452)	15 242
Goodwill	19 501	(19 501)	0
Expenditure on exploration for and evaluation of mineral resources	14 391	0	14 391
Non-current receivables	396	0	396
Property, plant and equipment and intangible assets	124	0	124
Deferred tax	1 014	(683)	331
Loans granted	15 268	(15 268)	0
Current assets	676	(493)	183
Total Assets	51 370	(35 945)	15 425
Liabilities, including	7 306	(5 246)	2 060
Non-current liabilities	5 246	(5 246)	0
Current liabilities	2 060	0	2 060
Total liabilities	7 306	(5 246)	2 060
Net assets on consolidation	44 064	(30 699)	13 365

- OOO Siewiergeofizyka for a total consideration of USD 1,800
- OOO Neftegeoserwis for a total consideration of USD 180
- ZAO Pechora-Petroleum for a total consideration of USD 360.

The agreement provides that if a discovery is made on the concession while the acquirers hold shares in the acquired companies, each of the acquirers is obliged to pay additional consideration to the Company. The total amount of such additional consideration may come at a maximum of USD 42 million.

On 29 September 2009, the Company received a consent from the bank Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna to execute the agreements concluded on 25 June 2009 with Ms. Tatiana Pilipienko, Mr. Sergey Dokuchaev, and Mr. Aidar Mardanshin. All conditions precedent were met as a result, and the agreements to sell the shares and stocks in the Russian companies were finalised.

The financial results of the Russian companies for the period of 6 months ended 30 June 2009 when PETROLINVEST lost control over the Russian companies are as follows.

Loss for the period from discontinued operations	0	(/ 00)
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11. Income tax

Major components of income tax expense for the 6-month period ended 30 June 2010 and 30 June 2009 are:

	for 6 months ended 30 June	
	2010	2009
	unaudited	unaudited
	PLN '000	PLN '000
<i>Current income tax</i>		
Current income tax charge	17	131
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(1 906)	(9 150)
Income tax expense reported in consolidated income statement	(1 889)	(9 019)

12. Earnings per share

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

	for 6 months ended 30 June	
	2010	2009
	unaudited	unaudited
Net profit/ loss attributable to equity holders of the parent (in PLN '000), including	(86 324)	(283 112)
from continuing operations	(86 324)	(275 352)
from discontinued operations	0	(7 760)
Weighted average number of shares for basic earnings per share computations	26 700 848	10 432 600
Number of diluting potential ordinary shares	0	0
Earnings (loss) per share in PLN	(3,23)	(27,14)
Earnings (loss) from continuing operations per share in PLN	(3,23)	(26,39)
Diluted earnings (loss) per share in PLN	(3,23)	(27,14)
Diluted earnings (loss) from continuing operations per share in PLN	(3,23)	(26,39)

Following the resolutions passed on 29 April 2008 by the Extraordinary General Shareholders' Meeting regarding the implementation of the Incentive Programme and the Resolution passed by the Supervisory Board on 18 June 2008 implementing the Rules and Regulations of the Incentive Programme — the Management Board Members were granted the right to subscribe for in aggregate not more than 264,285 subscription warrants convertible into the Company series E shares. In July 2008, all eligible persons submitted their declarations of acceptance of the offer and acquisition of subscription warrants. The rights conferred by the warrants to subscribe for shares may be realised from the day of issuance of the warrants, i.e. from 29 July 2008, to 30 April 2011.

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

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

make an assessment of the fair value of the share options issued to the Funds and IDM. The cost of share option issue calculated using the Black-Scholes model was PLN 3.4 million and was charged to equity in the 2009 financial statements. In connection with the agreement with Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and GEM Global Yield Fund Limited of 18 March 2010 and the agreement with Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and Prokom Investments S.A. of 28 May 2010, on 18 March 2010 and on 7 June 2010 the Company issued to the Investors a total of 2,400,000 free-of-charge subscription warrants for 1 share each, at the price of PLN 20 (taking into account the agreement of 28 May 2010) to be acquired in the period ending on 31 December 2014. In addition, under the agreement of 28 May 2010, the Company undertook to issue for the Investors additional 1,800,000 New Warrants entitling their holders to acquire the Company's shares at the price of PLN 20. The rights resulting from the warrants described above may be exercised to 31 December 2014. In compliance with IFRS, the Company was required to make an assessment of the fair value of all 4,200,000 warrants. The cost of warrant issue calculated using the Monte Carlo model, taking into account the Company's option to enforce early funding, described in detail in note 10.3, was PLN 44.6 million and was charged to equity.

	current share price	instrument execution price	number of instruments issued	number of instruments issued at fair value	number of diluting potential ordinary shares
series E - warrants	10,50	227	264 285	5 713 590	0
options	10,50	50,00	247 000	1 176 190	0
subscription warrants	10,50	20,00	2 400 000	4 571 429	0
			2 911 285	11 461 209	0

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

The value of capitalised borrowing costs relating to expenditure on exploration for and evaluation of mineral resources in the 6-month period ended 30 June 2010 was PLN 11.9 million (in the 6-month period ended 30 June 2009 it was PLN 11.3 million).

In the 6-month period ended 30 June 2010, the Group incurred expenditure on exploration for and evaluation of resources totalling PLN 39.7 million (in the 6-month period ended 30 June 2009 — PLN 45.3 million). As at 30 June 2010, liabilities relating to expenditures on exploration for and evaluation of resources totalled PLN 46.1 million (as at 31 December 2009 — PLN 92.8 million).

A detailed description of the concessions for exploration and production of crude oil and gas (hydrocarbons) owned by the subsidiaries and jointly-controlled entities and the related investment obligations is provided in notes 16 and 33.1 to the consolidated financial statements for the year ended 31 December 2009.

On 16 March 2010, TOO OilTechnoGroup and the Company concluded a farm-out agreement with TOTAL E&P KOBLANDY, a TOTAL Group Company established and operating under the law of France, setting forth the terms and conditions for the joint continuation of work in the area of the OTG Concession. In the Agreement, Total committed to finance the efforts in the area of the OTG Concession with an amount of USD 70 million, including making the Koblandy-4 well on the Koblandy structure. In exchange for the financing, TOO OilTechnoGroup committed to transfer 50% interest in the OTG Concession to Total. The Management Board of the Company tested that agreement for impairment of OTG's assets, including in particular goodwill and expenditures for exploration for and evaluation of mineral resources. The agreement does not impact the value of those assets.

On 29 March 2010, the Company received a decision from the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan authorizing the extension of the prospecting period under the OTG Contract by five years in order to evaluate the discoveries within the contractual territory. This provision will be implemented in the form of an annex to OTG Contract No 993 of 18 September 2002, registered to TOO OilTechnoGroup. The current prospecting period for the OTG Contract, as provided in an annex of 14 September 2009, expires on 18 March 2011.

The decision from the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan, authorizing the extension of the prospecting period under the OTG Contract by at least three years in order to ensure the proper evaluation the discovered deposits was one of the preconditions of the farm-out agreement concluded on 16 March 2010 between the Company, TOO OilTechnoGroup and TOTAL E&P KOBLANDY.

In accordance with the decision of 16 November 2009, the Company has a decision of the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan prolonging the prospecting period of the Emba Contract to 29 June 2011. The decision on prolonging the prospecting period will be implemented in the form of an annex to the Emba Contract.

The first two-year extension of the prospecting period ended 18 August 2010. Work is under way on obtaining a second extension of the prospecting period for a further two years, which is guaranteed by the contract.

In the 6-month period ended 30 June 2010, the Group purchased property, plant and equipment worth PLN 1,225 thousand (in the 6-month period ended 30 June 2009 — PLN 44 thousand).

In the 6-month period ended 30 June 2010, the Group sold property, plant and equipment with a net value of PLN 87 thousand and incurred a net loss on sale of PLN 57 thousand (in the 6-month period ended 30 June 2009, the Company sold property, plant and equipment with a net value of PLN 44 thousand and incurred a net loss on sale of PLN 6 thousand).

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

On 12 May 2010 PETROLINVEST GAZ S.A., a subsidiary of PETROLINVEST S.A., acquired 100% of the shares in SIGNA ENTERPRISES LIMITED registered in Cyprus. The purchase price of Signa shares was fixed at USD 3 thousand. In addition, on the same day PETROLINVEST GAZ S.A. extended the share capital of Signa by USD 7 thousand, subscribing for shares at the price equalling the nominal value of shares. As transactions were insignificant in the period from 1 to 12 May 2010, for consolidation purposes 1 May 2010 was treated as the date of the change of control. Goodwill on consolidation determined as of the date of the change of control amounts to 0. The accounting for the purchase of the company is provisional. The main reason for the transaction of the acquisition of shares in Signa being accounted for 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 the consolidated financial statements.

Goodwill on consolidation:

	30 June 2010	31 December 2009
	0	49 275
	PLN '000	PLN '000
Occidental Resources, Inc.	342 381	290 129
TOO EmbaJugNieft	71 050	59 917
TOO Company Profit	0	0
Total carrying amount	413 431	350 046

In compliance with IFRS, goodwill at acquisition date is measured in the functional currency of the acquired company and subsequently measured at the exchange rate of the Polish zloty to such functional currency prevailing on a given balance sheet date. Foreign exchange differences arising on the measurement are taken to equity as exchange differences on translation of foreign operations.

The Management Board of PETROLINVEST decided, based on the assessment of the fair value, to write down the assets associated with PROFIT to an amount not higher than USD 5,213 thousand and to classify them as assets held for sale. The decision resulted in a one-off impairment loss on the assets and liabilities associated with the project of PLN 30.7 million, including PLN 19.5 million in goodwill (carrying amount as at 30 June 2009).

As at the balance sheet date, the Group decided that apart from the above, there were no other indications of impairment of goodwill and that all the assumptions adopted for impairment testing at the end of 2009 (described in the consolidated financial statements for the year ended 31 December 2009, note 21) remained valid as at the balance sheet date, i.e. 30 June 2010.

15. Other financial assets

Due to the current crisis on financial markets and delays in increasing the Company's share capital, PETROLINVEST S.A. has limited financial resources that may prove insufficient for full and complete delivery of investment programs on all concessions held by the companies in which PETROLINVEST owns shares. Taking into account the stage of advancement of prospecting work, the size of prospective resources, results of the drillings already completed, the stability and attractiveness of the tax and regulatory environments for prospecting and production activities in Russia and Kazakhstan, the assessment of prospective resources drawn up by McDaniel&Associates Consultants Ltd. (Independent Competent Person), and after discussions with advisors to the Company, the Management Board decided that PETROLINVEST's focus should be around continuing the work in Kazakhstan, with a particular focus on the concessions of OTG and EmbaJugNieft.

Having considered the facts mentioned above, which do not allow PETROLINVEST S.A. to increase its input in financing the exploration and extraction activities of the Capital Energy S.A. Group at present, the Management Board of PETROLINVEST decided to write off as of 31 December 2009 assets associated with Capital Energy S.A. (PLN 43.9 million / USD 15.4 million) and MARS International Worldwide (PLN 7.5 million / USD 2.6 million). The stage of advancement of the projects delivered by the Companies of the Capital Energy S.A. Group and the absence of new reports evaluating the resources of the concessions owned by those companies do not allow for a detailed and thorough estimation of any potential benefits that investments in those concessions could bring for the Group at this stage.

On 12 May 2006, the Company entered into a loan agreement with Bakhytbek Baiseitov and Lamda Engineering Inc. (restated on 1 June 2006). The agreement provides that the Company shall grant a loan of USD 25.3 million to Bakhytbek Baiseitov that the borrower shall use exclusively towards acquiring shares in Aktau-Tranzit. The loan was extended in three tranches and amounted to USD 25.0 million. The Company's obligation to make the loan available to the borrower was subject to conditions precedent, which required inter alia that the borrower pledges collateral for the loan. The agreement provides that the loan shall be repaid immediately upon request after 2 June 2007. The Company had not requested any repayment as at 30 June 2010. Lamda Engineering Inc. acts as a guarantor for the borrower's obligations. The following agreements also serve as loan collateral: (i) share pledge agreement over shares constituting 35 per cent of the share capital of Lamda Engineering Inc. with Kulyash Baiseitova as pledgor, (ii) share pledge agreement over 1,714,286 shares of BMB

Munai Inc. with Bakhytbek Baiseitov as pledgor, and (iii) guarantee agreement with Kulyash Baiseitova as guarantor. Moreover, Bakhytbek Baiseitov issued a sola bill of exchange.

On 12 May 2006, the Company entered into an agreement with Kulyash Baiseitova and Bakhytbek Baiseitov whereby Kulyash Baiseitova granted to the Company call options for shares constituting 35 per cent of the share capital of Lamda Engineering Inc., a company incorporated in the British Virgin Islands, or for shares constituting 35 per cent of the share capital of one of its subsidiaries, especially Aktau-Tranzit, the owner of the Tyubedzhik and Zhangurshi concessions. Should the Company acquire the shares, it shall renounce its claim to the receivables due from Bakhytbek Baiseitov under the loan agreement and the related collateral up to the value of the shares acquired. The value of the shares acquired shall be determined upon execution of the call option by the parties or, in the case agreement is not reached, by an independent expert. The option had been granted for the period up until the final repayment of the loan granted by the Company. To secure the execution of the agreement, Kulyash Baiseitova granted a power of attorney to the Company to dispose of shares constituting 70 per cent of the share capital of Lamda Engineering Inc.

The concessions owned by Aktau Transit were covered by the independent competent person's report from McDaniel & Associates Consultant who estimated the conditional resources for those concessions at a level of 6.3 million barrels of oil equivalent with a value of USD 38.3 million. The said value exceeds the amount of the extended loan.

As at the balance sheet date, the Group decides that there were no indications of impairment of the extended loans and that all the assumptions adopted for impairment testing at the end of 2009 (described in the financial statements for the year ended 31 December 2009, note 23) remained valid as at the balance sheet date 30 June 2010.

The following table presents the value of the Group's financial assets as at 30 June 2010 and as at 31 December 2009.

	<u>30 June</u> <u>2010</u> <u>unaudited</u> <u>PLN '000</u>	<u>31 December</u> <u>2009</u> <u>audited</u> <u>PLN '000</u>
Loans granted and loan discounts	130 311	75 704
Total other financial assets, including	<u>130 311</u>	<u>75 704</u>
non-current	89 272	75 664
current	<u>41 039</u>	<u>40</u>

16. Inventories

	<u>30 June</u> <u>2010</u> <u>unaudited</u> <u>PLN '000</u>	<u>31 December</u> <u>2009</u> <u>audited</u> <u>PLN '000</u>
Other raw materials	174	198
Goods	1 944	621
Prepaid goods	27	496
	<u>2 145</u>	<u>1 315</u>

There were no inventories measured at net selling price as at 30 June 2010 or as at 31 December 2009.

As at 30 June 2010, the Group disclosed in the balance sheet obligatory stocks valued at PLN 15.2 thousand (as at 31 December 2009: PLN 68.6 thousand).

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

	30 June 2010	31 December 2009
	<i>unaudited</i>	<i>audited</i>
	PLN '000	PLN '000
Trade receivables	11 587	4 914
Receivables from public authorities	54	23
Receivables from employees	0	26
Other receivables	57	4
Current receivables	<u>11 698</u>	<u>4 967</u>
Receivables from public authorities	<u>27 735</u>	<u>22 204</u>
Non-current receivables	<u>27 735</u>	<u>22 204</u>
	<u>39 433</u>	<u>27 171</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 for 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 2010 is PLN 26.8 million (31 December 2009 — PLN 13.1 million). As at 30 June 2010, the Group had available PLN 1,398 thousand of undrawn committed overdraft facilities (31 December 2009 — PLN 5,258 thousand).

As at 30 June 2010, OilTechnoGroup had PLN 13.1 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 2010	31 December 2009
	<i>unaudited</i>	<i>audited</i>
	PLN '000	PLN '000
Cash at bank and on hand	26 827	13 139
Revolving credit facility	(2 603)	(20 742)
Cash and cash equivalents in the cash flow statement	<u>24 224</u>	<u>(7 603)</u>
including restricted use cash	<u>13 159</u>	<u>11 269</u>
Cash and cash equivalents in the cash flow statement (according to IFRS)	<u>11 065</u>	<u>(18 872)</u>

The Group has long-term cash deposits connected with the performance of contracts for exploration for and production of crude oil and gas under which companies are obliged to establish a decommissioning fund in the amount of 0.5% to 1% of annual capital expenditure, which is transferred to a special purpose deposit account. As at 30 December 2010, the portion of the deposit that was attributable to the Group was PLN 743 thousand. As at 31 December 2009, the Group's share in the deposit was PLN 88 thousand.

19. Equity

19.1. Share capital

As at 30 June 2010, the Company's share capital amounted to PLN 327.7 million and was divided into 32,773,232 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:

PETROLINVEST GROUP
Interim condensed consolidated financial statements for the period of 6 months ended 30 June 2010
Additional explanatory notes
(PLN thousand)

	Number of shares	Number of votes	Nominal value of shares	Percentage in share capital
PROKOM INVESTMENTS S.A.	5 297 548	5 297 548	52 975 480	16,16%
Osiedle Wilanowskie Sp. zo.o.	1 238 161	1 238 161	12 381 610	3,78%
Ryszard Krauze	3 586	3 586	35 860	0,01%
Other shareholders	26 233 937	26 233 937	262 339 370	80,05%
Share capital, total	32 773 232	32 773 232	327 732 320	100,00%

The Company's share capital structure as of 31 December 2009 was as follows:

	Number of shares	Number of votes	Nominal value of shares	Percentage in share capital
PROKOM INVESTMENTS S.A. together				
with Osiedle Wilanowskie	9 617 307	9 617 307	96 173 070	44,68%
Ryszard Krauze	3 586	3 586	35 860	0,02%
Other shareholders	11 905 706	11 905 706	119 057 060	55,30%
Share capital, total	21 526 599	21 526 599	215 265 990	100,00%

During the 6-month period ended 30 June 2010, the share capital increased by PLN 112,466,000 in consequence of the following share issues:

- 300,000 shares of S series — the increase of share capital on 19 February 2010,
- 70,800 shares of P series — the increase of share capital on 20 January 2010,
- 1,313,780 shares of V series — the increase of share capital on 17 March 2010,
- 3,824,241 shares of V series — the increase of share capital on 23 March 2010,
- 1,440,354 shares of V series — the increase of share capital on 23 March 2010,
- 394,736 shares of V series — the increase of share capital on 24 March 2010,
- 1,578,945 shares of V series — the increase of share capital on 25 March 2010,
- 2.323.777 shares of V series — the increase of share capital on 15 June 2010.

Shares of P and V series were issued within the registered conditional capital of the Company.

For a detailed description of the share issues by the Company, see Section 10 of the Management Board's Report.

The Company's share capital structure as at 30 June 2010 was as follows:

Seria akcji	Number of shares	Type of shares	Nominal value (PLN)	Share capital (PLN)
Series A	5 286 000	bearer	10	52 860 000
Series B	528 600	bearer	10	5 286 000
Series C	58 402	bearer	10	584 020
Series D	290 474	bearer	10	2 904 740
Series F	184 616	bearer	10	1 846 160
Series G	2 613 163	bearer	10	26 131 630
Series H	447 942	bearer	10	4 479 420
Series K	599 212	bearer	10	5 992 120
Series L	2 100 000	bearer	10	21 000 000
Series M	730 000	bearer	10	7 300 000
Series Q	2 778 991	bearer	10	27 789 910
Series R	600 000	bearer	10	6 000 000
Series N	1 052 000	bearer	10	10 520 000
Series P	370 800	bearer	10	3 708 000
Series T	1 453 571	bearer	10	14 535 710
Series U	2 503 628	bearer	10	25 036 280
Series S	300 000	bearer	10	3 000 000
Series V	10 875 833	bearer	10	108 758 330
Share capital, total	32 773 232			327 732 320

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 2010	31 December 2009
	<i>unaudited</i>	<i>audited</i>
	PLN '000	PLN '000
Foreign exchange differences on valuation of goodwill at balance sheet date	(53 126)	(116 511)
Other foreign currency translation	18 470	(31 999)
Total carrying amount at the end of the period	(34 656)	(148 510)

19.3. Dividends paid and declared

As at 30 June 2010 and 31 December 2009 the following limitations existed on the payment of dividends: In 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 the profit reported in the standalone financial statements of PETROLINVEST S.A. The Company is not planning to pay dividends in 2010.

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 2010.

Powszechna Kasa Oszczędności Bank Polski S.A.

On 15, 17 and 31 March 2010, the outstanding balance of the credit facility extended to the Company under the credit facility agreement of 21 March 2007 by PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego was reduced to USD 68.7 million.

The purpose of the repayments was to meet the provisions of the Annex of 6 November 2009, in which the parties to the credit facility agreement had decided to release one of the loan securities in exchange for the early repayment in the amount of PLN 60 million, and repayment of USD 11.2 million in connection with the permission from the banks to sell companies in Russia.

After the period covered by the Report, as a result of an early payment, a further reduction by USD 3.5 million of the outstanding credit facility extended by PKO BP and BGK occurred.

Fortis Bank Polska S.A.

On 15 June 2010 the overdraft credit facility agreement, concluded with Fortis Bank Polska S.A., expired. All obligations of the Company under the aforementioned agreement were timely settled.

BRE Bank S.A.

On 31 March 2010 the overdraft credit facility agreement, concluded with BRE Bank S.A., expired. All obligations of the Company under the aforementioned agreement were timely settled.

Bank Polska Kasa Opieki Spółka Akcyjna

On 28 January, 28 May and 21 June 2010, the Company entered into annexes to the overdraft credit facility agreements with Bank Polska Kasa Opieki Spółka Akcyjna to prolong the credit line of PLN 6,000 thousand. The financing was granted for a period to 31 December 2010 and envisages partial repayments starting from January 2010. Interest was again determined based on WIBOR.

European Bank for Reconstruction and Development

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 50,000,000.

The loan will be used to finance geological work carried out by TOO OilTechnoGroup and TOO Emba Jug Nieft in 2010–2011 in the areas covered by the OTG Contract and the Emba Contract respectively, in the Republic of Kazakhstan. The Loan amount will be transferred by PETROLINVEST S.A. to OTG and Emba through project loans. The loan interest is based on LIBOR plus a margin of 3.5% p.a. The lending period is 3 years from the date of conclusion of the Loan Agreement.

The extension of the Loan depended on a number of conditions precedent. As at the day of approving these financial statements, the conditions precedent had not been met and the credit facility had not been opened.

Bank CenterCredit JSC

On 30 June 2010, OilTechnoGroup signed annexes to loan agreements with Bank CenterCredit JSC regarding 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%).

Caplan Ventures Inc

On 19 November 2008, OilTechnoGroup entered into a loan agreement with Caplan Ventures Inc totalling KZT 360 million. Interest is 17% p.a. The loan matured on 20 March 2009. Pursuant to an annex dated 19 March 2009 and 19 March 2010, the maturity date was extended to 31 December 2010. At the same time, the loan was converted to USD. The main outstanding amount is equivalent to USD 3 million (PLN 10.1 million).

MD Investment S.A.

On 1 June 2010, the Company entered into a loan agreement with MD Investment S.A. for the amount of PLN 50,010 thousand. The maturity date of the loan was fixed on the first day after the agreement's termination by the Lender. Interest accruing on the loans is based on WIBOR.

A detailed description of the agreement concluded with C.Ulrich założone w 1805 roku w Warszawie is provided in the note "Related Party Transactions".

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

	<u>30 June</u> <u>2010</u> <u>unaudited</u> <u>PLN '000</u>	<u>31 December</u> <u>2009</u> <u>audited</u> <u>PLN '000</u>
Trade liabilities	14 129	12 467
Liabilities to public authorities	3 256	2 499
Liabilities related to expenditure for exploration for and evaluation of resources	46 063	61 768
Concession and share option liabilities	13 399	10 608
Other liabilities	1 401	2 204
Current liabilities	78 248	89 546
Collateral-related liabilities	3 471	18 986
Concession and share option liabilities	180 766	156 357
Non-current liabilities	184 237	175 343
	262 485	264 889

Non-current liabilities of PLN 3.5 million as at 30 June 2010 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:

	<u>30 June</u> <u>2010</u> <u>unaudited</u> <u>PLN '000</u>	<u>31 December</u> <u>2009</u> <u>audited</u> <u>PLN '000</u>
Capital raising expenses	7 598	7 183
Gas cylinders expensed over time	100	148
Other	408	280
	8 106	7 611

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 2010 and as at 31 December 2009 was PLN 2,850 thousand.

On 25 June 2009, the Company signed agreements committing the Company to dispose of shares and stocks in companies headquartered in the Russian Federation. The agreement provides that if a discovery is made on the concession while the acquirers hold shares in the acquired companies, each of the acquirers is obliged to pay additional consideration to the Company. The total amount of such additional consideration may come at a maximum of USD 42 million.

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. 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. In order to secure any potential liabilities to the bank, OTG signed a conditional deposit agreement.

23.1. Legal proceedings

As at 30 June 2010, the Company was not party to any legal proceedings as the plaintiff, claimant or applicant. Due to payment orders issued by court, execution proceedings are being performed. The Company's claims for collection 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 2010, the Company was party to the following legal proceedings concerning labour law as the defendant. The Company made an appropriate allowance to secure those commitments in the amount of PLN 770 thousand.

As at 30 June 2010, the other entities of the PETROLINVEST Group are party to the following legal proceedings as defendants:

1. There is a court proceeding pending against one of the Kazakh Exploration and Production Companies brought by a former employee for compensation totalling USD 84 thousand plus an unused holiday equivalent. On 23 July 2010 the Company applied for cassation of the judgment.
2. During the period covered by the financial statements, two appeals of two former employees concerning recognition of the enforceable judgements issued previously, dismissing their claims for severance pays totalling CHF 487.5 thousand, were pending. Court declared the previous decision applicable. On 23 July 2010 court dismissed both applications for cassation of the judgments.

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 Company with related entities in the 6-month period ended 30 June 2010 and 2009 as well as balances of receivables and liabilities as at 31 December 2009 and 30 June 2010:

Related party		Sales to related	Purchases from	Receivables from	Liabilities to related
		parties	related parties	related parties	parties
		<i>niebadane</i>			
		(PLN '000)	(PLN '000)	(PLN '000)	(PLN '000)
Ryszard Krauze wraz z S.Ulrich założone w 1805 roku w Warszawie S.A.	2010	0	0	50	2 971
	2009	0	0	50	390
Prokom Investments together with Osiedle Wilanowskie Sp. z o.o.	2010	3	20 686	2	8 334
	2009	0	71 742	0	20 914

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.

Agreements concluded between the Company and Occidental Resources, Inc.

In the period from 1 January 2010 to the date of these financial statements, the Company concluded two agreements with Occidental Resources, Inc. The agreements were regarding a loan granted by the Company for a total amount of USD 30,000 thousand. Up until the date of these financial statements, USD 21,482 thousand have been made available by the Company (USD 17,732 thousand were made available as at 30 June). The loan agreement dated 15 March 2010 becomes payable on or before 30 November 2010, and the agreement dated 12 July 2010 becomes payable on or before 30 June 2011. Interest accruing on the loans was agreed at 18% p.a. In order to secure the above-mentioned receivables, the Company entered into two guarantee agreements with OTG as the guarantor for USD 45,000 thousand in total.

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

In the period from 1 January 2010 to the date of these statements, the Company concluded three loan agreements with PETROLINVEST GAZ S.A., for a total amount of PLN 97 thousand. Up until the date of these financial statements, all funds have been made available by the Company (PLN 87 thousand up to 30 June 2010). The interest rate of the loan in the amount of PLN 22 thousand of 20 January 2010 is 5% p.a. The other loans are subject to an interest rate of 7% p.a. These loans are payable within 14 days of termination by the Lender. Moreover, within the period in question, annexes to all loan agreements were signed, changing maturity dates to 14 days of termination by the Lender.

Agreements concluded between the Company and Petrolinvest Mockavos Perpyla

In the period from 1 January 2010 to the date of these financial statements, the repayment period of the EUR 350 thousand loan, which originally matured on 30 June 2010, was extended to 31 December 2010. Other terms of the agreement remained unchanged.

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

On 25 February 2010, the Company received the following documents from Prokom Investments S.A., submitted in accordance with the agreements concluded on 14 May 2009 with Prokom Investments S.A. and AGRO JAZOWA S.A., setting forth the terms on which those companies made their assets available to the Company to use as a collateral for the credit facility extended under the agreement of 21 March 2007 by the consortium of PKO Bank Polska S.A. and Bank Gospodarstwa Krajowego:

1. a request to transfer to Prokom a number of shares that corresponds to the quotient of (i) the account payable to Prokom by the Company for the prepayments defined in the agreements and listed in the request, totalling PLN 28,726,325.21 and (ii) the average closing price of one Company share at the WSE over the last 3 months preceding the date of the request, i.e. Petrolinvest share price quote of PLN 21.8654; and
2. a call to offer to Prokom, within five days from 25 February 2010, 1,313,780 Company's ordinary bearer shares, at the issue price of PLN 21.8654 per share, i.e. for a total of PLN 28,726,325.21.

After the merger, Prokom became the legal successor of Agro Jazowa.

On 25 February 2010, the Management Board of PETROLINVEST S.A. adopted a resolution regarding the offering of registered subscription warrants over series V shares. The Subscription Warrants were taken up by Prokom on 25 February 2010. On the same day, Prokom exercised its right to take up the series V shares attached to the Subscription Warrants and filed a statement of acquisition of 1,313,780 ordinary series V bearer Petrolinvest shares. The issue price of the ordinary series V bearer shares, issued to holders of Subscription Warrants on the basis of the Issue Resolution within the scope of the conditional increase of the Company's share capital, was set by the Management Board at PLN 21.8654 per share.

The payments for shares of V series were made as a result of a set-off agreement between the Company and Prokom, under which the Parties set off the accounts receivable under the share subscription agreement for the shares of V series totalling PLN 28,726,325.21 against due accounts payable to Prokom by the Company under the credit facility collateral agreement of 14 May 2009.

On 18 March 2010, in accordance with the provisions of the agreement of 13 January 2009 concluded with Prokom, concerning, inter alia, expanding the scope of the call option to cover all accounts receivable by Prokom from the Company ("Agreement with Prokom I"), and the agreements concluded on 14 May 2009 with Prokom, AGRO JAZOWA S.A. and Osiedle Wilanowskie Sp. z o.o., setting forth the terms on which those entities made their assets available to the Company to use as a collateral for the credit facility extended on 21 March 2007 by the consortium of PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego ("Agreement with Prokom II") ("Agreement with Agro Jazowa") ("Agreement with Osiedle Wilanowskie"):

1. the Company received from Prokom, filed in compliance with the Agreement with Prokom I and the Agreement with Prokom II:
 - a) a request to transfer to Prokom a number of shares that corresponds to the quotient of (i) the accounts payable to Prokom by the Company for the early repayment by Prokom on 15 and 17 March 2010 of PLN 74,062,500.00 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 2,960,488.15 advance towards the fee for providing and maintaining collateral for the credit facility and (ii) the average closing price of one Company share on the WSE in the last 3 months preceding the date of placing the request, i.e. Petrolinvest share price quote of PLN 20.5544; and

- b) a call to offer to Prokom, within five days from 17 March 2010, 3,747,273 ordinary bearer Company shares at an issue price of PLN 20.5544 per share, i.e. for a total consideration of PLN 77,022,948.15;
2. the Company received from Osiedle Wilanowskie, filed in compliance with the Agreement with Osiedle Wilanowskie:
 - c) a request to transfer to Osiedle Wilanowskie a number of shares that corresponds to the quotient of (i) the account payable to Osiedle Wilanowskie by the Company as an advance towards the fee for providing and maintaining collateral for the credit facility which is equal to PLN 1,582,031.05 and (ii) the average closing price of one Company share on the WSE in the last 3 months preceding the date of placing the request, i.e. Petrolinvest share price quote of PLN 20.5544;
 - d) a call to offer to Osiedle Wilanowskie, within five days from 17 March 2010, 76,968 ordinary bearer Company shares at an issue price of PLN 20.5544 per share, i.e. for a total consideration of PLN 1,582,031.05;
3. the Company received from Prokom, filed in compliance with the Agreement with Prokom I:
 - e) a request to transfer to Prokom a number of shares that corresponds to the quotient of (i) the account payable to Prokom by the Company for the payment of PLN 30,000,000.00 to the Company's account on 18 March 2010 and (ii) the average closing price of one Company share on the WSE in the last 3 months preceding the date of placing the request, i.e. Petrolinvest share price quote of PLN 20.8282; and
 - f) a call to offer to Prokom, within five days from 18 March 2010, 1,440,354 ordinary bearer Company shares at an issue price of PLN 20.8282 per share, i.e. for a total consideration of PLN 29,999,891.18;

The accounts receivable by Prokom quoted in the request and the call referred to in point 1 above arose under the Agreement with Prokom II and the Agreement with Agro Jazowa. After the merger, Prokom became the legal successor of Agro Jazowa.

Due to the requests and calls for shares by Prokom Investments S.A. and Osiedle Wilanowskie Sp. z o.o., on 18 March 2010 the Management Board adopted two resolutions concerning offering registered subscription warrants for shares of V series and setting forth the detailed conditions for the issue of subscription warrants. In compliance with the provisions of those resolutions:

1. The Management Board decided to issue 3,824,241 subscription warrants of D series and offered 3,747,273 warrants to Prokom and 76,968 warrants to Osiedle Wilanowskie. The warrants of D series were taken up by Prokom and Osiedle Wilanowskie on 18 March 2010. On the same day, both eligible entities exercised their rights to subscribe for series V shares attached to the series D warrants and submitted statements on subscription for 3,824,241 ordinary bearer series V shares.
The issue price of the ordinary bearer shares of V series, issued to holders of the warrants of D series on the basis of the Issue Resolution as a part of the conditional increase of the Company's share capital, was set by the Management Board at PLN 20.5544 per share.
2. The Management Board decided to issue 1,440,354 Subscription Warrants of E series and offered them for subscription to Prokom. The E series Warrants were subscribed for by Prokom on 18 March 2010. On the same day, Prokom exercised its right to subscribe for the series V shares attached to the E series warrants and submitted a statement on subscription for 1,440,354 Company's ordinary bearer series V shares.

The issue price of the ordinary bearer shares of V series, issued to holders of the warrants of C series on the basis of the Issue Resolution, as a part of the conditional increase of the Company's share capital, was set by the Management Board at PLN 20.8282 per share.

Payments for the Series V Shares were made by netting mutual accounts receivable/accounts payable by the Company and the subscribers. On 18 March 2010, the Company entered into the following netting agreements:

1. a netting agreement with Prokom under which the Parties netted an outstanding account receivable by the Company under the share subscription agreements for Series V Shares totalling PLN 77,022,948.15 with outstanding accounts payable to Prokom by the Company for the early repayment by Prokom of a portion of the credit facility extended to the Company under the credit facility agreement with PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego dated 21 March 2007 and under the Credit Facility Collateral Agreement dated 14 May 2009;
2. a netting agreement with Osiedle Wilanowskie under which the Parties netted an outstanding account receivable by the Company under the share subscription agreements for Series V Shares totalling PLN 1,582,031.05 with outstanding accounts payable to Osiedle Wilanowskie by the Company under the Credit Facility Collateral Agreement dated 14 May 2009;
3. a netting agreement with Prokom under which the Parties netted an outstanding account receivable by the Company under the share subscription agreement for Series V Shares totalling PLN 29,999,981.18 with outstanding accounts payable to Prokom by the Company for the payment of PLN 30,000,000.00 to the Company's account on 18 March 2010.

As a result of the netting, the cash contribution due by Prokom and Osiedle Wilanowskie to the Company in connection with the take-up by the subscribers of an aggregate 5,264,595 Series V Shares was fully covered.

On 28 May 2010, the Company and Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd., and Prokom Investments S.A. executed an agreement regarding the assumption by Prokom Investments S.A. of certain of the Investors' rights under the agreement dated 18 March 2010 between the Company, the Investors and GEM Global Yield Fund Limited. Under the Assumption Agreement the Investors transferred to Prokom all the rights to subscribe for second tranche convertible bonds or second tranche prepaid subscription warrants for the total issue price of PLN 30 million. The terms of conversion of the convertible bonds into shares in the Company and the terms of exercise of rights to prepaid subscription warrants remained as originally stated in the Agreement.

Pursuant to the Assumption Agreement, Prokom has the right to demand the Investors to assign to Prokom or an entity designated by Prokom any rights to subscribe for the third and fourth tranche convertible bonds and the third and fourth tranche prepaid subscription warrants that the Company agreed to issue in favour of the Investors under the Agreement.

Prokom may exercise the right referred to in the preceding sentence within 180 days from the date of execution of the Assumption Agreement. Once Prokom or an entity designated by Prokom exercise the rights described in this paragraph, the terms of conversion of the convertible bonds into shares in the Company and the terms of exercise of the rights to the prepaid subscription warrants will remain as originally stated in the Agreement.

On 9 June 2010 the Company and Osiedle Wilanowskie Sp. z o.o., a subsidiary of Prokom Investments S.A., entered into a subscription agreement relating to the subscription for 1,363,635 of prepaid II tranche subscription warrants with the prepayment amount of PLN 29,999,970, in connection with the conclusion of the Assumption Agreement dated 28 May 2010. In consequence of execution of the Subscription Agreement, on 9 June 2010, the Company received from Osiedle Wilanowskie a request of delivery of the II Tranche Subscription Warrants. Pursuant to the Assumption Agreement, on 9 June 2010, Osiedle Wilanowskie was designated to Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd., by Prokom Investments S.A. as the entity authorised to subscribe for II Tranche Subscription Warrants.

In consequence of receipt of the above referenced request, on 9 June 2010, the Company issued in favour of Osiedle Wilanowskie 1,363,635 II Tranche Subscription Warrants which authorise to subscribe for 1,363,635 series V bearer shares in the Company and in consequence of the issuance thereof received a total prepaid amount of PLN 29,999,970.

On 9 June 2010, the Company received from Osiedle Wilanowskie the exercise notice with respect to all of the II Tranche Subscription Warrants. Under the terms of the agreement dated 18 March 2010, the issue price of one share subscribed in performance of each II Tranche Subscription Warrant was established at PLN 12.91. Due to the fact that the amount pre-paid by Osiedle Wilanowskie in relation to the issue of II Tranche Subscription Warrants exceeds the total issue price of shares subscribed for in exercise of II Tranche Subscription Warrants, the Company issued additional 960,142 II Tranche Subscription Warrants for Osiedle Wilanowskie according to the mechanism specified in the agreement dated 18 March 2010. Under the Subscription Agreement, if the issue price of the shares subscribed for in result of the exercise of the warrants, in force on the date of exercise of the warrant, is lower than the price at which the entity subscribing for the warrant prepaid the issue price for the shares, the Company is required to issue to the warrant holder certain additional warrants in the total number equal to the quotient of the difference between the total prepaid amount for the warrants exercised by the relevant holder at that time, and the total issue price for the shares subscribed in performance of the warrants, and the issue price of the shares applicable to the warrants on the date on which they are exercised.

On 9 June 2010 Osiedle Wilanowskie exercised the right to subscribe for the series V shares with respect to all of the 2,323,777 II Tranche Subscription Warrants and made a representation on subscription for 2,323,777 series V ordinary bearer shares in the Company.

On 5 August 2010, Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd. assigned the right to subscribe for and exercise the part of the III tranche of pre-paid subscription warrants with the prepayment amount of PLN 20,000,000 that have not been exercised so far, to Osiedle Wilanowskie Sp. z o.o., a subsidiary of Prokom Investments S.A. Moreover, the Investors assigned to Prokom the right to subscribe for and exercise all of the IV tranche of prepaid subscription warrants with the prepayment amount of PLN 30,000,000. Prokom is authorised to assign the above-mentioned right to another entity that it designates.

On 13 August 2010, the Company was notified by Prokom Investments S.A. of the assignment of the right to subscribe for and exercise the whole of the IV tranche of pre-paid subscription warrants with the total prepayment amount of PLN 30,000,000, to Osiedle Wilanowskie Sp. z o.o, a subsidiary of Prokom. The Company was subsequently notified that Osiedle Wilanowskie assigned further rights to subscribe for and exercise the IV Tranche Warrants as well as the rights to subscribe for and exercise the part of the III tranche of pre-paid warrants that have not been exercised so far with the prepayment amount of PLN 20,000,000 to a group of entities each of which acquired the right to such a number of the pre-paid warrants in the case of exercise of which no Investor can subscribe for the number of the Company's shares that would entitle him to execute 5% or more of the overall number of votes at the general meeting of the Company.

On 1 June and 16 July 2010 Prokom Investments, as a collateral of trade payables of Petrolinvest, guaranteed the blank promissory note issued by Petrolinvest up to the amount of PLN 10 million for Orlen Gaz Sp. z o.o.

On 9 August 2010 the Company obtained support from PROKOM Investments S.A. in the form of early repayment of a portion of the credit facility in the amount of USD 3.5 million to the Company's financing banks.

Agreements concluded between the Company and C.Ulrich założone w 1805 roku w Warszawie S.A. (with Mr Ryszard Krauze as the parent entity)

In the period from 1 January 2010 to the date of these statements, the Company concluded one agreement with C. Ulrich założone w 1805 roku w Warszawie. The subject matter of the agreement is a loan for the Company in the amount of PLN 2.5 million. Up until the date of these statements, the Company has received all the funds under the agreement. The loan is payable within 6 weeks of termination by the Lender and is subject to an interest rate of 7% p.a. The loan is secured by a blank promissory note.

Agreements concluded between Petrolinvest Gaz S.A. and Signa

In the period from 1 January 2010 to the date of these financial statements, the companies concluded one agreement. The subject matter of the agreement is a loan for Signa in the amount of USD 2 million. Up until the date of these statements,

Petrolinvest Gaz has received all the funds. The loan is payable within 1 day of termination by the Lender and is subject to an interest rate based on LIBOR.

25. Financial risk management objectives and policies

The Management Board 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 2009.

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 above — 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 2010 and 31 December 2009, 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 2010 <i>unaudited</i> PLN '000	31 December 2009 <i>audited</i> PLN '000
Interest-bearing loans and borrowings and finance lease liabilities	457 011	447 676
Shareholder loans	(443)	(435)
Liabilities convertible to equity	(3 471)	(18 986)
Trade and other payables	262 485	264 889
Less cash and cash equivalents and long-term deposits	(27 570)	(13 227)
Net debt	688 012	679 917
Equity attributable to equity holders of the parent	566 568	311 517
Shareholder loans	443	435
Liabilities convertible to equity	3 471	18 986
Total equity	570 482	330 938
Net debt and equity	1 258 494	1 010 855
Leverage ratio	54,7%	67,3%

27. Events after the balance sheet date

On 29 and 30 July 2010, Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd., under the Agreement of 18 March 2010, submitted to the Company a request of delivery of the pre-paid III tranche subscription warrants for the total pre-paid amount of PLN 2,000,000, while the value of the total III tranche, pursuant to the Agreement, equals PLN 30,000,000. In consequence of receipt of the request, on 30 July 2010, the Company issued in favour of Investors 66,666 III Tranche Subscription Warrants which authorise to subscribe for 66,666 series V bearer shares in the Company.

On 30 July 2010, the Company received from Investors the exercise notice with respect to all of the abovementioned III Tranche Subscription Warrants. Under the terms of the Agreement the issue price of one share subscribed in performance of each III Tranche Subscription Warrant was established at PLN 10.61. Since the amount of prepayment made by Investors in relation to the issuance of the III Tranche Subscription Warrants exceeded the issue price of the shares subscribed for in performance of the III Tranche Subscription Warrants, the Company had also issued in favour of Investors 121.834 of additional III Tranche Subscription Warrants in compliance with the mechanism described in the Agreement. Under the Agreement, if the issue price of the shares subscribed for in result of the exercise of the warrants, in force on the date of exercise of the warrant, is lower than the price at which the entity subscribing for the warrant pre-paid the issue price for the

shares, the Company is required to issue to the warrant holder certain additional warrants in the total number equal to the quotient of the difference between the total pre-paid amount for the warrants exercised by the relevant holder at that time, and the total issue price for the shares subscribed for in the exercise of the warrants, and the issue price of the shares applicable to the warrants on the date on which they are exercised.

On 30 July 2010 Investors exercised the right to subscribe for the series V shares with respect to all of the 188,500 III Tranche Subscription Warrants and Additional III Tranche Subscription Warrants, and made a representation on subscription for 188,500 series V ordinary bearer shares in the Company.

On 3 August 2010 56,550 series V Petrolinvest shares subscribed for by Iroquois Master Fund Ltd. in exercise of 56,550 pre-paid subscription warrants at an issue price of PLN 10.61 per share were registered with the National Depository for Securities and introduced to trading on the WSE.

On 4 August 2010 131,950 series V Petrolinvest shares subscribed for by Kingsbrook Opportunities Master Fund LP in exercise of 131,950 pre-paid subscription warrants at an issue price of PLN 10.61 per share were registered with the National Depository for Securities and introduced to trading on the WSE.

On 3 August 2010, Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund, under the Agreement of 3 August 2010, submitted to the Company a second request of delivery of the pre-paid III Tranche Subscription Warrants for the total pre-paid amount of PLN 8,000,000. In consequence of receipt of the request, on 3 August 2010, the Company issued in favour of Investors 266,665 III Tranche Subscription Warrants which authorise to subscribe for 266,665 series V bearer shares in the Company.

On 3 August 2010, the Company received from Investors the exercise notice with respect to all of the III Tranche Subscription Warrants. Under the terms of the Agreement the issue price of one share subscribed in performance of each III Tranche Subscription Warrant was established at PLN 10.61. Since the amount of prepayment made by Investors in relation to the issuance of the III Tranche Subscription Warrants exceeded the issue price of the shares subscribed for in performance of the III Tranche Subscription Warrants, the Company had also issued in favour of Investors 487,339 of additional III Tranche Subscription Warrants in compliance with the mechanism described in the Agreement. Under the Agreement, if the issue price of the shares subscribed for in result of the exercise of the warrants, in force on the date of exercise of the warrant, is lower than the price at which the entity subscribing for the warrant pre-paid the issue price for the shares, the Company is required to issue to the warrant holder certain additional warrants in the total number equal to the quotient of the difference between the total pre-paid amount for the warrants exercised by the relevant holder at that time, and the total issue price for the shares subscribed for in the exercise of the warrants, and the issue price of the shares applicable to the warrants on the date on which they are exercised. On 3 August 2010 Investors exercised the right to subscribe for the series V shares with respect to all of the 754,004 III Tranche Subscription Warrants and Additional III Tranche Subscription Warrants, and made a representation on subscription for 754,004 series V ordinary bearer shares in the Company.

On 5 August 2010, 754,004 series V Petrolinvest shares subscribed for by Iroquois Master Fund Ltd. and Kingsbrook Opportunities Master Fund LP in exercise of 754,004 pre-paid subscription warrants at an issue price of PLN 10.61 per share were registered with the National Depository for Securities and introduced to trading on the WSE. 226,201 warrants were exercised by Iroquois Master Fund Ltd., and 527,803 warrants were exercised by Kingsbrook Opportunities Master Fund LP.

On 5 August 2010, Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd. assigned the right to subscribe for and exercise the part of the III tranche of pre-paid subscription warrants with the prepayment amount of PLN 20,000,000 that have not been exercised so far, to Osiedle Wilanowskie Sp. z o.o., a subsidiary of Prokom Investments S.A. Moreover, the Investors assigned to Prokom the right to subscribe for and exercise all of the IV tranche of prepaid subscription warrants with the prepayment amount of PLN 30,000,000. Prokom is authorised to assign the above-mentioned right to another entity that it designates.

On 13 August 2010, the Company was notified by Prokom Investments S.A. of the assignment of the right to subscribe for and exercise the whole of the IV tranche of pre-paid subscription warrants with the total prepayment amount of PLN 30,000,000, to Osiedle Wilanowskie Sp. z o.o, a subsidiary of Prokom. The Company was subsequently notified that Osiedle Wilanowskie assigned further rights to subscribe for and exercise the IV Tranche Warrants as well as the rights to subscribe for and exercise the part of the III tranche of pre-paid warrants that have not been exercised so far with the prepayment amount of PLN 20,000,000 to a group of entities each of which acquired the right to such a number of the pre-paid warrants in the case of exercise of which no Investor can subscribe for the number of the Company's shares that would entitle him to execute 5% or more of the overall number of votes at the general meeting of the Company. Moreover, the Company informs you that on 13 August 2010 Investors submitted a request to issue the outstanding part of the III Tranche Warrants that have not been issued so far for the total prepayment amount of PLN 20,000,000, as well as the whole of the IV Tranche Warrants for the total prepayment amount of PLN 30,000,000. In consequence of receipt of the request, on 13 August 2010, the Company issued in favour of Investors 666,666 III Tranche Warrants and 833,332 IV Tranche Warrants which jointly authorise to subscribe for 1,499,998 series V bearer shares in the Company.

On the same day, the Company received from the Investors the exercise notice with respect to all of the III Tranche Warrants and IV Tranche Warrants. Under the terms of the Subscription Agreement the issue price of one share subscribed in performance of each III Tranche Warrant and IV Tranche Warrant was established at PLN 10.61. Since the amount of prepayment paid to the Company in relation to the issuance of the III Tranche Warrants and IV Tranche Warrants exceeded the issue price of the shares subscribed for in performance of the III Tranche Warrants and IV Tranche Warrants, the Company also issued in favour of Investors 1,218,348 additional III Tranche Warrants and 1,994,188 additional IV Tranche

Warrants in compliance with the mechanism described in the Agreement. Under the Agreement, if the issue price of the shares subscribed for in result of the exercise of the warrants, in force on the date of exercise of the warrant, is lower than the price at which the entity subscribing for the warrant pre-paid the issue price for the shares, the Company is required to issue to the warrant holder certain additional warrants in the total number equal to the quotient of the difference between the total pre-paid amount for the warrants exercised by the relevant holder at that time, and the total issue price for the shares subscribed for in the exercise of the warrants, and the issue price of the shares applicable to the warrants on the date on which they are exercised.

Moreover, on 13 August 2010 Investors exercised the right to subscribe for the series V shares with respect to all of the 1,218,348 Additional III Tranche Subscription Warrants and to all of the 1,994,188 Additional IV Tranche Subscription Warrants, and made a representation on subscription for 3,212,536 series V ordinary bearer shares in the Company. The total number of series V ordinary bearer shares which the Company issued on 13 August is 4,712,534. The total amount of prepayments related to the issuance of the abovementioned shares, paid by Osiedle Wilanowskie and entities indicated by Osiedle Wilanowskie, was PLN 50,000,000.

On 18 August 2010 the total number of 4,712,534 series V Petrolinvest shares was registered with the National Depository for Securities and introduced to trading on the WSE. The abovementioned shares were subscribed for in exercise of 4,712,534 pre-paid subscription warrants at an issue price of PLN 10.61 per share by a group of entities, none of which, as a result of the acquisition of the Company's shares, acquired the right to exercise 5% or more of the overall number of votes at the general meeting of the Company.

On 23 August 2010 the Company entered into two agreements with ORLEN GAZ Sp. z o.o. for purchase of liquefied propane-butane mix of an estimated aggregate value of PLN 51,064,000, as a result of which the aggregate value of the agreements concluded with this client over past 12 months amounted to PLN 103,936,000.

The agreement with the highest value among all the agreements concluded by the Company with ORLEN GAZ Sp. z o.o. within the past 12 months is the significant agreement concluded on 23 August 2010, the estimated value of which is PLN 40,416,000. The terms and conditions of the Agreement are similar to market terms and conditions, the delivery of LPG will be effected using the "DDU Suwałki/Łubiana/Gdynia" formula in accordance with the Incoterms 2000. The Agreement was concluded for the period ending on 31 December 2010. A bill of exchange guarantee submitted by a company belonging to the Prokom Investments S.A. capital group constitutes financial collateral for the Agreement execution.