



Petrolinvest

PRESIDENT'S LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Management Board of PETROLINVEST S.A. I am pleased to present you with the financial statements of the Company and its Capital Group for 2010.

This Report describes PETROLINVEST Group's most significant achievements in 2010, the prospects for further growth and the challenges the Group will be facing.

The most important events of 2010

One of the most important events of 2010 was the execution of two significant agreements with strategic partners who will become involved in hydrocarbon exploration and production works carried out by PETROLINVEST Group on contract areas owned in Kazakhstan. In March 2010, we secured the support of a world-renowned partner that is the French company Total and signed a financing agreement with EBRD. The acquisition of such renowned partners attests to the enormous potential and prospectiveness of the exploration project in Kazakhstan. Also in 2010, towards the end of the year, the Company resumed drilling works in the Shyrak-1 well, which I shall discuss further below and which the Company finds very promising. Besides those events, which are assumed to contribute in the near future to the growth of the value of the Company and its business, one must not forget about the fact that the debt of the Company towards financial institutions was being consistently decreased.

A new strategy

Of great importance to both the Company and its shareholders was also the creation of a new development strategy for the Company and its Capital Group. The main objective of the new strategy is to achieve positive cash flows in a possibly short space of time. The strategy also defines new development directions for PETROLINVEST Group:

1. *As regards hydrocarbon exploration and production in Kazakhstan, the Company is carrying out further exploration works under the OTG contract and is cooperating with Total. As regards the Shyrak well, where Petrolinvest is carrying out exploration works individually, if the potential of the deposit is confirmed, the Company wants to proceed as smoothly and as quickly as possible from the exploration stage to the production stage. Petrolinvest intends to sell the remaining concessions or to find partners with whom it will be possible to commence joint exploration and production works.*

2. *Taking advantage of the enormous potential of and interest in the exploration of shale gas in Poland, Petrolinvest offers through its subsidiary, Silurian, services relating to shale gas exploration in*

Poland using state-of-the-art technology and equipment. Moreover, as a result of talks held with foreign partners, Silurian has expanded its planned strategy and has applied for a concession for exploration and production of shale gas in Poland. Silurian is also interested in acquiring concessions through the secondary market. Silurian's further plans envisage expansion to neighbouring countries — Ukraine, Romania, former USSR states. A crucial element of Petrolinvest Group's strategy is to launch Silurian on the American stock market — through Nasdaq or NYSE, possibly the Canadian TSX Venture, where the investors' familiarity with the industry centred around the exploration and production of unconventional hydrocarbon deposits (e.g. of shale gas) should make it possible to raise the optimal amount of capital for further development.

3. *The Company still assumes the possibility of acquisitions* of entities and rights on the market which are congruent with the Company's area of activities and which would aim at attaining the Company's main strategic goal, i.e. achieving positive cash flows and a positive result on operating activities in the shortest time possible. Thus, the Company is actively surveying interesting business projects, particularly in the field of energetics.

4. Petrolinvest intends to expand its business connected with trading petroleum products, in which the Company has been engaged for a number of years, mainly by becoming a more active player on foreign markets. We are holding talks with several partners that will enable Petrolinvest to gain access to a wide array of petroleum products on favourable financial terms which will make it possible to increase the profitability of this segment of the Company's business.

5. Furthermore, Petrolinvest is examining the possibilities associated with offering and commercialising new technologies that make it possible to generate energy using renewable sources (such as wind energy) or alternative sources, e.g. by converting plastic waste into fuel components or electricity. We can see the possibility of offering such technological solutions both on the domestic market and on foreign markets, especially in Asia.

Kazakhstan – a summary

The key exploration and production asset owned by Petrolinvest is the OTG contract in Kazakhstan, within the confines of which substantial prospective hydrocarbon resources have been identified, which are estimated by the independent expert McDaniel & Associates at ca. 1.92 billion BOE. Petrolinvest successfully completed last year's application process for prolongation of the exploration period for the OTG Contract until March 2016. What should be highlighted is the fact that the main premise for prolonging the period of hydrocarbon exploration was a very positive evaluation of the quantity and the quality of works carried out within the OTG Contract Area.

Five pre-salt structures have been identified within the OTG Contract Area (Koblandy, Tamdy, Shyrak, Bestau and Damba) as well as two prospective areas with objects in post-salt formations. 2D seismic research has been carried out on over 2,600 km as well as 3D seismic research covering the area of 716 km² and the deep K-3 well on the Koblandy structure. The drilling of the exploration well on the Shyrak structure is ongoing. Another well on the Koblandy structure will be drilled as part of the farm out agreement with Total. Under the agreement concluded with Total, our French partner is obliged to perform and finance the first exploration well on the Koblandy structure. The total value of this investment will amount to ca. USD 70 million. Currently, seismic research (3D analysis) is being carried out on the Koblandy Structure in order to determine the optimal location of the new exploration well K-4.

Shyrak

In December 2010, the Company resumed works on the Shyrak-1 well located above a potential deposit structure whose prospective resources have been estimated by an independent expert – McDaniel&Associates – at 311 million BOE. After nearly 5 months of intensive drilling works we have reached the potential deposit zone. Unfortunately, while submitting this report, I am as yet unable to enclose with it the information provided by the independent expert, describing the results of exploration works, but I strongly encourage you to follow the Company's current reports.

Apart from the advanced stage of drilling works in Kazakhstan, another noteworthy process which took place in the past year was a further decrease of the Company's indebtedness towards the banks which finance its operations.

Upcoming events: 9 May 2011

During the upcoming Extraordinary General Meeting to be held on 9 May, the Company's shareholders will face the important task of voting through a conditional increase of the share capital by PLN 200–300 million, which will enable the Company to secure sufficient funds necessary, in particular, to proceed from the exploration stage to the production stage once the deposit located within the Shyrak structure has been confirmed, and also to accelerate the extended project related to our presence on the shale gas market.

On behalf of the Company, I wish to thank you all for another year of patience. Personally, I would especially like to thank you for the trust which you have placed in me and in the new Management Board. I am certain that by informing the public about our activities we have contributed to a better understanding of the ongoing exploration works and of the prospects that await us. I would also like to thank the Chairman of the Supervisory Board, Mr Ryszard Krauze, for his active support during both the development and the execution of Petrolinvest's strategy.

I also owe many thanks to the financial institutions that have placed their trust in us, especially to the Polish bank consortium – our long-lasting supporter – and to companies that cooperate with PETROLINVEST Group.

I also cannot leave unmentioned my colleagues from the Management Boards and the Employees of PETROLINVEST Group's Companies without whose dedication, loyalty and enormous efforts we would have not been able to achieve so much. I believe that our efforts will soon be rewarded and we will be able to say that PETROLINVEST is the leading exploration and production company in Kazakhstan and an important player on the newly-forming shale gas market in Poland.

Bertrand Le Guern

President of the Management Board

Warsaw, 29 April 2011