



***Petrolinvest***

MANAGEMENT BOARD REPORT ON THE ACTIVITIES  
OF PETROLINVEST GROUP  
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2011

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MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF PETROLINVEST GROUP  
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2011

1. SELECTED FINANCIAL DATA

1.1. Selected financial data of PETROLINVEST Group

	<i>for 6 months</i>		<i>for 6 months</i>	
	<i>ended 30 June</i>		<i>ended 30 June</i>	
	<i>2011</i>	<i>2 010</i>	<i>2011</i>	<i>2 010</i>
	<i>PLN '000</i>		<i>EUR '000</i>	
Net revenue from the sale of products, goods and materials	52 767	57 784	13 300	14 431
Profit (loss) from operations	(30 458)	(29 244)	(7 677)	(7 303)
Gross profit (loss)	(41 587)	(88 819)	(10 482)	(22 181)
Net profit (loss) attributable to equity holders of the parent	(39 094)	(86 324)	(9 854)	(21 558)
Cash flows from operating activities	(14 001)	(25 448)	(3 529)	(6 355)
Cash flows from investing activities	(42 911)	(93 819)	(10 816)	(23 430)
Cash flows from financing activities	58 118	148 775	14 649	37 154
Net cash flows, total	1 206	29 508	304	7 369
Weighted average number of shares issued in units	58 464 555	26 700 848	58 464 555	26 700 848
Number of diluting potential ordinary shares	0	0	0	0
Earnings (loss) per share (in PLN/EUR)	(0,67)	(3,23)	(0,17)	(0,81)
Diluted earnings (loss) per share (in PLN/EUR)	(0,67)	(3,23)	(0,17)	(0,81)
	<i>as at</i>		<i>as at</i>	
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>PLN '000</i>		<i>EUR '000</i>	
Total assets	1 167 024	1 184 959	292 737	299 209
Liabilities and provisions for liabilities	586 826	641 115	147 200	161 885
Non-current liabilities	241 976	280 890	60 697	70 926
Current liabilities	344 850	360 225	86 502	90 959
Equity attributable to equity holders of the parent	560 999	522 473	140 721	131 928
Share capital	661 156	505 177	165 845	127 560
Weighted average number of shares issued in units	58 464 555	33 127 514	58 464 555	33 127 514
Number of diluting potential ordinary shares	0	0	0	0
Book value per share (in PLN/EUR)	9,60	15,77	2,41	3,98
Diluted book value per share (in PLN/EUR)	9,60	15,77	2,41	3,98
Declared or paid dividend per share (in PLN/EUR)	0,00	0,00	0,00	0,00

MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF PETROLINVEST GROUP  
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2011

1.2. Selected financial data of PETROLINVEST S.A.

	<i>for 12 months</i>		<i>for 12 months</i>	
	<i>ended 31 December</i>		<i>ended 31 December</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>PLN'000</i>		<i>EUR'000</i>	
1. Net revenue from the sale of products, goods and materials	52 722	57 784	13 289	14 431
2. Profit (loss) from operations	(24 265)	(21 751)	(6 116)	(5 432)
3. Gross profit (loss)	(31 360)	7 016	(7 905)	1 752
4. Net profit (loss) attributable to equity holders of the parent	(31 360)	7 016	(7 905)	1 752
5. Cash flows from operating activities	(7 365)	(24 173)	(1 856)	(6 037)
6. Cash flows from investing activities	(66 415)	(60 055)	(16 741)	(14 998)
7. Cash flows from financing activities	73 940	104 927	18 637	26 204
8. Net cash flows, total	160	20 699	40	5 169
9. Weighted average number of shares issued in units	58 464 555	26 700 848	58 464 555	26 700 848
10. Profit (loss) per share (in PLN/EUR)	0	0	0	0
11. Profit (loss) per share (in PLN/EUR)	(0,54)	0,26	(0,14)	0,07
12. Diluted profit (loss) per share (in PLN/EUR)	(0,54)	0,26	(0,14)	0,07
	<i>as at</i>		<i>as at</i>	
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>	<i>31 December</i>
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>PLN'000</i>		<i>w tys. EUR</i>	
13. Total assets	1 296 238	1 239 137	325 149	312 890
14. Liabilities and provisions for liabilities	176 466	205 131	44 265	51 797
15. Non-current liabilities	48 449	59 769	12 153	15 092
16. Current liabilities	128 017	145 362	32 112	36 705
17. Equity attributable to equity holders of the parent	1 119 772	1 034 006	280 884	261 093
18. Share capital	661 156	505 177	165 845	127 560
19. Weighted average number of shares issued in units	58 464 555	33 127 514	58 464 555	33 127 514
20. Weighted average number of shares issued in units	0	0	0	0
21. Book value per share (in PLN/EUR)	19,15	31,21	4,80	7,88
22. Diluted book value per share (in PLN/EUR)	19,15	31,21	4,80	7,88
23. Declared or paid dividend per share (in PLN/EUR)	0,00	0,00	0,00	0,00

2. AVERAGE PLN/EUR EXCHANGE RATE FIXED BY NBP

	<i>for 6 months</i>	
	<i>ended 30 June</i>	
	<i>2011</i>	<i>2 010</i>
average rate in the period	3,9673	4,0042
	<i>as at</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2011</i>	<i>2010</i>
rate at the end of the period	3,9866	3,9603

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

PETROLINVEST S.A. Group is comprised of parent entity – PETROLINVEST S.A. (“the Company”) as well as subsidiary companies (see item 4). For the purposes of this Report, the parent company, its subsidiaries and the jointly controlled entity (see item 4) shall be referred to as PETROLINVEST Group (the “Capital Group”).

PETROLINVEST S.A., the parent entity of PETROLINVEST Group, was incorporated pursuant to Resolution of the Shareholders' Meeting of Petrolinvest Sp. z o.o. (limited liability company) dated 22 December 2006 regarding its transformation into Spółka Akcyjna (a joint stock company). The Company was registered with the National Court Register kept by the District Court, 8th Economic Division of the National Court Register, with KRS number 0000270970, on 29 December 2006. The Company was assigned statistical number (REGON) 190829082.

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

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

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

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

- activities relating to exploration and production of hydrocarbon fields and service activities auxiliary to exploration and production of hydrocarbon fields,
- wholesale of solid, liquid and gaseous fuels and related products,
- retail of fuels,
- production of gas fuels,
- services connected with installation of metal structures,
- production of gas installations.

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

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

The Management Board of the Company is composed of two, three or five members. As set out in the Company's Articles of Association, if the Management Board is composed of two or three persons, Prokom Investments S.A. has personal powers to appoint and dismiss the President of the Management Board while Mr Ryszard Krauze, one of the shareholders of PETROLINVEST S.A., has personal powers to appoint and dismiss the Vice-President of the Management Board. If the Management Board consists of five members, Prokom Investments S.A. shall appoint and dismiss two members of the Management Board, including the President of the Management Board, whereas Ryszard Krauze: the Vice-President of the Management Board. The number of board members is determined by Prokom Investments. The supervisory board is composed of five to thirteen members, and as set out in the Articles of Association, two of them (including the chairman and deputy chairman of the supervisory board) are appointed and dismissed by Prokom Investments S.A., while one member of the supervisory board is appointed and dismissed by Mr Ryszard Krauze.

### 4. ENTITIES OF THE CAPITAL GROUP SUBJECT TO CONSOLIDATION IN THE 1st HALF OF 2011

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

As of 30 June 2011, PETROLINVEST S.A. possessed shares in the following companies:

Company name	Share capital	Shareholding	Consolidation Method
Occidental Resources, Inc. (U.S.A.) <sup>(1)</sup>	199,332.77 USD	88.10%	Full
TOO EMBA YUG NEFT (Republic of Kazakhstan)	145,000.00 KZT	79.00%	Full
TOO COMPANY PROFIT (Republic of Kazakhstan)	164,600.00 KZT	50.00%	Proportionate
Silurian Sp. z o.o. (Poland) <sup>(2)</sup>	10,000.00 PLN	60.00%	Full
UAB Petrolinvest Mockavos Perpyla (Lithuania)	2,000,000.00 LTL	87.00%	Full
PETROLINVEST TRADE S.A. (Poland) <sup>(3)</sup>	15,720,325.00 PLN	100.00%	Full

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

<sup>(2)</sup> Silurian Sp. z o.o. owns 90% of the shares in Silurian Energy Services Sp. z o.o., registered in Poland (after the period covered by the Report, there was a change in the shareholding structure of Silurian Sp. z o.o. and Silurian Energy Services Sp. z o.o. which is further discussed below).

<sup>(3)</sup> PETROLINVEST TRADE S.A. (formerly PETROLINVEST GAZ S.A.) owns 100% of the shares in SIGNA ENTERPRISES LIMITED registered in Cyprus.

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

- ✓ In relation to the cash payment in the amount of PLN 2,200,000 received on 30 June 2011 and 4 July 2011, made by an entity designated by Prokom Investments S.A. as the financing entity – within the meaning of the agreement on financing concluded by the Company and Prokom Investments S.A. on 20 March 2009, of which the Company informed the public in current report No. 33/2009, amended by the annexes dated 31 December 2010 and 18 April 2011, of which the Company informed the public in current reports No. 1/2011 and No. 34/2011 (the “Agreement on Financing”) – which makes a direct equity investment (the “Financing Entity”), on 4 July 2011, the Company received:
- (i) a request to transfer to the Financing Entity a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 2,200,000 performed by the Financing Entity in the form of cash payment and the issue price of PLN 10.00, as well as
  - (ii) a call to offer to the Financing Entity 220,000 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 2,200,000.

In connection with the said request and call, and also in connection with the resolution of the Extraordinary General Shareholders' Meeting of 9 May 2011 regarding the issue of subscription warrants, conditional Company share capital increase, the exclusion of the pre-emptive rights of the existing shareholders of the Company and amendment of the Company's Articles of Association, published in current report No. 35/2011, on 4 July 2011, the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants entitling to take-up of series C Company's shares (“Subscription Warrants”) and setting forth the detailed terms and conditions of the issue of the Subscription Warrants. The Management Board decided to issue 220,000 Subscription Warrants and offered them for take-up to the Financing Entity. Subscription Warrants were subsequently taken up by the Financing Entity. At the same time, the Financing Entity exercised its rights under the Subscription Warrants to take up series C shares and filed a statement of acquisition of 220,000 ordinary series C bearer shares of the Company.

The issue price of the ordinary series C bearer shares, issued to holders of Subscription Warrants on the basis of the Issue Resolution as part of the conditional increase of the Company's share capital, was set by the Management Board at PLN 10.00 per share, considering statutory restrictions regarding the minimum issue price of shares. The issue price was approved by the Supervisory Board on 4 July 2011.

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

As at the time of issue, the total value of financing invested in PETROLINVEST S.A. by Prokom Investments S.A. and the entities indicated by the same as part of performance of the above-mentioned Agreement on Financing was more than PLN 163 million, of which payments made in the current year amounted to PLN 95 million.

- ✓ On 6 July 2011, as a result of the issue of series C Company shares performed on 4 July 2011, 220,000 series C Company shares subscribed for in exercise of 220,000 subscription warrants at an issue price of PLN 10.00 per share were registered with the National Depository for Securities and introduced to trading on the WSE. In consequence, the shares were registered on the subscribers' securities accounts and pursuant to Article 452 § 1 in conjunction with 451 § 2 sentence 2 of the Code of Commercial Companies, the increase of the Company's share capital to PLN 663,355,590 was effected. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 66,335,559.

- ✓ On 7 July 2011, PETROLINVEST S.A. received a notice of awarding to Silurian Sp. z o.o. (a subsidiary of PETROLINVEST S.A.) (“Silurian”) three concessions for the exploration of oil and gas fields by the Minister of Environment:
- Concession No. 27/2011/p for exploration of oil and gas fields in “Kędzierzyn Koźle” area (part of concession block No. 369) covering 994.00 km<sup>2</sup>;
  - Concession No. 28/2011/p for exploration of oil and gas fields in “Opole” area (part of concession blocks No. 348 and 349) covering 1,044.40 km<sup>2</sup>;
  - Concession No. 29/2011/p for exploration of oil and gas fields in “Głubczyce” area (part of concession blocks No. 368 and 388) covering 1,155.99 km<sup>2</sup>.

The total area under awarded concessions was 3,194.39 km<sup>2</sup>.

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

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

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

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

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

- (i) Hallwood Energy will take up 50% shares in JVC;
- (ii) Petrolinvest will take up 25% shares in JVC;
- (iii) Tabacchi will take up 20% shares in JVC;
- (iv) Mr Wiesław Skrobowski will take up 5% shares in JVC.

Under the signed Agreement, JVC will acquire 100% of shares in SES from the shareholders of SES, i.e. Silurian (90% of SES shares) and Mr Wiesław Skrobowski (10% of SES shares) for the total price of PLN 1 million. Within SES, so far, Petrolinvest has developed its activities in the area of providing maintenance services to the holders of shale gas exploration and production concessions in Poland, including in particular the conduct of drilling. In the first and the second quarter of 2012, SES expects the delivery of two drilling devices dedicated for shale gas exploration. Moreover, it was agreed that SES will hold four out of seven exploration concessions in Poland currently held by Silurian and will hold options for two additional concessions. Additionally, in relation to the transaction, Petrolinvest will obtain a bonus in the amount of USD 6 million (payable in the form of shares in JVC before its introduction to trading on the stock exchange).

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

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

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

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

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

In exercise of the Agreement, the Company performed actions described in item 5 of the Report below.

- ✓ On 12 July 2011, the Company was notified about the issuing by the Minister of the Environment of a decision to transfer to Silurian Energy Services Sp. z o.o. (a subsidiary of Silurian Sp. z o.o.) ("SES") four concessions for exploration of oil and gas fields which had been issued earlier to Silurian Sp. z o.o. (a subsidiary of PETROLINVEST S.A.):
  - Concession No. 11/2011/p for exploration of oil and gas fields in the "Lidzbark Warmiński" area (a part of concession blocks No. 73 and 74) covering 895.23 km<sup>2</sup>;
  - Concession No. 22/2011/p for exploration of oil and gas fields in the "Węgorzewo" area (a part of concession block No. 56) covering 134.26 km<sup>2</sup>;
  - Concession No. 23/2011/p for exploration of oil and gas fields in the "Kętrzyn" area (a part of concession block No. 75) covering 683.25 km<sup>2</sup>;
  - Concession No. 24/2011/p for exploration of oil and gas fields in the "Gołdap" area (a part of concession blocks No. 57, 58 and 59) covering 620.82 km<sup>2</sup>.

The transfer of concessions was executed at the request of Silurian and SES in connection with the Joint Investment Agreement described above.

- ✓ On 13 July 2011, the Company concluded a share sale agreement for shares in a company under a business name of Pomorskie Farmy Wiatrowe Sp. z o.o., headquartered in Gdynia ("PFW"), with its parent entity, Prokom Investments S.A. headquartered in Gdynia ("Agreement"). Pursuant to the Agreement, the Company purchased 676,116 shares in PFW, which jointly constitute 100% of the share capital of PFW and carry 100% votes at shareholders meetings

("Shares"). Petrolinvest purchased the Shares for the price of PLN 36,932,000 which will be settled in Company shares acquired by Prokom at an issue price of at least PLN 10 per share, under the conversion mechanism provided for in the agreement between the Company and Prokom of 13 January 2009, of which the Company informed the public in current report No. 4/2009.

PFW was created by Prokom in order to implement projects of constructing land wind farms and, currently, it implements three land wind farm projects in Żuławy with the total capacity of 100 MW. It also owns land property with a total area of approximately 423 ha ("Land Property") which ensures maximum flexibility in securing allocation of the best plots for wind farms. The Land Property remaining after identifying plots for wind turbines, with the total area of around 400 ha, is subject to a put/call option to transfer it to foreign investors for the price of around PLN 16 million in cash. The Company is expecting this inflow before the end of the first quarter of 2012. Consequently, the effective purchase price at which Petrolinvest purchases PFW shares will be equal to approximately PLN 20.9 million.

PFW is a party to a cooperation agreement relating to the implementation of two out of three wind projects mentioned above with the total capacity of 64 MW with a foreign investment fund, specialising in investments in wind energy production, partly owned by one of the largest European banks. The fund is well-known and regarded in Poland, it specialises in investments in wind energy production. Currently, it has a portfolio of wind projects with the total capacity of 200 MW and the value of EUR 300 million. As the majority shareholder, the fund will be responsible for the construction and launch of these wind projects, including in particular the management of the process of obtaining financing, equipment delivery and construction, launch and operation of the wind farms. Additionally, based on the signed agreement, due to the objective of the fund which is to exit from the investment within the period of 2–3 years, the fund secured a guarantee to repurchase shares of Petrolinvest (drag-along) when exiting from the investment. Moreover, pursuant to the above-mentioned cooperation agreement, Prokom granted a guarantee for PFW obligations, including the obligation to provide the relevant contribution of PFW for the financing of the projects. The guarantee is valid throughout the whole period of implementation of the projects and will not be affected by a change of the owner of PFW shares.

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

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

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

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

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

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

- ✓ In relation to the cash payment in the total amount of PLN 5,000,000 received on 11 and 12 July 2011, made by an entity designated by Prokom Investments S.A. as the financing entity – within the meaning of the Agreement on Financing concluded by the Company and Prokom Investments S.A. on 20 March 2009, which makes a direct equity investment ("Financing Entity"), on 14 July 2011 the Company received:
  - (i) a request to transfer to the Financing Entity a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 5,000,000 performed by the Financing Entity in the form of cash payment and the issue price of PLN 10.00, as well as
  - (ii) a call to offer to the Financing Entity 500,000 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 5,000,000.

Furthermore, on 14 July 2011 – in compliance with the provisions of the agreement dated 13 January 2009 concluded with Prokom regarding, among other things, expanding the scope of the call option to cover all accounts receivable by

Prokom from the Company, which was the subject of current report No. 4/2009, and the agreement concluded on 14 May 2009 with Prokom, setting forth the terms on which Prokom makes its assets available to the Company to use as security for the credit facility extended by the consortium of PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego under the agreement dated 21 March 2007, which was the subject of current report No. 45/2009 – the Company received from Prokom:

- (i) a request to transfer to Prokom a number of shares that corresponds to the quotient of (i) the accounts payable to Prokom by Petrolinvest for the settlement of the sale price of PLN 36,932,000.00 in accordance with the agreement of 13 July 2011 concerning the sale of 100% of shares within Pomorskie Farmy Wiatrowe Sp. z o.o., for an advance payment towards the fee for providing and maintaining collateral for the credit facility charged for the period until 13 July 2011 in the amount of PLN 725,661.95 and the commercial accounts payable in the amount of PLN 214,000.00 charged for the period until 13 July 2011, as well as (ii) the issue price of PLN 10.00;
- (ii) a call to offer to Prokom 3,787,166 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 37,871,660.

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

Prokom's payments for 3,787,166 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Prokom. On 14 July 2011, the Company concluded a netting agreement with Prokom under which the Company and Prokom netted an outstanding account receivable by the Company under the subscription for series C shares totalling PLN 37,871,660 with outstanding accounts payable by the Company to Prokom, set forth in the second paragraph, item (i) of this report. As a result of the netting, the cash contribution due by Prokom to the Company in connection with the take-up by Prokom of 3,787,166 series C shares was fully covered.

The issue price of the ordinary series C bearer shares, issued to holders of Subscription Warrants on the basis of the Issue Resolution as part of the conditional increase of the Company's share capital, was set by the Management Board at PLN 10.00 per share, considering statutory restrictions regarding the minimum issue price of shares. The issue price was approved by the Supervisory Board on 14 July 2011.

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

As at the issue date, the total value of financing invested in PETROLINVEST S.A. by Prokom Investments S.A. and the entities indicated by the same as part of performance of the above-mentioned Agreement on Financing was over PLN 168 million, of which payments made in the current year amounted to PLN 100 million.

- ✓ On 18 July 2011, as a result of the issue of series C Company shares performed on 14 July 2011, 4,287,166 series C Company shares subscribed for in exercise of 4,287,166 subscription warrants at an issue price of PLN 10.00 per share were registered with the National Depository for Securities and introduced to trading on the WSE. In consequence, no later than on the day indicated above, the shares were registered on the subscribers' securities accounts and pursuant to Article 452 § 1 in conjunction with 451 § 2 sentence 2 of the Code of Commercial Companies, the increase of the Company's share capital to PLN 706,227,250 was effected. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 70,622,725.
- ✓ On 20 July 2011, in exercise of the Joint Investment Agreement, the Company concluded a Subscription and Shareholders' Agreement (hereinafter referred to as the "Agreement") with the following entities: (i) Hallwood Energy Group Inc. ("Hallwood Energy"), (ii) Silurian Hallwood Limited, (iii) Silurian Sp. z o.o. ("Silurian"), (iv) Silurian Energy Services Sp. z o.o. ("SES"), (v) Tabacchi Enterprises Ltd. ("Tabacchi") and (vi) Mr Wiesław Skrobowski (hereinafter jointly referred to as the "Parties"). The object of the Agreement is the regulation of the acquisition of shares in the newly created joint venture named Silurian Hallwood Limited ("JVC") and defining the rules for the joint venture of JVC and SES, within which JVC has acquired all the shares. JVC (directly or through SES, which holds four exploration concessions for oil and natural gas) will explore oil and gas, perform consulting services in the area of drilling activities and hydraulic fracturing, and provide other services related to shale gas in Europe. Petrolinvest bought, for PLN 580,000, 125,860 shares in JVC, constituting 29% of JVC's share capital and entitling Petrolinvest to 29% votes at the meeting of shareholders of the company. Under the Agreement, the following JVC capital structure was established:
  - (i) Hallwood Energy took up 44% shares in JVC;

- (ii) Petrolinvest took up 29% shares in JVC;
- (iii) Tabacchi took up 22% shares in JVC;
- (iv) Mr Wiesław Skrobowski took up 5% shares in JVC.

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

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

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

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

- ✓ On 16 August 2011, the Company was informed that TOO OilTechnoGroup, a Kazakh law company controlled by the Company, received from SCHLUMBERGER LOGELCO INC. interpretation results of logs performed in the Shyrak 1 well. Logs were performed on the drilled-through sub-salt layers, from the depth of 5,337 m to 6,552 m, i.e. to the total depth of the well as at the day of performing the logs.  
The end depth of the Shyrak 1 well, established based on the results of the performed logs, i.e. 6,597.1 m, was reached. Further deepening of the well is not planned and a possible slight change of the depth may be connected with works which will be carried out in order to prepare the well for casing a 7-inch diameter column.  
On the basis of the interpretation results of the performed logs, initially, 19 hydrocarbon-saturated levels with the total thickness of 464 metres were selected for testing. The thickness of individual levels ranges from 10 to 45 metres. All reservoir horizons selected to be tested coincide with the zones during the drilling of which high gas readings in the drilling mud or gas flow to the well were observed.  
In the nearest future, the casing and cementing of a 7-inch diameter column will take place. Subsequently, the plan is to replace the Saipem drilling devices with devices which are smaller and at the same time cheaper in use, which will serve to test the well.  
The interpretation results of performed logs confirm the hydrocarbon saturation of the entire profile of sub-salt rocks that was observed during the drilling. The porous character of reservoir rocks reaches 12% which should be considered a high value, considering that the rocks are located at a great depth. Moreover, on the basis of the interpretation of the log results it was not determined that the reservoir rocks, besides the hydrocarbons, were saturated with movable deposit waters. This fact is of positive significance both for the well testing process and the production of hydrocarbons from the field. It should also be noted that the reservoir properties of rocks and their saturation estimated on the basis of log results are congruent with the results obtained in the lab during the examination of the collected cores.  
The logs confirmed that the permeability of reservoir rocks and the gas shows found during the drilling are closely connected with fissuring. Both the observed intensity of fissuring and the fact that most fissures are open make the occurrence of a flow of hydrocarbons during testing very likely. The size of the flow as well as the type of hydrocarbons will be determined based on the well testing results. Based on the composition of the gas obtained during the drilling, researchers expect a flow of gas and gas with condensate.
- ✓ In relation to the cash payments in the total amount of PLN 5,420,000 received in the period from 22 July 2011 to 16 August 2011, made by an entity designated by Prokom Investments S.A. as the financing entity – within the meaning of the Agreement on Financing concluded by the Company and Prokom on 20 March 2009 – which makes a direct equity investment ("Financing Entity"), on 16 August 2011 the Company received:
  - (i) a request to transfer to the Financing Entity a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 5,420,000 made by the Financing Entity in the form of cash payment and the issue price of PLN 10.00, as well as
  - (ii) a call to offer to the Financing Entity 542,000 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 5,420,000.

Furthermore, on 16 August 2011 – in compliance with the provisions of the agreement dated 13 January 2009 concluded with Prokom regarding, among other things, expanding the scope of the call option to cover all accounts receivable by Prokom from the Company and the agreement concluded on 14 May 2009 with Prokom, setting forth the terms on which Prokom makes its assets available to the Company to use as security for the credit facility extended by the consortium of PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego under the agreement dated 21 March 2007 – the Company received from Prokom:

- (i) a request to transfer to Prokom a number of shares that corresponds to the quotient of (i) the accounts payable to Prokom by Petrolinvest for the early repayment by Prokom, on 5 and 8 August 2011, of PLN 3,199,612.44 of the credit facility extended to the Company by PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego under the agreement dated 21 March 2007, for a PLN 2,109,918.02 advance towards the fee for providing and maintaining collateral for the credit facility charged for the period until 15 August 2011 and the commercial accounts payable in the amount of PLN 202,124.49 charged for the period until 16 August 2011 and (ii) an issue price of PLN 10.00;
- (ii) a call to offer to Prokom 551,165 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 5,511,650.

On the same 16 August 2011 – in accordance with the provisions of the agreement dated 14 May 2009 concluded with Osiedle Wilanowskie, setting forth the terms on which Osiedle Wilanowskie makes its assets available to the Company to use as collateral for the credit facility extended by the consortium of PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego under the agreement dated 21 March 2007, which was the subject of current report No. 45/2009 – the Company received from Osiedle Wilanowskie Sp. z o.o.:

- (i) a request to transfer to Osiedle Wilanowskie a number of shares that corresponds to the quotient of (i) the accounts payable to Osiedle Wilanowskie by Petrolinvest for the early repayment by Osiedle Wilanowskie, on 8 August 2011, of PLN 347,653.56 of the credit facility extended to the Company by PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego under the agreement dated 21 March 2007 and for a PLN 262.107.43 advance towards the fee for providing and maintaining collateral for the credit facility charged for the period until 15 August 2011 and (ii) an issue price of PLN 10.00;
- (ii) a call to offer to Osiedle Wilanowskie 60,976 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 609,760.

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

Prokom's payments for 551,165 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Prokom. On 16 August 2011, the Company concluded a netting agreement with Prokom under which the Company and Prokom netted an outstanding account receivable by the Company under the subscription for series C shares totalling PLN 5,511,650 with outstanding accounts payable by the Company to Prokom, set forth in the second paragraph, item (i) of this report. As a result of the netting, the cash contribution due by Prokom to the Company in connection with the take-up by Prokom of 551,165 series C shares was fully covered.

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

The issue price of the ordinary series C bearer shares, issued to holders of Subscription Warrants on the basis of the Issue Resolution as part of the conditional increase of the Company's share capital, was set by the Management Board at PLN 10.00 per share, considering statutory restrictions regarding the minimum issue price of shares. The issue price was approved by the Supervisory Board on 16 August 2011.

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

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

The total value of financing invested in PETROLINVEST S.A. by Prokom Investments S.A. and the entities indicated by the same as part of performance of the above-mentioned Agreement on Financing as at 16 August 2011 was over PLN 174 million, of which payments made in the current year amounted to PLN 105.7 million.

- ✓ On 23 August 2011, the Company was informed by TOO OilTechnoGroup that OTG is effectively terminating works aimed at restoring the pressure balance and stabilising the Shyrak 1 exploration well after a strong and continuous flow of natural gas with condensate content. The flow occurred at a depth of 6,597.1 m, i.e. at the final depth of the well, of which the Company informed the public in current report No. 77/2011 dated 16 August 2011. At the time of gas flow, the well was filled with drilling mud of a specific weight of 1.77 g/cm<sup>3</sup>. When the flow was discovered, the blowout preventer was closed, and then, for the time necessary to prepare heavier drilling mud, flushing works were performed aimed at washing out as much natural gas and condensate as possible. During the flushing, gas inflowing into the well caused a decrease of drilling mud weight up to around 0.50 g/cm<sup>3</sup>. The amount of gas was so high that it had to be separated and combusted on the flare. On 21 August 2011, heavier drilling mud of 1.9 g/cm<sup>3</sup> was inlaid to the well at a volume equal to the full capacity of the well, thus removing the drilling mud with natural gas and condensate. After completing a full cycle of mud circulation, the circulation was stopped periodically and the blowout preventer was closed to enable the pressure check, which demonstrated a pressure of 104.3 atmospheres. On this basis, the formation pressure at the bottom of the well was estimated at about 1,360 atmospheres, and the required balancing burden – at least 2.05 g/cm<sup>3</sup>. As at 23 August 2011, the well was undergoing flushing by a separator and a degasser, combustion of natural gas along with condensate and increasing the weight of drilling mud to the required values specified above. The detected gas flow was exceptionally strong. Apart from gas, the drilling mud also contained traces of liquid hydrocarbons. Earlier, the Company informed the public that analyses showed the presence of heavy gases in the natural gas composition (n-butane, iso-butane and pentane), which are components of the condensate. Also, the nature of natural gas combustion indicates the presence of a large admixture of condensate or crude oil, whereby the presence of the latter requires additional analysis to confirm the results of physicochemical analyses. Results of drilling, symptoms observed in the process of drilling, especially those occurring now, and the results of the interpretation of geophysical measurements indicate the discovery of a field. Drilling performance and the size of resources will be determined based on the results of testing. The gas does not contain hydrogen sulphide, which, from the standpoint of ecology and the size of investment needed for future management of the field, is extremely important and positive. Pressure (104.3 atmospheres) recorded on the blowout preventer with the drilling mud weighing 1.9 g/cm<sup>3</sup> and 6,597.1 m deep gas inflow, confirms very high formation pressure. Analyses and discussions are being carried out on how to effectively examine the pre-drilled lower part of condensate gas field while maintaining all safety requirements regarding the well.
- ✓ On 23 August 2011, the Company concluded with Tabacchi Enterprises Ltd. (“Tabacchi”):
1. a share sale agreement for shares in Silurian Hallwood Limited (“JVC”) (“Agreement 1”);
  2. a share sale agreement for shares in Silurian Sp. z o.o (“Silurian”) (“Agreement 2”).
- Under Agreement 1, Petrolinvest acquired 8,680,000 shares, which jointly constitute 20% of shares in JVC and 20% of the share capital of JVC and carry 20% votes at JVC shareholders meetings (“Shares 1”). The acquisition of Shares 1 was approved by JVC shareholders and became effective upon entering the Company as the owner of Shares 1 in the register of JVC shareholders, i.e. as of 24 August 2011.
- Under Agreement 1, the following JVC capital structure was established:
- (i) Petrolinvest – 49% of shares;
  - (ii) Hallwood Energy Group Incorporated (“Hallwood Energy”) – 44% of shares;
  - (iii) Mr Wiesław Skrobowski – 5% of shares;
  - (iv) Tabacchi – 2% of shares.
- The price for Shares 1 was PLN 46,400,000 (i.e. around USD 16,000,000), assuming a valuation of JVC at PLN 232,000,000 (i.e. around USD 80,000,000). Moreover, the Company is obliged to make additional payments to Tabacchi under the acquisition of Shares 1, i.e.:
- a) two additional bonus payments:
    - (i) in the amount of 80% of the difference between the valuation of JVC directly after the carrying out of the planned private placement on the basis of the offer price which will be paid by the investors under the planned private placement and the value of Shares 1, taking into account the valuation of JVC as at the Agreement 1 signing date, as well as
    - (ii) in the amount of 80% of the difference between the valuation of JVC directly after the planned initial public offering on the basis of the offer price which will be paid by the investors under the planned initial public offering and the value of Shares 1, taking into account the valuation of JVC directly after the planned private placement on the basis of the offer price which will be paid by the investors under the planned private placement, as well as
  - b) three adjustment payments in the amount calculated on the basis of formulas contained in Agreement 1:
    - (i) determined as at the signing of Agreement 1 and equalising the difference between the nominal value of Petrolinvest shares which are to be issued for Tabacchi as at the conclusion of Agreement 1 and the average

- closing price at WSE of Petrolinvest shares in the course of 10 trading days before the conclusion of Agreement 1,
- (ii) determined as at one day after the carrying out of the planned private placement of JVC and equalising the difference between the nominal value of Petrolinvest shares which are to be issued for Tabacchi immediately after the carrying out of the planned private placement of JVC and the average closing price at WSE of Petrolinvest shares in the course of 10 trading days before the carrying out of the planned private placement of JVC, as well as
  - (iii) determined as at one day after the carrying out of the planned initial public offering of JVC and equalising the difference between the nominal value of Petrolinvest shares which are to be issued for Tabacchi immediately after the carrying out of the planned initial public offering of JVC and the average closing price at WSE of Petrolinvest shares in the course of 10 trading days before the carrying out of the planned initial public offering of JVC,

(jointly referred to as the "Additional Payments 1").

The parties to Agreement 1 have agreed that the amounts covering the sale price for Shares 1 and Additional Payments 1 will be settled between the parties to the agreement by netting them with the price for the shares in the Company which will be issued for Tabacchi as the holder of the Company subscription warrants. For this purpose, Petrolinvest will issue subscription warrants for Tabacchi, free of charge, ("Subscription Warrants 1") in an amount authorising to the take-up of such a number of Company shares, whose nominal value will correspond to the sale price for Shares 1 and Additional Payments 1, however, the number of Subscription Warrants 1 which will be issued prior to the conditional increase of the Company share capital cannot exceed 7,100,000. Petrolinvest shares which are to be issued for Tabacchi will be issued as part of the conditionally increased Company share capital. The Company undertakes to ensure that the shares will be listed on the Warsaw Stock Exchange.

The parties to Agreement 1 have agreed that if Petrolinvest fails to meet the obligation to issue Subscription Warrants 1 for Tabacchi, Tabacchi will have the right to repurchase a respective proportional number of Shares 1 at their nominal value as at the Agreement 1 conclusion date.

Furthermore, under Agreement 1, Tabacchi is obliged to provide the Company, at the Company's demand, with financing in the form of cash contributions to the Company share capital in the amount of PLN 10,000,000. The above-mentioned payments will authorise Tabacchi to the take-up of a relevant number of shares in the Company, with the nominal value of PLN 10 each.

The shareholders of JVC intend to transform JVC into a public limited company (Plc.) and then to cooperate in order to carry out private placement of JVC and introduce shares in JVC to trading on the AIM (London). JVC (directly or through Silurian Energy Services Sp. z o.o. ("SES"), in which JVC possesses 100% shares) explores oil and gas, performs consulting services in the area of drilling activities and hydraulic fracturing, and provides other services related to shale gas in Europe. SES was awarded four concessions for exploration of oil and gas fields. Moreover, in the first and the second quarter of 2012, SES expects the delivery of two drilling devices for shale gas exploration. In addition, SES is a party to an agreement with Hallwood Energy (the conclusion of which was the subject of current report No. 71/2011 of 20 July 2011), under which Hallwood Energy provided SES (or, at the discretion of SES, its subsidiaries) with an irrevocable concession to use, as well as offer to third parties, the know-how, technology and intellectual property rights for exploration and production of unconventional gas from sedimentary rocks, and in particular for hydraulic fracturing of rocks during the process of shale gas production, and the exclusive right to use certain Hallwood Energy services for the period of 18 months. Under the agreement, SES acquired exclusive rights to the performance of the above activities across Europe. The investment in JVC will enable Petrolinvest to strengthen its position in the segment related to the provision of services to entities involved in exploration and production of shale gas.

Moreover, on 23 August 2011, Agreement 2 was concluded between the Company and Tabacchi. Under Agreement 2, the Company acquired 6 shares, which jointly constitute 30% of shares in Silurian and 30% of the share capital of Silurian and carry 30% votes at Silurian shareholders meetings ("Shares 2").

Under Agreement 2, the following Silurian capital structure was established:

- (i) Petrolinvest – 90% of shares;
- (ii) Mr Wiesław Skrobowski – 10% of shares.

Petrolinvest acquired Shares 2 for the price of PLN 60,900,000 (i.e. around USD 21,000,000), assuming a valuation of Silurian at PLN 203,000,000 (i.e. around USD 70,000,000). Moreover, the Company is obliged to make additional payments to Tabacchi under the acquisition of Shares 2, i.e.:

a) two additional bonus payments:

- (i) in the amount of 70% of the difference between the valuation of Silurian directly after the carrying out of the planned private placement on the basis of the offer price which will be paid by the investors under the planned private placement and the value of Shares 2, taking into account the valuation of Silurian as at the Agreement 2 signing date, as well as
- (ii) in the amount of 70% of the difference between the valuation of Silurian directly after the planned initial public offering on the basis of the offer price which will be paid by the investors under the planned initial public offering and the value of Shares 2, taking into account the valuation of Silurian directly after the planned

private placement on the basis of the offer price which will be paid by the investors under the planned private placement, as well as

- b) three adjustment payments in the amount calculated on the basis of formulas contained in Agreement 2:
- (i) determined as at the Agreement 2 signing date and equalising the difference between the nominal value of Petrolinvest shares which are to be issued for Tabacchi as at the conclusion of Agreement 2 and the average closing price at WSE of Petrolinvest shares in the course of 10 trading days before the conclusion of Agreement 2,
  - (ii) determined as at one day after the carrying out of the planned private placement of Silurian and equalising the difference between the nominal value of Petrolinvest shares which are to be issued for Tabacchi immediately after the carrying out of the planned private placement of Silurian and the average closing price at WSE of Petrolinvest shares in the course of 10 trading days before the carrying out of the planned private placement of Silurian, as well as
  - (iii) determined as at one day after the carrying out of the planned initial public offering of Silurian and equalising the difference between the nominal value of Petrolinvest shares which are to be issued for Tabacchi immediately after the carrying out of the planned initial public offering of Silurian and the average closing price at WSE of Petrolinvest shares in the course of 10 trading days before the carrying out of the planned initial public offering of Silurian,
- (jointly referred to as the "Additional Payments 2").

The parties to Agreement 2 have agreed that the amounts covering the sale price for Shares 2 and Additional Payments 2 will be settled between the parties to the agreement by netting them with the price for the shares in the Company which will be issued for Tabacchi as the holder of the Company subscription warrants. For this purpose, Petrolinvest will issue subscription warrants for Tabacchi, free of charge, ("Subscription Warrants 2") in an amount authorising to the take-up of such a number of Company shares, whose nominal value will correspond to the sale price for Shares 2 and Additional Payments 2, however, the number of Subscription Warrants 2 which will be issued prior to the conditional increase of Company share capital cannot exceed 9,400,000. Petrolinvest shares which are to be issued for Tabacchi will be issued as part of the conditionally increased Company share capital. The Company undertakes to ensure that the shares will be listed on the Warsaw Stock Exchange.

The parties to Agreement 2 have agreed that if Petrolinvest fails to meet the obligation to issue Subscription Warrants 2 for Tabacchi, Tabacchi will have the right to repurchase a respective proportional number of Shares 2 at their nominal value as at the Agreement 2 conclusion date.

Furthermore, under Agreement 2, Tabacchi is obliged to provide the Company, at the Company's demand, with financing in the form of cash contributions to the Company share capital in the amount of PLN 20,000,000. The above-mentioned payments will authorise Tabacchi to the take-up of a relevant number of shares in the Company, with the nominal value of PLN 10 each.

The shareholders of Silurian intend to transform Silurian into a public limited company and then to cooperate in order to carry out private placement of Silurian and introduce shares in Silurian to trading under initial public offering. Silurian currently holds five concessions for exploration of oil and gas fields, covering a total area of 4,082.10 km<sup>2</sup>. The investment in Silurian shares will enable Petrolinvest to strengthen its position in the segment related to the provision of services to entities involved in exploration and production of shale gas in Poland.

The increased Company's involvement in JVC and Silurian is related to the development strategies carried out by these entities, particularly their planned introduction to the stock exchange. These assets could provide additional protection for the Company's previously obtained debt financing and new financing necessary to complete the investment programme within Shyrak structure and Emba contract area, aimed at commercial exploitation of hydrocarbons at these structures.

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

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

Tabacchi's payments for 3,550,000 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Tabacchi. On 26 August 2011, the Company entered into a netting agreement with Tabacchi, under which the Company and Tabacchi netted the outstanding account receivable by the Company from

Tabacchi for series C shares in the amount of PLN 35,500,000 with outstanding accounts payable to Tabacchi by Petrolinvest for a total amount of not less than PLN 35,500,000 under the JVC Share Sale Agreement. As a result of the netting, the cash contribution due by Tabacchi to the Company in connection with the take-up by Tabacchi of 3,550,000 series C shares was fully covered.

The issue price of the ordinary series C bearer shares, issued to holders of Subscription Warrants on the basis of the Issue Resolution as part of the conditional increase of the Company's share capital, was set by the Management Board at PLN 10.00 per share, considering statutory restrictions regarding the minimum issue price of shares. The issue price was approved by the Supervisory Board on 26 August 2011.

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

On 21 April 2011, the Company acquired 6 shares with a total nominal value of PLN 3 thousand in the share capital of Silurian Sp. z o.o., increased by PLN 5 thousand. Consequently, the share of the Company in the share capital of Silurian Sp. z o.o. remained at the level of 60% (details in note 14 to the Consolidated Financial Statements).

On 31 May 2011, Silurian Sp. z o.o. acquired 8,100 shares in Silurian Energy Services Sp. z o.o., registered in Poland, which represent 90% of the share capital at a price which is the equivalent of USD 100 thousand (details in note 14 to the Consolidated Financial Statements). The aim of the acquisition was to develop the activities in the area of providing maintenance services to the holders of shale gas exploration and production concessions in Poland, including in particular the conduct of drilling, as a separate specialised entity.

After the end of the reporting period, PETROLINVEST S.A. – in performance of activities aimed at strengthening the position of the Company within the shale gas segment – and the remaining shareholders of Silurian Sp. z o.o. enlisted the cooperation of a business partner specialising in unconventional gas production – Hallwood Energy Group Incorporated. Consequently, more changes in the structure of the PETROLINVEST Group, further discussed in item 5 of this Report, were effected.

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

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

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

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

In the first half of the year, sales usually declines resulting in worse performance in this area.

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

EXPLORATION AND PRODUCTION (KAZAKHSTAN)

In the first half of 2011, PETROLINVEST Group continued its exploration and research work, the scope of which is presented below.

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

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

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

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

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

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

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

The following works were carried out in the first half of 2011:

- ✓ The work programme for the period ending on 17 March 2011 was submitted to the competent local inspection authorities and received approval. From 18 March 2011, the works are conducted on the basis of an appendix to Contract No. 8.
- ✓ Under the contract of 3 August 2010 between OilTechnoGroup and Petroleum Geo-Services, works were completed on repeat processing of 3D seismic data for the Koblandy region. These works essentially consisted in (a) the application of previously unavailable processing procedure for the latest seismic data, and (b) the integration of seismic data processing with the geological and geophysical results obtained in the Koblandy K-3 well.

On 2 June 2011, the Company received information on OilTechnoGroup obtaining results of processing 3D seismic data from the Koblandy structure, including the results from the K-3 well drilled by Petrolinvest in Kazakhstan. Those works were carried out by Petroleum Gas-Services ("PGS"), a Norwegian company, in exercise of the agreement dated 3 August 2011.

The new results of the processing of the 3D seismic photograph along with the results from the K-3 well and data collected previously confirm the structure and high potential of the crude oil field discovered with the K-3 well. At the same time, the new data makes it possible to indicate the optimal place for a K-4 well which will be drilled within the framework of the farm-out agreement with the TOTAL concern.

The processing of the seismic data along with geological and geophysical data acquired in the K-3 well was carried out with the use of state-of-the-art software supporting geological analysis of hydrocarbon fields. The works were supervised by a team of Total experts from the scientific centre in Pau (France). Works carried out by PGS were conducted under the annex to the OTG Contract dated 21 October 2010, issued by the Ministry of Oil and Gas of the Republic of Kazakhstan. Pursuant to the annex, the exploration works were extended by 5 years in order to evaluate the discovery of the Koblandy field. The evaluation of the discovery should be understood as carrying out additional seismic and drilling works on the basis of which the contingent resources, as well as the optimal way of its development will be estimated.

The Koblandy field is located in the northern part of the North Caspian Basin in the Republic of Kazakhstan. Between 2008 and 2009, in order to analyse the oil- and gas-bearing capacity of the area, Petrolinvest drilled the Koblandy-3 well of the depth of 6,737 m. Under the sediments of salt and anhydrites, the well was drilled through 600 metres of carbonate deposits of sub-salt layers of the Lower Permian, Carboniferous and Devonian. While drilling through those layers, shows of oil and high gasification of drilling mud were observed. According to the measurements of the drilling geophysics carried out in the well, the thickness of the sub-salt gas and oil producing dolomites is approx. 524 m. During the works, several deposit horizons were outlined in order to test them afterwards. While testing, during the period of several weeks, natural gas flows were observed, along with the presence of light crude oil of very good quality, of light green colour and the density of 0.780 g/cm<sup>3</sup>. While burning gas, no presence of hydrogen sulphide was established in it.

The Koblandy field was discovered with the K-3 well approximately two years ago but technical problems which appeared while testing did not allow McDaniel&Associates, an independent expert, to classify its resources as higher than prospective. Currently, owing to seismic data of much higher quality and all earlier results, the positive evaluation of the field in the Koblandy structure is confirmed and chances of reclassifying the resources of the field to a higher category are considerably higher.

The prospective resources in the Koblandy structure have been estimated by McDaniel&Associates, an independent expert, at 801.4 million barrels of crude oil equivalent.

- ✓ Preparations to drill the K-4 well in the Koblandy field were ongoing. The works were carried out in cooperation with Total and included preparation of assumptions for the geological and technical projects as well as arrangements to issue calls for tenders concerning the implementation of projects required by law and the equipment necessary for drilling, as well as materials and devices, including the purchase of casing of appropriate technical characteristics, slurry materials and blowout preventers.
  - ✓ Preparatory works were carried on for the interpretation of 44 new seismic profiles with a total length of approx. 920 linear kilometres in the south-eastern part of the contract area, the Sarkol-Damba region.
  - ✓ Drilling of the Shyrak 1 well continued. The depth of the well as at the end of the reporting period was 6,384.2 m. On 24 February 2011, the process of drilling through salt deposits was finished at the depth of 5,336 metres. During the drilling works, shows of hydrocarbons were reported, which confirmed the prospectiveness of the well as estimated by McDaniel & Associates Consultant. During subsequent weeks, works were carried out which included the running and cementing of 9 5/8" and 9 7/8" casing in the well as well as installing a new section of the wellhead in order to resume the drilling. The securing of the well with casing made it possible to lower the weight of drilling mud in order to prevent its leakage in the lower layers of porous oil-bearing rocks to be drilled through. Moreover, pressure tests of blowout preventers, which are used for closing the well and secure the well from uncontrolled influx release, were performed, as well as cement plugs binding and absorbency trial. On 13 April 2011, the drilling of another section of the well was resumed within the area of the expected reservoir rock series, using a drill with a diameter appropriate for the 7" casing.  
Pursuant to the assumptions of the geological design, the sub-salt layers of Lower Permian were drilled through. In the course of the drilling through the Lower Permian layers, gas shows in the form of high gasification of drilling mud and the inflow of gas to well were observed. In order to test the rocks where the gas shows were observed in detail, coring was performed three times and despite the great depth of the well, each time it yielded 18 m of drill core. The cores were sent to a specialist lab which will determine, on the basis of the examination results, the reservoir value of rocks (*ability to accumulate hydrocarbons*). It is expected that more drill cores will be collected in the lower layers. On the basis of the drilling results obtained so far, it is expected that at least several reservoir horizons will be tested (*testing of a field – an operation consisting in causing a flow of hydrocarbons from the field*). The exact depths of horizons will be determined based on a comprehensive interpretation of drilling data, including the lab analyses of rock samples collected from the drill cores and logs which will be performed in the well after its completion. Logs will be performed by Schlumberger company.  
According to the results of the analysis of geological data and seismic surveys, the resources of the Shyrak structure are estimated at 311 million barrels of oil equivalent (according to the report issued by McDaniel & Associates Consultant).
- Information on events occurring after the end of the reporting period are presented in item 5 of this Report.

#### TOO EMBA YUG NEFT

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

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

Pursuant to Annex No. 2 to Emba Contract No. 976 on exploration and production of hydrocarbons concluded with the Ministry of Oil and Gas of the Republic of Kazakhstan on 21 June 2011, in exercise of the decision of the Ministry, which was the subject of current report No. 103/2009 of 16 November 2009, the exploration period under the Contract expired on 29 June 2011. Currently, talks are carried out with the Ministry of Oil and Gas of the Republic of Kazakhstan aimed at obtaining another extension and determining the size of the working programme for the subsequent exploration period.

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

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

#### TOO COMPANY PROFIT

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

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

After the end of the reporting period, the Company concluded an agreement under which it is obliged to sell the shares in TOO COMPANY PROFIT, whose details are discussed in item 5 of the Report.

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

Pursuant to Annex No. 2 to Profit Contract No. 1810 on exploration of hydrocarbons concluded with the Ministry of Oil and Gas of the Republic of Kazakhstan on 22 June 2011, in exercise of the decision of the Ministry, which was the subject of current report No. 95/2010 of 7 December 2010, the exploration period under the Contract expires on 18 August 2012.

#### EXPLORATION AND PRODUCTION (SHALE GAS)

The activities of PETROLINVEST within the shale gas segment were conducted in the first half of 2011 through two entities registered in Poland: Silurian Sp. z o.o. and its subsidiary – Silurian Services Energy Sp. z o.o. The aim of the activities conducted in this segment is to offer comprehensive services to entities holding concessions for exploration of shale gas. The services will include general contracting, project management and performance of drilling works during both exploration and production of shale gas and will be provided using Silurian's own drilling installations. Additionally, in the second quarter of 2011 an extension of the scope of activities was effected to include shale gas exploration and production.

✓ On 6 June 2011, the Company received a notice of successful completion of the procedure of awarding a total of three concessions for the exploration of oil and gas fields to Silurian Sp. z o.o. ("Silurian") by the Minister of Environment:

- Concession No. 11/2011/p for exploration of oil and gas fields in "Lidzbark Warmiński" area (a part of concession blocks No. 73 and 74) covering 895.23 km<sup>2</sup>;
- Concession No. 22/2011/p for exploration of oil and gas fields in "Węgorzewo" area (a part of concession block No. 56) covering 134.26 km<sup>2</sup>;
- Concession No. 23/2011/p for exploration of oil and gas fields in "Kętrzyn" area (part of concession block No. 75) covering 683.25 km<sup>2</sup>.

The total area under awarded concessions was 1,712.74 km<sup>2</sup>.

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

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

The awarding of concessions for oil and gas exploration which will in particular enable exploration of shale gas fields is a result of extending the PETROLINVEST Group strategy within that segment, which envisions Silurian as the operator within the awarded concessions. The provision of maintenance services (geological analyses, renting and maintenance of equipment, drilling, water management and site recultivation) for entities which hold concessions for exploration, appraisal and production of shale gas in Poland remains an important element of the strategy as regards shale gas.

The extension of the strategy and applying for a concession was also a result of consultations with potential foreign partners of Silurian and their significant interest which was largely caused by the news of high probability of shale gas fields being present in Poland. The latest reports on potential gas reserves, presented by the U.S. Energy Information Administration show that Poland may have even 5.3 trillion m<sup>3</sup> of shale gas which would secure the current level of gas consumption in Poland for approximately 300 years.

The competence of the Silurian team and their knowledge of local conditions are significant to the American business partners whose aim is to be present on the large market and to prove that technology which they use is safe, effective and profitable.

✓ On 16 June 2011, the Company received a notice of awarding to Silurian Sp. z o.o. by the Minister of Environment Concession No. 24/2011/p for the exploration of oil and gas fields in "Gołdap" area (a part of concession blocks No. 57, 58 and 59) covering 620.82 km<sup>2</sup> (the "Concession").

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

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

The Concession awarded to Silurian was the fourth positively examined concession of the northern block which also comprises the previously awarded exploration concessions; the total area covered with the awarded concessions was 2,333.55 km<sup>2</sup>.

After the end of the reporting period, the above-mentioned concessions were transferred to Silurian Energy Services Sp. z o.o. as part of the implementation of a project whose details are discussed in item 5 of this Report.

#### FINANCIAL AREA

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

Considering the capital requirements of Petrolinvest connected with the implementation of the new development strategy and prospective business projects, as well as the intent to increase the share of Prokom Investments S.A. in the shareholding structure of the Company and the intent of Prokom and other financing entities obtained by Prokom to support Petrolinvest's projects, the parties have decided to extend until the end of 2013 the cooperation consisting in obtaining by Prokom financing for Petrolinvest's investment projects on the basis of current provisions of the Agreement, and to increase the financing by the additional amount of PLN 100 million. The total amount of financing which Prokom undertakes to obtain in the period between 2011–2013 is PLN 300 million.

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

The Annex was concluded at arm's length.

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

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

Information on the financing obtained by the Company in the first half of 2011 under the agreement with Prokom is presented below.

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

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

#### CAPITAL AREA

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

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

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

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

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

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

In connection with the said request and call, and also in connection with the resolution of the Extraordinary General Shareholders' Meeting dated 30 October 2010 regarding the issue of subscription warrants, conditional Company share capital increase, the exclusion of the pre-emptive rights of the existing shareholders of the Company and amendment of the Company's Articles of Association, on 26 January 2011, the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants entitling to the take-up of series B Company shares ("Subscription Warrants") and setting forth the detailed terms and conditions of the issue of Subscription Warrants. The Management Board decided to issue 1,800,000 Subscription Warrants and offered them for take-up to the Financing Entity. Subscription Warrants were subsequently taken up by the Financing Entity. At the same time, the Financing Entity exercised its rights under the Subscription Warrants to take up series B shares and filed a statement of acquisition of 1,800,000 series B ordinary bearer shares of the Company.

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

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

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

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

In connection with the said requests and calls, and also in connection with the resolution of the Extraordinary General Shareholders' Meeting dated 30 October 2010 regarding the issue of subscription warrants, conditional Company share capital increase, the exclusion of the pre-emptive rights of the existing shareholders of the Company and amendment of the Company's Articles of Association, on 10 February 2011, the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants entitling to take-up of series B Company shares ("Subscription Warrants") and setting forth the detailed terms and conditions of the issue of Subscription Warrants. The Management Board decided to issue 1,900,000 Subscription Warrants and offered them for subscription to: Prokom, in the amount of 1,500,000; and the Financing Entity in the amount of 400,000.

Subscription Warrants were subsequently taken up by Prokom and the Financing Entity. At the same time, Prokom and the Financing Entity exercised the rights under the Subscription Warrants to take up series B shares and filed a statement of acquisition of 1,900,000 ordinary series B bearer shares of the Company.

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

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

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

- ✓ In relation to the cash payment in the amount of PLN 10,000,000, received from Prokom Investments S.A. on 3 March 2011, made in execution of the Agreement on Financing concluded by the Company and Prokom on 20 March 2009, amended by the annex dated 31 December 2010, on 8 March 2011, the Company received from Prokom as the entity which makes a direct equity investment into Company's shares:
- a request to transfer to Prokom a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 10,000,000 performed by Prokom and the issue price equal to PLN 10.00, as well as
  - a call to offer to Prokom 1,000,000 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 10,000,000.

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

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

In connection with the said requests and calls, and also in connection with the resolution of the Extraordinary General Shareholders' Meeting dated 30 October 2010 regarding the issue of subscription warrants, conditional Company share capital increase, the exclusion of the pre-emptive rights of the existing shareholders of the Company and amendment of the Company's Articles of Association, on 8 March 2011, the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants entitling to take-up of series B Company shares ("Subscription Warrants") and setting forth the detailed terms and conditions of the issue of the Subscription Warrants. The Management Board decided to issue 2,410,348 Subscription Warrants and offered them for subscription to Prokom. Subscription Warrants were subsequently taken up by Prokom. At the same time, Prokom exercised its rights under the Subscription Warrants to take up series B shares and filed a statement of acquisition of 2,410,348 ordinary series B bearer shares of the Company.

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

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

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

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

- ✓ In relation to the cash payments in the amounts of PLN 10,000,000 and 2,000,000 received from Prokom Investments S.A. on 15 March 2011 and 17 March 2011 respectively, made in execution of the Agreement on Financing concluded by the Company and Prokom on 20 March 2009, on 18 March 2011 the Company received from Prokom as the entity which makes a direct equity investment into Company's shares:
  - a request to transfer to Prokom a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 12,000,000 performed by Prokom and the issue price equal to PLN 10.00, as well as
  - a call to offer to Prokom 1,200,000 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 12,000,000.

In connection with the said request and call, and also in connection with the resolution of the Extraordinary General Shareholders' Meeting dated 30 October 2010 regarding the issue of subscription warrants, conditional Company share capital increase, the exclusion of the pre-emptive rights of the existing shareholders of the Company and amendment of the Company's Articles of Association, on 18 March 2011, the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants entitling to take-up of series B Company shares ("Subscription Warrants") and setting forth the detailed terms and conditions of the issue of the Subscription Warrants. The Management Board decided to issue 1,168,595 Subscription Warrants and offered them for subscription to Prokom. Subscription Warrants were subsequently taken up by Prokom. At the same time, Prokom exercised its rights under the Subscription Warrants to take up series B shares and filed a statement of acquisition of 1,168,595 ordinary series B bearer shares of the Company. The Company shares, in a number which constitutes the difference between the number of shares participating in the call of Prokom and the number of shares to the acquisition of which the Warrants authorise, i.e. 31,405 shares in the Company, will be offered to Prokom later.

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

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

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

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

The adoption of the resolution on new conditional capital was aimed at enabling the Company to secure financial means necessary for (i) moving from phase 1 – exploration works on the Shyrak-1 well – to phase 2 of the project, which is exploitation of the prospective Shyrak field by means of providing necessary extraction infrastructure for purifying and storing the extracted crude oil, managing the accompanying natural gas and preparing crude oil for transport, (ii) accelerating the readiness to provide services relating to exploring shale gas in Poland by the subsidiary Silurian Sp. z o.o., inter alia by means of enabling the subsidiary to acquire world leading technologies and devices for the provision of those services, (iii) acquiring and commercialising the technology used for converting plastic waste into fuel components or energy both on the domestic market and on foreign markets, in particular on Asian markets, (iv) enabling acquisitions of those entities and rights on the market which are congruent with the Company's area of activities; such acquisitions would aim at improving the Company's position and contribute to the achievement of its economic objectives; new, promising investment projects acquired in that manner should after a relatively short time contribute to generating positive cash flows, and (v) enabling the fulfilment of conditions precedent of the agreement with the French corporation Total on common investments at the Koblandy field under the largest contract area of the PETROLINVEST Group in Kazakhstan – OTG.
- ✓ In relation to the cash payments in the total amount of PLN 23,100,000 received during the period from 30 March 2011 to 30 May 2011, made in execution of the Agreement on Financing concluded by the Company and Prokom Investments S.A. on 20 March 2009, amended by the annexes dated 31 December 2010 and 18 April 2011, on 30 May 2011, the Company received from Prokom Investments S.A. and from two entities indicated by Prokom as financing entities within the meaning of the Agreement on Financing – which make a direct equity investment into Company's shares, i.e. from Osiedle Wilanowskie Sp. z o.o. ("Osiedle Wilanowskie") and a third party (the "Financing Entity"):
  - (i) a request to transfer to Prokom a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 10,000,000 made by Prokom in the form

of a cash payment and the issue price equal to PLN 10.00; and a call to offer to Prokom 1,000,000 ordinary bearer shares of the Company at the issue price of PLN 10.00 per share, that is for the total amount of PLN 10,000,000;

- (ii) a request to transfer to Osiedle Wilanowskie a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 600,000 made by Osiedle Wilanowskie in the form of a cash payment and the issue price equal to PLN 10.00; and a call to offer to Osiedle Wilanowskie 60,000 ordinary bearer shares of the Company at the issue price of PLN 10.00 per share, that is for the total amount of PLN 600,000;
- (iii) a request to transfer to the Financing Entity a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 12,500,000 made by the Financing Entity in the form of a cash payment and the issue price equal to PLN 10.00; and a call to offer to the Financing Entity 1,250,000 ordinary bearer shares of the Company at the issue price of PLN 10.00 per share, that is for the total amount of PLN 12,500,000;

Furthermore, on 30 May 2011 – in compliance with the provisions of the agreement dated 13 January 2009 concluded with Prokom regarding, among other things, expanding the scope of the call option to cover all accounts receivable by Prokom from the Company and the agreement concluded on 14 May 2009 with Prokom, setting forth the terms on which Prokom makes its assets available to the Company to use as security for the credit facility extended by the consortium of PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego under the agreement dated 21 March 2007 – the Company received from Prokom:

- (iii) a request to transfer to Prokom a number of shares that corresponds to the quotient of (i) the accounts payable to Prokom by Petrolinvest for a PLN 5,232,591.75 advance towards the fee for providing and maintaining collateral for the credit facility charged for the period until 29 May 2011, the commercial accounts payable in the amount of PLN 391,751.11 charged for the period until 30 April 2011, and (ii) the issue price of PLN 10.00;
- (iv) a call to offer to Prokom, within the period of 5 days from 30 May 2011, 562,434 ordinary bearer shares of the Company at the issue price of PLN 10.00 per share, that is for the total amount of PLN 5,624,340.

On the same 30 May 2011 – in compliance with the provisions of the agreement dated 14 May 2009 concluded with Osiedle Wilanowskie, setting forth the terms on which Osiedle Wilanowskie makes its assets available to the Company to use as collateral for the credit facility extended by the consortium of PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego under the agreement dated 21 March 2007 – the Company received from Osiedle Wilanowskie:

- (i) a request to transfer to Osiedle Wilanowskie a number of shares that corresponds to the quotient of (i) the accounts payable to Osiedle Wilanowskie by Petrolinvest for a PLN 2,754,571.97 advance towards the fee for providing and maintaining collateral for the credit facility charged for the period until 29 May 2011, and (ii) the issue price of PLN 10.00;
- (ii) a call to offer to Osiedle Wilanowskie, within the period of 5 days from 30 May 2011, 275,457 ordinary bearer shares of the Company at the issue price of PLN 10.00 per share, that is for the total amount of PLN 2,754,570.

In connection with the said requests and calls, and also in execution of the remaining, so far not executed part of the request and call of Prokom dated 18 March 2011 as regards 31,405 shares of the Company, of which the Company informed the public in current report No. 23/2011 of 18 March 2011, and also in connection with the resolution of the Extraordinary General Meeting dated 9 May 2011 regarding the issue of subscription warrants, conditional Company share capital increase, the exclusion of the pre-emptive rights of the existing shareholders of the Company and amendment of the Company's Articles of Association, on 30 May 2011, the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants entitling to take-up of series C shares of the Company ("Subscription Warrants") and setting forth the detailed terms and conditions of the issue of the Subscription Warrants. The Management Board decided to issue 3,179,296 Subscription Warrants and offered them for subscription to: (i) Prokom, in the amount of 1,593,839, (ii) Osiedle Wilanowskie, in the amount of 335,457, and (iii) the Financing Entity, in the amount of 1,250,000. Subsequently, the Subscription Warrants were taken up by the above mentioned entities and the rights to take up series C shares were executed, as a result of which 3,179,296 ordinary series C bearer shares of the Company were taken up.

Prokom's payments for 562,434 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Prokom. On 30 May 2011, the Company concluded a netting agreement with Prokom under which the Company and Prokom netted an outstanding account receivable by the Company under the subscription for series C shares totalling PLN 5,624,340 with outstanding accounts payable by the Company to Prokom, set forth in the second paragraph, item (i) of this section. As a result of the netting, the cash contribution due by Prokom to the Company in connection with the take-up by Prokom of 562,434 series C shares was fully covered.

Osiedle Wilanowskie's payments for 275,457 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Osiedle Wilanowskie. On 30 May 2011, the Company concluded a netting agreement with Osiedle Wilanowskie under which the Company and Osiedle Wilanowskie netted an outstanding account receivable by the Company under the subscription for series C shares totalling PLN 2,754,570 with outstanding accounts payable by the Company to Osiedle Wilanowskie, set forth in the third paragraph, item (i) of this section. As a result of the netting, the cash contribution due by Osiedle Wilanowskie to the Company in connection with the take-up by Osiedle Wilanowskie of 275,457 series C shares was fully covered.

The issue price of the ordinary series C bearer shares, issued to holders of Subscription Warrants on the basis of the Issue Resolution as part of the conditional increase of the Company's share capital, was set by the Management Board at PLN 10.00 per share, considering statutory restrictions regarding the minimum issue price of shares. The issue price was approved by the Supervisory Board on 30 May 2011.

The value of the cash payment for the take-up of series C shares was PLN 23,414,050. Funds received by the Company were used mainly for the implementation of the exploration and production project in Kazakhstan.

As of 30 May 2011, the total value of financing invested in PETROLINVEST S.A. by Prokom and the entities indicated by Prokom as part of performance of the Agreement on Financing was more than PLN 137 million, of which payments made in the current year amounted to PLN 69 million.

- ✓ In relation to the cash payment in the amount of PLN 10,000,000 received on 9 June 2011, made by an entity designated by Prokom Investments S.A. as the financing entity – within the meaning of the Agreement on Financing concluded by the Company and Prokom Investments S.A. on 20 March 2009, including the annexes – which make a direct equity investment ("Financing Entity"), on 9 June 2011 the Company received:
- (i) a request to transfer to the Financing Entity a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 10,000,000 performed by the Financing Entity in the form of cash payment and the issue price of PLN 10.00, as well as
  - (ii) a call to offer to the Financing Entity 1,000,000 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 10,000,000.

In connection with the said request and call, and also in connection with the resolution of the Extraordinary General Shareholders' Meeting of 9 May 2011 regarding the issue of subscription warrants, conditional Company share capital increase, the exclusion of the pre-emptive rights of the existing shareholders of the Company and amendment of the Company's Articles of Association, on 9 June 2011, the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants entitling to take-up of series C shares of the Company ("Subscription Warrants") and setting forth the detailed terms and conditions of the issue of the Subscription Warrants. The Management Board decided to issue 1,000,000 Subscription Warrants and offered them for take-up to the Financing Entity. Subscription Warrants were subsequently taken up by the Financing Entity. At the same time, the Financing Entity exercised its rights under the Subscription Warrants to take up series C shares and filed a statement of acquisition of 1,000,000 ordinary series C bearer shares of the Company.

The issue price of the ordinary series C bearer shares, issued to holders of Subscription Warrants on the basis of the Issue Resolution as part of the conditional increase of the Company's share capital, was set by the Management Board at PLN 10.00 per share, considering statutory restrictions regarding the minimum issue price of shares. The issue price was approved by the Supervisory Board on 9 June 2011.

The value of the cash payment for the take-up of series C shares was PLN 10 million. Funds received by the Company will be used mainly for the implementation of the exploration and production project in Kazakhstan and reducing the credit debt of PETROLINVEST S.A.

As at 9 June 2011, the total value of financing invested in PETROLINVEST S.A. by Prokom Investments S.A. and the entities indicated by the same as part of performance of the above-mentioned Agreement on Financing was more than PLN 147 million, of which payments made in the current year amounted to PLN 79 million.

- ✓ In relation to the cash payment in the amount of PLN 10,000,000 received on 20 June 2011, made by an entity designated by Prokom Investments S.A. as the financing entity – within the meaning of the Agreement on Financing concluded by the Company and Prokom Investments S.A. on 20 March 2009 – which makes a direct equity investment ("Financing Entity"), on 20 June 2011 the Company received:
- (i) a request to transfer to the Financing Entity a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 10,000,000 performed by the Financing Entity in the form of cash payment and the issue price of PLN 10.00, as well as
  - (ii) a call to offer to the Financing Entity 1,000,000 ordinary bearer Company shares at an issue price of PLN 10.00 per share, that is for a total amount of PLN 10,000,000.

In connection with the said request and call, and also in connection with the resolution of the Extraordinary General Shareholders' Meeting of 9 May 2011 regarding the issue of subscription warrants, conditional Company share capital increase, the exclusion of the pre-emptive rights of the existing shareholders of the Company and amendment of the Company's Articles of Association (the "Issue Resolution") published in current report No. 35/2011, on 20 June 2011, the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants entitling to the take-up of series C Company's shares ("Subscription Warrants") and setting forth the detailed terms and conditions of the issue of the Subscription Warrants. The Management Board decided to issue 1,000,000 Subscription Warrants and offered them for take-up to the Financing Entity. Subscription Warrants were subsequently taken up by the Financing Entity. At the same time, the Financing Entity exercised its rights under the Subscription Warrants to take up series C shares and filed a statement of acquisition of 1,000,000 ordinary series C bearer shares of the Company.

The issue price of the ordinary series C bearer shares, issued to holders of Subscription Warrants on the basis of the Issue Resolution as part of the conditional increase of the Company's share capital, was set by the Management Board at PLN 10.00 per share, considering statutory restrictions regarding the minimum issue price of shares. The issue price was approved by the Supervisory Board on 20 June 2011.

The value of the cash payment for the take-up of series C shares was PLN 10 million. Funds received by the Company will be used mainly for reducing the credit debt of PETROLINVEST S.A. and the implementation of the exploration and production project in Kazakhstan.

As at 20 June 2011, the total value of financing invested in PETROLINVEST S.A. by Prokom Investments S.A. and the entities indicated by the same as part of performance of the above-mentioned Agreement on Financing was more than PLN 157 million, of which payments made in the current year amounted to PLN 89 million.

- ✓ On 28 June 2011, in relation to the cash payments in the total amount of PLN 3,820,000 received on 3, 27 and 28 June 2011, made under the performance of the Agreement on Financing concluded by the Company and Prokom Investments S.A. on 20 March 2009, including the annexes, the Company received from Prokom Investments S.A. and the entity indicated by the same as the financing entity, within the meaning of the Agreement on Financing – which makes a direct equity investment ("Financing Entity"):
- (i) a request to transfer to the Financing Entity a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 3,500,000 made by the Financing Entity in the form of a cash payment and the issue price equal to PLN 10.00; and a call to offer to the Financing Entity 350,000 ordinary bearer shares of the Company at the issue price of PLN 10.00 per share, that is for the total amount of PLN 3,500,000;
  - (ii) a request to transfer to Prokom a number of shares that corresponds to the quotient of the amount equal to the direct equity investment in Company's shares in the amount of PLN 320,000 made by Prokom in the form of a cash payment and the issue price equal to PLN 10.00; and a call to offer to Prokom 32,000 ordinary bearer shares of the Company at the issue price of PLN 10.00 per share, that is for the total amount of PLN 320,000;

Furthermore, on 28 June 2011 – in compliance with the provisions of the agreement dated 13 January 2009 concluded with Prokom regarding, among other things, expanding the scope of the call option to cover all accounts receivable by Prokom from the Company and the agreement concluded on 14 May 2009 with Prokom, setting forth the terms on which Prokom makes its assets available to the Company to use as security for the credit facility extended by the consortium of PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego under the agreement dated 21 March 2007 – the Company received from Prokom:

- (i) a request to transfer to Prokom a number of shares that corresponds to the quotient of (i) total accounts payable to Prokom by Petrolinvest for a PLN 1,629,940.09 advance towards the fee for providing and maintaining collateral for the credit facility charged for the period until 27 June 2011, the commercial accounts payable in the amount of PLN 756,416.59 charged for the period until 20 June 2011, and (ii) the issue price of PLN 10.00;
- (ii) a call to offer to Prokom, within the period until 30 June 2011, 238,635 ordinary bearer shares of the Company at the issue price of PLN 10.00 per share, that is for the total amount of PLN 2,386,350.

On the same 28 June 2011 – in accordance with the provisions of the agreement dated 14 May 2009 concluded with Osiedle Wilanowskie, setting forth the terms on which Osiedle Wilanowskie makes its assets available to the Company to use as collateral for the credit facility extended by the consortium of PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego under the agreement dated 21 March 2007 – the Company received from Osiedle Wilanowskie Sp. z o.o.:

- (i) a request to transfer to Osiedle Wilanowskie a number of shares that corresponds to the quotient of (i) the accounts payable to Osiedle Wilanowskie by Petrolinvest for a PLN 190,298.00 advance towards the fee for providing and maintaining collateral for the credit facility charged for the period until 27 June 2011, and (ii) the issue price of PLN 10.00;
- (ii) a call to offer to Osiedle Wilanowskie, within the period of 5 days from 30 June 2011, 19,029 ordinary bearer shares of the Company at the issue price of PLN 10.00 per share, that is for the total amount of PLN 190,290.

In connection with the said requests and calls, and also in connection with the resolution of the Extraordinary General Shareholders' Meeting dated 9 May 2011 regarding the issue of subscription warrants, conditional Company share capital increase, the exclusion of the pre-emptive rights of the existing shareholders of the Company and amendment of the Company's Articles of Association, on 28 June 2011, the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants entitling to take-up of series C Company shares ("Subscription Warrants") and setting forth detailed terms and conditions of the issue of Subscription Warrants. The Management Board decided to issue 639,664 Subscription Warrants and offered them for subscription to: (i) Prokom, in the amount of 270,635, (ii) Osiedle Wilanowskie, in the amount of 19,029, and (iii) the Financing Entity, in the amount of 350,000. Subsequently, the Subscription Warrants were taken up by the above-mentioned entities and the rights to take up series C shares were executed, as a result of which 639,664 ordinary series C bearer shares of the Company were taken up.

Prokom's payments for 238,635 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Prokom. On 28 June 2011, the Company concluded a netting agreement with Prokom under which the Company and Prokom netted an outstanding account receivable by the Company under the subscription

for series C shares totalling PLN 2,386,350 with outstanding accounts payable by the Company to Prokom, set forth in the second paragraph, item (j) of this section. As a result of the netting, the cash contribution due by Prokom to the Company in connection with the take-up by Prokom of 238,635 series C shares was fully covered.

Osiedle Wilanowskie's payments for 19,029 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Osiedle Wilanowskie. On 28 June 2011, the Company concluded a netting agreement with Osiedle Wilanowskie under which the Company and Osiedle Wilanowskie netted an outstanding account receivable by the Company under the subscription for series C shares totalling PLN 190,290 with outstanding accounts payable by the Company to Osiedle Wilanowskie, set forth in the third paragraph, item (i) of this section. As a result of the netting, the cash contribution due by Osiedle Wilanowskie to the Company in connection with the take-up by Osiedle Wilanowskie of 19,029 series C shares was fully covered.

The issue price of the ordinary series C bearer shares, issued to holders of Subscription Warrants on the basis of the Issue Resolution as part of the conditional increase of the Company's share capital, was set by the Management Board at PLN 10.00 per share, considering statutory restrictions regarding the minimum issue price of shares. The issue price was approved by the Supervisory Board on 28 June 2011.

The value of the cash payment for the take-up of series C shares was PLN 3,820,000. Funds received by the Company will be used mainly for reducing the credit debt of PETROLINVEST S.A. and the implementation of the exploration and production project in Kazakhstan.

As at 28 June 2011, the total value of financing invested in PETROLINVEST S.A. by Prokom Investments S.A. and the entities indicated by the same as part of performance of the above-mentioned Agreement on Financing was more than PLN 161 million, of which payments made in the current year amounted to PLN 93 million.

#### OTHER

On 31 May 2011, the Company was informed of the resignation of Mr Bartosz Jałowiecki from the function of a member of the Supervisory Board of PETROLINVEST S.A. as of 31 May 2011. The resignation was handed in due to the appointment of Mr Bartosz Jałowiecki as the Ambassador of the Republic of Poland to the Grand Duchy of Luxembourg.

On 30 June 2011, the Ordinary General Meeting of the Company appointed Mr Donald Chodak to the Supervisory Board for the current term.

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

The results achieved in the first half of 2011 were influenced by, among others, fees charged for the agreements of 14 May 2009 setting forth the terms of use of the assets made available to the Company by Prokom Group companies serving as a security for the repayment of the credit facility from PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego. The discounted fee charged for 6 months of 2011 amounted to PLN 13.7 million, of which PLN 10.9 million were posted as other operating expenses, and PLN 2.8 million – as financial expenses of the Company. The fee-related liabilities are convertible to equity. By 30 June 2011, the fee charged for the 6 months of 2011 amounting to PLN 13.6 million was converted into the Company's equity. The Management Board expects that the other liabilities on that account will also be converted (as in the case of the fee charged for previous reporting periods), owing to which the costs of service of the agreement concerned will not entail a cash outflow.

The item which affected the amount of the individual financial result were the unrealised foreign exchange losses from the valuation of loans granted to subsidiaries in the amount of PLN 24.8 million.

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

During the first half of 2011, the Company issued series B and series C shares as part of the conditional Company share capital increase, respectively pursuant to the resolutions of the Extraordinary General Meetings of the Company of 30 October 2010 and of 9 May 2011.

In the reporting period, the Company performed issues of 15,597,903 shares in total (including 9,778,943 ordinary series B shares and 5,818,960 ordinary series C shares) whose issue price totalled PLN 155,979,030. With the issue, the Company acquired a gross amount of PLN 130,920 thousand and converted the debt towards the entities of Prokom Group into equity in the gross amount of PLN 25,059 thousand in total, netting the Company's receivables under the take-up of shares with Prokom's and Osiedle Wilanowskie's receivables (including the fees under the credit collateral agreement dated 14 May 2009 – PLN 21,144.5 thousand.) The receipts from share issue have been used mostly to reduce the credit debt of PETROLINVEST S.A. and implement the exploration and production project.

- ✓ Timetable of events relating to the issue of series B shares (series B subscription warrants)  
*18 January 2011* In connection with the request and call for a share offer regarding 2,500,000 shares in the company (under the financing agreement concluded with Prokom on 20 March 2009) that were placed by the investor indicated by Prokom ("Financing Entity"), the Management

Board of the Company adopted a resolution regarding the offering of registered subscription warrants over series B shares and setting forth the detailed terms and conditions of the issue of subscription warrants.

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

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

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

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

*20 January 2011* Introduction to trading on the WSE of 2,500,000 series B shares in the Company registered in the National Depository for Securities.

In consequence, no later than on the day indicated above, the shares were registered on the subscribers' securities accounts and pursuant to Article 452 § 1 in conjunction with 451 § 2 sentence 2 of the Code of Commercial Companies, the increase of the Company's share capital to PLN 530,176,560 was effected. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 53,017,656.

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

*26 January 2011* In connection with the request and call for a share offer regarding 1,800,000 shares in the company (under the financing agreement concluded by the Company and Prokom on 20 March 2009) that were placed by the investor indicated by Prokom ("Financing Entity"), the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants over series B shares and setting forth the detailed terms and conditions of the issue of subscription warrants.

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

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

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

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

*28 January 2011* Introduction to trading on the WSE of 1,800,000 series B shares in the Company registered in the National Depository for Securities.

In consequence, no later than on the day indicated above, the shares were registered on the subscribers' securities accounts and the increase of the share capital of the Company to PLN 548,176,560 was effected. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 54,817,656.

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

*10 February 2011* In connection with the requests and calls for a share offer regarding the total of 1,900,000 shares in the company (under the financing agreement concluded by the Company and Prokom on 20 March 2009) that were placed by Prokom and the investor indicated by Prokom ("Financing Entity"), the Management Board adopted a resolution regarding the offering of registered subscription warrants over series B shares and setting forth the detailed terms and conditions of the issue of subscription warrants.

The Management Board of the Company decided to offer:

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

The above-mentioned warrants were taken up on 10 February 2011. On the same day, the eligible entities filed statements of acquisition of a total of 1,900,000 ordinary series B bearer shares of the Company.

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

Payments for the take-up of 1,900,000 Series B Shares by Prokom and the Financing Entity were made in cash, as a result of which the Company received gross proceeds of PLN 18,000,000 in total.

- 14 February 2011* Introduction to trading on the WSE of 1,900,000 series B shares in the Company registered in the National Depository for Securities.  
In consequence, no later than on the day indicated above, the shares were registered on the subscribers' securities accounts and the increase of the share capital of the Company to PLN 567,176,560 was effected. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 56,717,656.
- ✓ Timetable of events relating to the issue of series B shares (series E subscription warrants)
- 8 March 2011* In connection with the requests and calls for a share offer regarding 2,410,348 shares in the company (under the financing agreement concluded by the Company and Prokom on 20 March 2009, the agreement concluded with Prokom on 13 January 2009 concerning, among other things, expanding the scope of the call option to cover all accounts receivable by Prokom from the Company and the agreement concluded with Prokom on 14 May 2009 setting forth the terms on which Prokom makes its assets available to the Company to use as security for the repayment of a credit facility) that were placed by Prokom, the Management Board adopted a resolution regarding the offering of registered subscription warrants over series B shares and setting forth the detailed terms and conditions of the issue of subscription warrants.  
The Management Board of the Company decided to offer to Prokom 2,410,348 series E subscription warrants for 2,410,348 series B shares.  
The above-mentioned warrants were taken up on 8 March 2011. On the same day, Prokom filed a statement of acquisition of a total of 2,410,348 ordinary series B bearer shares of the Company.  
The issue price of the shares was set by the Management Board at PLN 10 per share.  
Prokom's payments for 1,410,348 series B shares were made by netting mutual accounts receivable/accounts payable by the Company and Prokom (details in item 8 of the Report).  
Payments for the take-up of 1,000,000 Series B Shares by Prokom were made in cash.
- 10 March 2011* Introduction to trading on the WSE of 2,410,348 series B shares in the Company registered in the National Depository for Securities.  
In consequence, no later than on the day indicated above, the shares were registered on the subscribers' securities accounts and the increase of the share capital of the Company to PLN 591,280,040 was effected. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 59,128,040.
- ✓ Timetable of events relating to the issue of series B shares (series F subscription warrants)
- 18 March 2011* In connection with the request and call for a share offer regarding 1,200,000 shares in the company (under the financing agreement concluded by the Company and Prokom on 20 March 2009) that were placed by Prokom, the Management Board of the Company adopted a resolution regarding the offering of registered subscription warrants over series B shares and setting forth the detailed terms and conditions of the issue of subscription warrants.  
The Management Board of the Company decided to offer Prokom 1,168,595 series F subscription warrants for 1,168,595 series B shares. The Company shares in a number which constitutes the difference between the number of shares participating in the call of Prokom and the number of shares to the acquisition of which the Warrants authorise, i.e. 31,405 shares in the Company, were offered to Prokom later.  
The above-mentioned warrants were taken up on 18 March 2011. On the same day, Prokom filed a statement of acquisition of a total of 1,168,595 ordinary series B bearer shares of the Company.  
The issue price of the shares was set by the Management Board at PLN 10 per share.  
Payments for the take-up of 1,168,595 series B shares by Prokom were made in cash, as a result of which the Company received gross proceeds of PLN 11,685,950 in total.
- 22 March 2011* Introduction to trading on the WSE of 1,168,595 series B shares in the Company registered in the National Depository for Securities.  
In consequence, no later than on the day indicated above, the shares were registered on the subscribers' securities accounts and the increase of the share capital of the Company to PLN 602,965,990 was effected. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 60,296,599.
- ✓ Timetable of events relating to the issue of series C shares (series A subscription warrants)
- 30 May 2011* In connection with the requests and calls for a share offer regarding 3,179,296 shares in the company (under the financing agreement concluded by the Company and Prokom on 20 March 2009, the agreement concluded with Prokom on 13 January 2009 and the agreement concluded with Prokom on 14 May 2009) that were placed by Prokom and two entities

indicated by Prokom, i.e. Osiedle Wilanowskie and a third party ("Financing Entity") and also in execution of the remaining, so far not executed part of the request and call of Prokom dated 18 March 2011, the Management Board adopted a resolution regarding the offering of registered subscription warrants over series C shares and setting forth the detailed terms and conditions of the issue of subscription warrants. The Management Board of the Company decided to offer:

- To Prokom Investments S.A. – 1,593,839 series A subscription warrants for 1,593,839 series C shares,
- To Osiedle Wilanowskie Sp. z o.o. – 335,457 series A subscription warrants for 335,457 series C shares.
- To the Financing Entity – 1,250,000 series A subscription warrants for 1,250,000 series C shares.

The above-mentioned warrants were taken up on 30 May 2011. On the same day, the eligible entities filed statements of acquisition of a total of 3,179,296 ordinary series C bearer shares of the Company.

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

Prokom's payments for 562,434 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Prokom. Osiedle Wilanowskie's payments for 275,457 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Osiedle Wilanowskie. The value of the cash payment for the take-up of series C shares was PLN 23,414,050 (details in item 8 of the Report).

1, 2 June 2011

Introduction to trading on the WSE, respectively, of 1,250,000 series C shares in the Company taken up by the Financing Entity and 1,929,296 series C shares in the Company taken up by Prokom, registered in the National Depository for Securities.

In consequence, no later than on 2 June 2011, all of the above-mentioned shares were registered on the subscribers' securities accounts and the increase of the share capital of the Company to PLN 634,758,950 was effected. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 63,475,895.

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

9 June 2011

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

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

The above-mentioned warrants were taken up on 9 June 2011. On the same day, the eligible entity filed a statement of acquisition of a total of 1,000,000 ordinary series C bearer shares of the Company.

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

Payments for the take-up of 1,000,000 Series C Shares by the Financing Entity were made in cash, as a result of which the Company received gross proceeds of PLN 10,000,000 in total.

13 June 2011

Introduction to trading on the WSE of 1,000,000 series C shares in the Company registered in the National Depository for Securities.

In consequence, no later than on the day indicated above, the shares were registered on the subscribers' securities accounts and the increase of the share capital of the Company to PLN 644,758,950 was effected. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 64,475,895.

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

20 June 2011

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

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

The above-mentioned warrants were taken up on 20 June 2011. On the same day, the eligible entity filed a statement of acquisition of a total of 1,000,000 ordinary series C bearer shares of the Company.

- 22 June 2011 The issue price of the shares was set by the Management Board at PLN 10 per share. Payments for the take-up of 1,000,000 Series C Shares by the Financing Entity were made in cash, as a result of which the Company received gross proceeds of PLN 10,000,000 in total. Introduction to trading on the WSE of 1,000,000 series C shares in the Company registered in the National Depository for Securities. In consequence, no later than on the day indicated above, the shares were registered on the subscribers' securities accounts and the increase of the share capital of the Company to PLN 654,758,950 was effected. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 65,475,895.
- ✓ 28 June 2011 Timetable of events relating to the issue of series C shares (series D subscription warrants)  
In connection with the requests and calls for a share offer regarding a total of 639,664 shares in the company (under the financing agreement concluded by the Company and Prokom on 20 March 2009, the agreement concluded with Prokom on 13 January 2009, the agreement concluded with Prokom on 14 May 2009 and the agreement concluded with Osiedle Wilanowskie on 14 May 2009) that were placed by Prokom, Osiedle Wilanowskie and the investor indicated by Prokom ("Financing Entity"), the Management Board adopted a resolution regarding the offering of registered subscription warrants over series C shares and setting forth the detailed terms and conditions of the issue of subscription warrants. The Management Board of the Company decided to offer:
- To Prokom Investments S.A. – 270,635 series A subscription warrants for 270,635 series C shares.
  - To Osiedle Wilanowskie Sp. z o.o. – 19,029 series A subscription warrants for 19,029 series C shares.
  - To the Financing Entity – 350,000 series A subscription warrants for 350,000 series C shares.
- The above-mentioned warrants were taken up on 28 June 2011. On the same day, the eligible entities filed statements of acquisition of a total of 639,664 ordinary series C bearer shares of the Company. The issue price of the shares was set by the Management Board at PLN 10 per share. Prokom's payments for 238,635 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Prokom. Osiedle Wilanowskie's payments for 19,029 series C shares were made by netting mutual accounts receivable/accounts payable by the Company and Osiedle Wilanowskie. The value of the cash payment for the take-up of series C shares was PLN 3,820,000 (details in item 8 of the Report).
- 30 June 2011 Introduction to trading on the WSE of 639,664 series C shares in the Company registered in the National Depository for Securities. In consequence, no later than on the day indicated above, all of the above-mentioned shares were registered on the subscribers' securities accounts and the increase of the share capital of the Company to PLN 661,155,590 was effected. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 66,115,559.

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

In the first half of 2011, the Company did not pay or declare dividends.

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

Selected financial data of the Company and the Group have been presented in item 1 of this Report.

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

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

MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF PETROLINVEST GROUP  
FOR THE 6-MONTH PERIOD ENDED 30 JUNE 2011

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

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

Shareholder	Number of shares/votes	Percentage held in share capital/total vote at AGM	Change in the number of shares	Number of shares/votes	Percentage held in share capital/total vote at AGM
	as of the publication date of the previous Report			as of the publication date of this Report	
Ryszard Krauze <sup>(1)</sup>	3,586	0.01%		3,586	0.00%
Prokom Investments S.A.	3,594,944	5.96%	+ 502,805	4,097,749	5.44%
Osiedle Wilanowskie Sp. z o.o. <sup>(2)</sup>	944,715	1.57%	+ 115,462	1,060,177	1.41%
Other shareholders	55,753,354	92.46%	+ 14,412,000	70,165,354	93.15%
<b>TOTAL</b>	<b>60,296,599</b>	<b>100.00%</b>	<b>+ 15,030,267</b>	<b>75,326,866</b>	<b>100.00%</b>

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

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

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

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

Shareholder	Number of shares held at the publication date of the previous Report	Change in the number of shares	Number of shares at the publication date of this Report
<b>Supervisory Board</b>			
Ryszard Krauze	3,586	0	3,586
Andre Spark	0	0	0
Tomasz Buzuk	0	0	0
Marcin Dukaczewski	0	0	0
Maciej Grelowski	31,321	0	31,321
Bartosz Jałowiecki	10	0	10
Rafał Juszczak	0	0	0
Andrzej Osiadacz	0	0	0
Krzysztof Wilski	30,000	0	30,000
<b>Management Board</b>			
Bertrand Le Guern	0	0	0
Marek Pietruszewski	0	0	0
Franciszek Krok	4,000	0	4,000
Roman Niewiadomski	0	0	0
Maciej Wantke	1,100	0	1,100
<b>Entities controlled by managing or supervisory persons</b>			
Prokom Investments S.A., Osiedle Wilanowskie Sp. z o.o., (Ryszard Krauze)	4,539,659	+ 618,267	5,157,926

\* / persons not holding managing or supervisory functions at the time of publication of the previous Report.

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

There are no proceedings pending before courts, competent arbitration bodies or any public administration authorities, the aggregate value of which as at 30 June 2011 represents 10% or more of the Company's equity.

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

In the first half of 2011, no material transactions within PETROLINVEST Group were concluded on terms other than at arm's length. A detailed description of the transactions concluded in the reporting period by the Company or the other entities of PETROLINVEST Group with related parties is provided in note 24 to the Consolidated Financial Statements.

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

In the first half of 2011, TOO OilTechnoGroup gave a USD 30,000 thousand guarantee to PETROLINVEST S.A. as collateral for the USD 20,000 thousand loan extended by PETROLINVEST S.A. to Occidental Resources, Inc. The Guarantee remains in force until 30 November 2020 or until final repayment of the obligations resulting from the loan agreement which matures on 30 November 2011. The guarantee was given free of charge.

Occidental Resources, Inc. and TOO OilTechnoGroup are subsidiaries of PETROLINVEST S.A.

This is the seventh guarantee issued to collateralise the loans extended by PETROLINVEST S.A. to Occidental Resources, Inc. to finance its exploration and production project. As at 30 June 2011, the total amount of the guarantees given by TOO OilTechnoGroup to the Company was USD 149,000 thousand, and the value of the loan agreements collateralised by the guarantees was USD 102,041 thousand.

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

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

The Company entered into agreements to secure financing for the exploration and production efforts of the Group within at least 12 months from the date of this Report. As part of the effort to obtain investment financing, in March 2010 the Company entered into a farm-out agreement with a Total Group company to ensure, among other things, financing in the amount of USD 70 million for the works carried out on the OTG Contract area, as well as an agreement with EBRD concerning a loan convertible to shares in the amount of USD 50 million. The Management Board emphasises that the availability of financing under agreements as yet not activated is conditional on a number of requirements to be met by the Company and by third parties, as described in detail in the Management Board's Report on the Activities of PETROLINVEST Capital Group for the 12-month period ended 31 December 2010.

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

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

After the period covered by these Financial Statements, on 23 August 2011, the Company concluded agreements with Tabacchi Enterprises Ltd. under which the Company was granted the right to use financing in the form of cash contributions to the Company's share capital amounting to PLN 30 million.

20. FACTORS WHICH IN THE ISSUER'S OPINION WILL AFFECT ITS RESULTS IN A PERIOD COVERING THE REMAINING MONTHS OF THE FINANCIAL YEAR

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

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

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

As at 30 June 2011, compared to the end of the financial year 2010, there was a change in the balance of contingent liabilities of PETROLINVEST Group in connection with the change of the kind of excise security for transferring goods in excise duty suspension procedure, from the form of general collateral existing so far to the form of lump-sum collateral. As at 31 December 2010, the value of blank promissory notes issued by PETROLINVEST S.A. for the customs office as a general excise security for transferring goods in excise duty suspension procedure was PLN 2,850 thousand. As at 30 June 2011, the Company, additionally, issued blank promissory notes in the amount of PLN 930 as a lump-sum collateral. After the completion of the procedure of replacement of the collateral and the final settlement, resulting in the returning of the collateral previously in force by the customs office, the value of the blank promissory notes issued for the customs office will be PLN 930 thousand.

22. ADDITIONAL REPRESENTATIONS OF THE MANAGEMENT BOARD

The Management Board of PETROLINVEST S.A. represents that to the best of its knowledge the interim condensed financial statements of PETROLINVEST S.A. and the interim condensed consolidated financial statements of PETROLINVEST Group for the 6-month period ended 30 June 2011 and comparable data were prepared in accordance with the current accounting regulations, give a true, reliable and clear view of the material and financial standing of PETROLINVEST S.A. and PETROLINVEST Group and its financial results and represents that the Management Board report for the 6-month period ended 30 June 2011 contains a true picture of the development and achievements as well as the situation of PETROLINVEST S.A. and PETROLINVEST Group, including a description of risks and threats.

The Management Board of PETROLINVEST S.A. represents that the entity authorised to audit the financial statements that reviewed the interim condensed financial statements of PETROLINVEST S.A. and the interim condensed consolidated financial statements of PETROLINVEST Group for the 6-month period ended 30 June 2011 was selected in accordance with the provisions of the law and that the entity and the auditors performing the review fulfilled the conditions to issue an impartial and independent review report in accordance with the relevant provisions of domestic law.

Bertrand Le Guern  
President of the Management Board

Marek Pietruszewski  
Vice-president of the Management Board

Franciszek Krok  
Member of the Management Board

Roman Niewiadomski  
Member of the Management Board

Maciej Wantke  
Member of the Management Board

Gdynia, 31 August 2011