



Petrolinvest

PETROLINVEST GROUP

MANAGEMENT BOARD REPORT
ON THE ACTIVITIES
OF THE ISSUER'S GROUP
FOR THE YEAR ENDED 31 DECEMBER 2010

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PETROLINVEST GROUP
MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF THE ISSUER'S GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

1. SELECTED FINANCIAL DATA

1.1. Selected financial data of PETROLINVEST GROUP

	<i>for 12 months</i>		<i>for 12 months</i>	
	<i>ended 31 December</i>		<i>ended 31 December</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>PLN '000</i>		<i>EUR '000</i>	
1. Net revenue from the sale of products, goods and materials	149 957	75 740	37 448	17 449
2. Profit (loss) from operations	(90 732)	(205 241)	(22 658)	(47 284)
3. Gross profit (loss)	(159 732)	(447 749)	(39 890)	(103 153)
4. Net profit (loss) attributable to equity holders of the parent	(149 247)	(415 193)	(37 271)	(95 652)
5. Cash flows from operating activities	(59 697)	(51 528)	(14 908)	(11 871)
6. Cash flows from investing activities	(101 859)	(52 737)	(25 437)	(12 150)
7. Cash flows from financing activities	181 550	95 617	45 338	22 028
8. Net cash flows, total	19 994	(8 648)	4 993	(1 992)
9. Weighted average number of shares issued in units	33 127 514	13 518 960	33 127 514	13 518 960
10. Number of diluting potential ordinary shares	0	0	0	0
11. Earnings (loss) per share (in PLN/EUR)	(4,51)	(30,71)	(1,13)	(7,08)
12. Diluted earnings (loss) per share (in PLN/EUR)	(4,51)	(30,71)	(1,13)	(7,08)
	<i>as at</i>		<i>as at</i>	
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>PLN '000</i>		<i>EUR '000</i>	
13. Total assets	1 184 959	997 587	299 209	242 828
14. Liabilities and provisions for liabilities	641 115	748 440	161 885	182 182
15. Non-current liabilities	280 890	469 733	70 926	114 340
16. Current liabilities	360 225	278 707	90 959	67 842
17. Equity attributable to equity holders of the parent	522 473	222 618	131 928	54 189
18. Share capital	505 177	215 266	127 560	52 399
19. Weighted average number of shares issued in units	33 127 514	13 518 960	33 127 514	13 518 960
20. Number of diluting potential ordinary shares	0	0	0	0
21. Book value per share (in PLN/EUR)	15,77	16,47	3,98	4,01
22. Diluted book value per share (in PLN/EUR)	15,77	16,47	3,98	4,01
23. Declared or paid dividend per share (in PLN/EUR)	0,00	0,00	0,00	0,00

1.2. Average PLN/EUR exchange rate fixed by NBP

	<i>for 12 months</i>	
	<i>ended 31 December</i>	
	<i>2010</i>	<i>2009</i>
average rate in the period	4,0044	4,3406
	<i>as at</i>	
	<i>31 December</i>	<i>31 December</i>
	<i>2010</i>	<i>2009</i>
rate at the end of the period	3,9603	4,1082

2. CHARACTERISTICS OF PETROLINVEST GROUP

2.1. STRUCTURE OF PETROLINVEST GROUP

2.1.1. Structure of the PETROLINVEST Group as of 31 December 2010

PETROLINVEST S.A. Capital Group is composed of a parent entity – PETROLINVEST S.A. (“the Company”) and subsidiary companies. For the needs of this Report, the parent company, its subsidiaries and jointly-controlled entity TOO COMPANY PROFIT shall be referred to as PETROLINVEST Group (the “Group”).

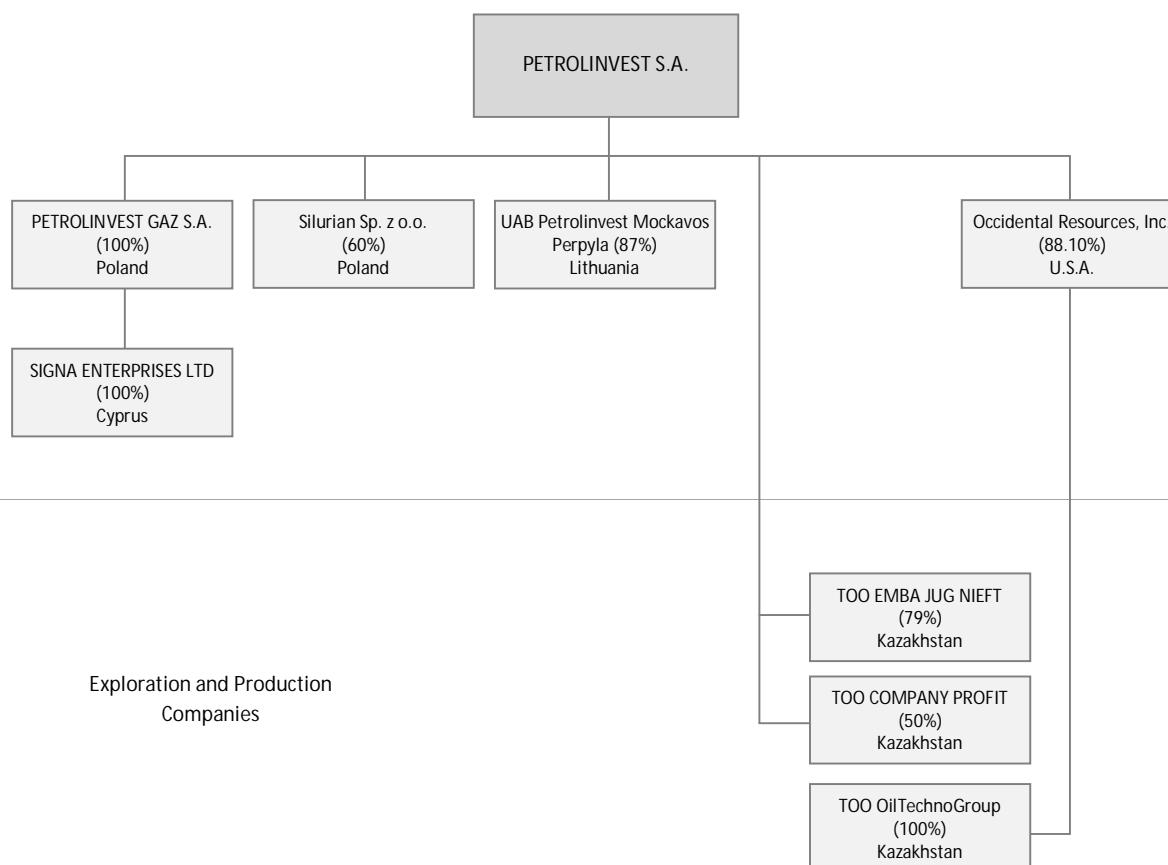
As of 31 December 2010, PETROLINVEST S.A. possessed stock/shares in the following companies:

Company name	Share capital		Shareholding	Consolidation Method
Occidental Resources, Inc. (U.S.A.) ⁽¹⁾	199,332.77	USD	88.10%	Full
TOO EMBA JUG NIEFT (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)	5,000.00	PLN	60.00%	Full
UAB Petrolinvest Mockavos Perpyla (Republic of Lithuania)	2,000,000.00	LTL	87.00%	Full
PETROLINVEST GAZ S.A. (Poland) ⁽²⁾	15,720,325.00	PLN	100.00%	Full

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

⁽²⁾ PETROLINVEST GAZ S.A. owns 100% of the shares in SIGNA ENTERPRISES LIMITED registered in Cyprus.

PETROLINVEST Group diagram as of 31 December 2010.



2.1.2. Changes in the structure of PETROLINVEST Group in 2010

On 12 May 2010 PETROLINVEST GAZ S.A., a subsidiary of PETROLINVEST S.A., acquired 100% of the shares in SIGNA ENTERPRISES LIMITED registered in Cyprus (details in note 3 of the Consolidated financial statements).

On 16 December 2010, the Company acquired 60% of shares in Silurian Sp. z o.o., an entity registered in Poland (details in item 3.2.4. herein). The acquisition of the said shares will enable the Company to enter a new business segment related to the provision of services to entities involved in exploration and production of shale gas in Poland. Silurian Sp. z o.o. intends 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. For the sake of effectiveness of management over the project, the Company envisages a subsidiary of Silurian Sp. z o.o. undertaking operating activities related to drilling services.

2.2. DESCRIPTION OF THE GROUP'S ENTITIES INCLUDED IN CONSOLIDATION

The main areas of business activity of PETROLINVEST Group include:

- activities incidental to oil and gas exploration and extraction,
- wholesale of solid, liquid and gaseous fuels and related products,
- retail sale of automotive fuel,
- manufacture of gaseous fuel,
- services connected with installation of metal structures,
- production of gas installations.

The range of activity of individual Group entities:

Company name	Range of activity
PETROLINVEST S.A.	investing in entities exploring and producing oil as well as trade in liquid fuels
Occidental Resources, Inc.	investments into entities involved in crude oil exploration and development
TOO OilTechnoGroup ⁽¹⁾	exploration and production of oil and gas
TOO EMBA JUG NIEFT	exploration and production of oil and gas
TOO COMPANY PROFIT	exploration and production of oil and gas
UAB Petrolinvest Mockavos Perpyla	liquid fuel handling services
PETROLINVEST GAZ S.A.	trade in liquid fuels
Silurian Sp. z o.o.	service activities auxiliary to oil field production
SIGNA ENTERPRISES LIMITED ⁽²⁾	financing and investing activities

⁽¹⁾ the interest in TOO OilTechnoGroup (OTG) is held indirectly via Occidental Resources Inc., which owns 100% of the shares in OTG

⁽²⁾ the interest in SIGNA ENTERPRISES LIMITED is held indirectly through Petrolinvest Gaz S.A., owner of a 100% interest in SIGNA.

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, VIII Economic Division of the National Court Register, with KRS number 0000270970 on 29 December 2006. The Company was granted statistical REGON number 190829082. The registered seat of PETROLINVEST S.A. is located in Poland, at Podolska 21, Gdynia.

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 granted statistical number (REGON) 190829082-00022.

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

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

As of the date of the 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.

2.3. INFORMATION ABOUT PETROLINVEST GROUP'S CORE PRODUCTS, GOODS AND SERVICES AS WELL AS MARKETS AND SOURCES OF SUPPLY

PETROLINVEST Group's sales revenues in 2010, as in the previous periods, mainly came from activities connected with LPG trade, carried out by the parent company PETROLINVEST S.A. (with the cooperation of the subsidiary PETROLINVEST GAZ S.A., which distributes LPG purchased by sea). The activities of the Oil Exploration and Production Companies of PETROLINVEST Group, at the current stage of the project do not generate any material revenues.

Size and product structure of the Company's sales revenues (by value)

	31 December 2010		31 December 2009		change %
	value in PLN '000	share in %	value in PLN '000	share in %	
Sale of goods, including:	148,403	99.5%	75,066	99.1%	197.9%
Automotive gas	84,014	56.6%	49,174	65.5%	170.8%
gas to foreign tax warehouses	36,668	24.7%	4,797	6.4%	764.5%
gas for heating purposes	10,405	7.0%	6,603	8.8%	157.6%
gas in cylinders	17,316	11.7%	14,492	19.3%	119.5%
Sale of services	726	0.5%	674	0.9%	107.7%
TOTAL	149,129	100.00%	75,740	100.00%	196.9%

Size and product structure of the Company's sales revenues (by volume)

	31 December 2010		31 December 2009		change %
	volume in tons	share in %	volume in tons	share in %	
Automotive gas	39,962	57.0%	31,135	69.9%	128.4%
gas to foreign tax warehouses	18,159	25.9%	2,716	6.1%	668.6%
gas for heating purposes	4,753	6.8%	3,643	8.2%	130.5%
gas in cylinders	7,202	10.3%	7,062	15.9%	102.0%
TOTAL	70,076	100.0%	44,556	100.0%	157.3%

In 2010 the Company took steps aimed at increasing the sales volume and gaining a higher level of margins on LPG trade. As a result, the value of goods sold in 2010 amounted to PLN 148.4 – almost double the amount as compared with the previous year. The sales of gas to foreign tax warehouses became more prominent in the overall structure of the Company's products and during 2010 increased as a percentage of revenues from 6% to 25% (from 6% to 26% volume-wise) owing to a 665% growth rate. Similar to the year before, the dominant product of the Company's turnover is automotive gas (a 71% growth rate); however its share of 2010 sales revenues was at 57% compared with 66% in 2009 (57% compared with 70% volume-wise).

The Company did not make any sales to foreign markets in the period covered by the Report.

The structure of recipients is dispersed and the only contracting party with whom cooperation exceeded 10% of the value of sales in 2010 was Przedsiębiorstwo Gazyfikacji Bezprzewodowej ZALGAZ with a 13% share in sales revenue.

Company supply structure:

	31 December 2010	31 December 2009
	share in %	share in %
Purchase of goods, including:	78.4%	65.1%
Orlen Gaz Sp. z o.o.	55.5%	31.3%
Glob-Terminal Sp. z o.o.	7.9%	26.9%
SIA "INTER GAZ"	18.4%	15.9%
Other	18.2%	25.9%
Purchase of services	21.6%	34.9%
TOTAL	100.00%	100.0%

In 2010, the Company expanded its cooperation with Orlen Gaz Sp. z o.o., whose supplies came to over a half of total goods purchased. The volume of purchases from other contractors has decreased with SIA "INTER GAZ" remaining a significant supplier, whose supplies in 2010 amounted to 18% of the total volume of goods purchased. None of the entities listed above are related to PETROLINVEST Group.

Company's territorial structure of supply:

	31 December 2010	31 December 2009
	share in %	share in %
Domestic	80.6%	72.4%
Foreign	19.4%	27.6%
TOTAL	100.0%	100.0%

In 2010, the Company's LPG supplies came primarily from domestic suppliers. The decrease of foreign supplies in the Company's territorial structure of supply was primarily attributable to unattractive price relations on the LPG market in Western Europe which had been an important source of supplies in the previous years.

As indicated above, the activity of PETROLINVEST Group Oil Exploration and Production Companies, at the current stage of the Project, are not generating income, while their purchases are mainly connected with exploration activities. These companies are implementing their investment programs using mainly local subcontractors and materials suppliers for the construction of boreholes. In certain areas they use foreign suppliers, mainly coming from European Union countries. Any works of material importance for exploration activities are commissioned to recognised international entities, including Saipem S.p.A.

3. SIGNIFICANT FACTORS FOR THE DEVELOPMENT OF PETROLINVEST GROUP

3.1. DESCRIPTION OF FUNDAMENTAL RISKS AND THREATS

Among the most important risk factors affecting PETROLINVEST Group's business activities in the area of exploration and production are:

- ✓ the risk of not discovering oil deposits – the exploration and production of oil is connected with a high level of risk. PETROLINVEST Group at the current stage of its development is carrying out exploration work and is not yet involved in production. At the current stage of exploration PETROLINVEST Group cannot guarantee that it will find oil in the areas where exploration is taking place. Furthermore, there is a risk that any deposits discovered will not have the character of mineral reserves, which means that they will not be suitable for profitable, economic extraction;
- ✓ the risk connected with the assessment of the size and value of resources – at the current stage of exploration, the Company does not have all information available that would allow it to make a precise estimation of potential resources in all areas where exploration is taking place and classify them as probable, proven or possible. Despite the fact that PETROLINVEST Group uses the latest technology to assess resources and size of resources, there are also risks connected with the quantification of oil and gas reserves, production rates of individual wells and actual values of resources;
- ✓ the risk connected with geological characteristics of discovered fields that may require higher capital expenditure;
- ✓ the risk connected with access to warehouse, transport and transmission infrastructure – such access depends to a large extent on the discretionary decisions of governments in individual countries and consortia of companies controlling transmission infrastructure;
- ✓ the risk connected with obtaining new resources when resources in place have been greatly reduced – the size of fields and reserves discovered in the future may not counterbalance the decline in reserves already being developed;
- ✓ operational risk connected with carrying out exploration and production activities – exploration and production activities and the distribution of oil and gas is prone to natural disasters, human error, terrorist attacks or other events that can cause oil and gas leaks, explosions, fires, damage to property and damage to the environment;
- ✓ the risk connected with the lack of experience in exploration and production – the Group only started Exploration and Production activities in 2006 and does not have extensive experience in exploration for natural resources;
- ✓ the risk of being dependent on qualified staff in respect of exploration and production – the Group cannot guarantee that there will be no problems connected with access to suitably qualified staff;
- ✓ risks connected with competition and consolidation of competitive companies;
- ✓ risk connected with environmental protection regulations – the risk that more rigorous requirements regarding activity in the oil and gas sector will be introduced causing significantly more financial obligations and a deterioration in the Group's prospects for development. Additionally, there is a risk that regulations shall be introduced limiting the emission of greenhouse gases, which in consequence will cause investment expenditures and operating costs to increase;
- ✓ risks connected with weather conditions that can have a negative impact on the delivery of exploration and production work according to schedule;
- ✓ insurance risk – despite the fact that the Group has a rational insurance policy, its insurance may not be sufficient to cover all possible losses or liabilities;
- ✓ risk connected to contracts, licenses and permits – gaining appropriate documents is dependent on the undertaking of legal activities by various interested parties, including ecological organisations or other non-governmental organisations, which constitutes a high risk of delay in issuing or extending contracts. Very rigorous formal requirements making it difficult to carry out the conditions of contracts can influence the risk of contracts being suspended, limited or withdrawn;
- ✓ the risk connected with being dependent on subcontractors and the reliability of contractors – not being able to find within an appropriate timescale qualified subcontractors and their non-reliability can lead to stoppages in work or additional costs;
- ✓ legal risk connected with the necessity of adhering to a wide range of formal requirements of law that are binding in areas where Group entities carry out exploration and production work;
- ✓ political, social and economic risk in countries where exploration and production work is taking place – bureaucratisation of procedures, limitations to the free market, changes in government, changes in government policy and applied practices and a lack of fiscal stability can exert negative effects on the financial situation of the Group;
- ✓ the risk connected with export restrictions – any domestic and international restrictions on exports and imports may have an adverse effect on current and future operations of the Oil Exploration and Production Companies;

- ✓ the risk connected with fluctuations of the tenge and foreign exchange controls - losses may arise if inflation processes occur, such as: devaluation of the national currency, introduction of government price control to curb inflation, and rising interest rates;
- ✓ the risk of changes in tax laws and inconsistency in their execution – the Oil Exploration and Production Companies may be exposed to the risk of paying excessive taxes and penalties if they do not comply with currently enacted tax laws;
- ✓ the risk of legal restrictions on acquisition and ownership of land – any restrictions of use of ownership of land and commercial real estate may have a negative impact on future operations of the Oil Exploration and Production Companies;
- ✓ the risk of unfavourable world oil prices – it is possible that during the execution of the project the 2008 slump in oil prices may be repeated, which may affect the Group's financial results and results of operations;
- ✓ the risk connected with limited access to sources of financing – the situation on global financial markets has a direct impact on the availability as well as the terms and conditions of financing that can be obtained for business operations. At this stage of exploration and production, difficulties in access to financing may impact the ability to deliver economic goals and, in consequence, impact the Group's financial results and results of operations.

Among the most important risk factors affecting PETROLINVEST Group's business activities in the area of LPG trade are:

- ✓ frequent changes in the legal and regulatory environment;
- ✓ risk of competition from companies with a stronger position, which are able to influence negatively the Group's ability to buy and sell raw materials as well as competition from companies without technical support that apply price dumping. Additionally, there is a risk of oversupply in the domestic market resulting from chaotic imports from the East, leading to disadvantageous prices and making it necessary to sell goods below purchase costs;
- ✓ the risk of the development of the grey market lowering the attractiveness of the goods offered by the Group;
- ✓ the risk of losing recipients' trust as a result of possible breakages in the rhythm and continuity of deliveries, non-deliveries or quality discrepancies;
- ✓ storage risks – connected with storage capacity limitations in the event of a fall in LPG prices and the necessity of stopping sales of supplies that were contracted earlier in order to wait for the market to offer more advantageous prices; the risk of failure to fulfil legal obligations with respect to obligatory stocks;
- ✓ commodity price risk that the Group is exposed to as prices may change between a binding purchase decision is made and the goods are made available for resale;
- ✓ foreign exchange risks connected with possible depreciation of the zloty in the face of high proportion of imports in LPG deliveries;
- ✓ the risk of unfavourable world LPG prices and considerable fluctuations in those prices, which may lead to generating insufficient margins on the domestic market or incurring occasional losses.

3.2. REVIEW OF THE MOST IMPORTANT EVENTS AND SIGNIFICANT AGREEMENTS CONCLUDED THAT HAVE HAD AN IMPACT ON THE ACTIVITY OF PETROLINVEST GROUP AND THE RESULTS ACHIEVED IN 2010 OR THAT MAY HAVE AN IMPACT IN FUTURE YEARS

3.2.1. Exploration and production

In 2010, PETROLINVEST Group continued its exploration and research work, the scope of which is presented below, taking into account, however, the delays in access to the expected sources of finance for its investments.

TOO OilTechnoGroup (subsidiary of Occidental Resources, Inc.)

The OTG Contract, owned by TOO OilTechnoGroup, is the key contract for the whole PETROLINVEST Group, for which the independent competent person, 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 has the largest investment programme in place, which is expected to lead to crude oil and natural gas production being started as soon as possible. Consequently, the independent competent person 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 in the agreement, TOTAL E&P KOBLANDY 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 committed to transfer a 50% interest in the OTG Contract to TOTAL (for details see: item 3.2.3. herein).

The Management Board is of the opinion that the strategic partnership of 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. Engaging 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 three 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 Koblандy 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, in effect, will 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.

Furthermore, as provided 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.

On 29 March 2010, the Company received the decision issued by the Ministry of Oil and Gas of the Republic of Kazakhstan (formerly the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan) authorising the extension of the exploration period under the OTG Contract by five years in order to evaluate the discoveries within the contractual territory, which was one of the conditions for executing the farm-out agreement. On 21 October 2010, acting in performance of the decision granted earlier, TOO OilTechnoGroup concluded an annex to the OTG Contract prolonging the exploration period of the Contract by five years, i.e. until 18 March 2016. The Annex commits TOO OilTechnoGroup to spend USD 55,000 thousand in capital expenditure during the prolonged exploration period (in accordance with the amended Working Programme for the years 2011-2016). Moreover, the Parties have specified in the Annex the new geographical coordinates of the contract area, including the procedure of relinquishment of a part thereof, carried out in accordance with the provisions of the Contract. The relinquished area, which constituted a 43% part of the previous Contract area, encompassed parts of the area which do not have a good outlook for exploration, where during the works conducted no hydrocarbons were documented. The current OTG Contract area is 5,376.7 km².

In the view of the Management Board of PETROLINVEST S.A., prolonging the exploration period of the OTG Contract by additional five years gives the Company long-term, stable development prospects in the field of exploration and production operations carried out within the framework of its largest contract, and is a sign of trust expressed by the supervisory and governmental bodies of the Republic of Kazakhstan, as well as of recognition of the positive results of the present exploration works on the Contract area.

The following works were carried out in 2010:

- ✓ The work program for 2010 was submitted to the competent local inspection authorities and received approval.
- ✓ As part of the cooperation with Total, 3D seismic data from the Koblандy region were interpreted, including the results from the K-3 well and selected 2D seismic data from the remaining part of the OTG Contract area. The results of these works will be used to determine the location for the drilling of the K-4 well.
- ✓ With the participation of Total, preparatory work was conducted on repeat processing of 3D seismic data for the Koblандy region. The technical scope of the necessary works was also prepared and a contractor for the processing works was selected. On 3 August 2010, OilTechnoGroup concluded a contract with Petroleum Geo-Services regarding the

reprocessing of a 3D seismic survey of the area of Koblandy carbonate platform. The contract provides for the processing of the aforementioned seismic data along with geological and geophysical data acquired in the Koblandy K-3 well using the latest, most advanced procedures, which will make it possible to obtain a better seismic image of the Koblandy gas-condensate field. The results of these works will be used to determine a location for the drilling of the K-4 well that will be optimal from the reservoir quality perspective. The works performed under the agreement are at a final stage and their results will be submitted by the contractor to OTG, Total and PETROLINVEST S.A. within several weeks after the date of approval of this Report.

- ✓ 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 equipment necessary for drilling, as well as materials and devices, including the purchase of casing pipes of appropriate technical characteristics, slurry materials and blowout preventers.
- ✓ Preparatory works were carried out 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.
- ✓ The aim of analytical works carried out was to introduce potential changes in the technology of further drilling of the Shyrak 1 well, including potential modifications of the structure of the well triggered by the results of new interpretations of geological and geophysical materials. The drilling of the well was commenced in December 2008. In January 2009, the drilling was intermediary suspended at the depth of 1,231.5 metres.
- ✓ The pooling of resources including technical staff and the drilling device owned by Saipem — Shyrak 1 drilling contractor — was carried out. On 6 December, 2010 the drilling of the Shyrak 1 exploration well was resumed. In December 2010, drilling works were carried out which consisted in drilling through salt deposits in order to reach the reservoir rocks located below. The depth of the well as at the end of the reporting period covered herein was 3,588 metres. 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).

Events occurring after the end of the reporting period

- ✓ After the end of the reporting period the performance of works in the Shyrak-1 well was continued. 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 registered, which confirmed the prospectiveness of the well as estimated by McDaniel & Associates Consultant. During 5 subsequent weeks works were carried out which included the running and cementing of 9 5/8" 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. After the works had been terminated, the drilling of another section of the well was resumed within the area of reservoir rock series using a drill with a diameter appropriate for the 7" casing. At this last stage of drilling, the expected oil-bearing reservoir layers will be drilled through. If the presence of hydrocarbons in those layers is confirmed, field test will be carried out once the drilling has been finished, in order to determine the well rate for the first well and make an initial estimate as to the size of the discovered field.

TOO EMBA JUG NIEFT

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. The aggregate value of confirmed reserves and prospective resources for this contract is USD 93.1 million.

In 2010, preparatory works to continue the processing and interpretation of the 3D seismic survey (*Pre-stack Time Migration and Pre-stack Depth Migration*) were ongoing in the contract area.

In accordance with the decision of 16 November 2009, the Company is in possession of the decision of the Ministry of Oil and Gas of the Republic of Kazakhstan prolonging the exploration period of the Emba Contract to 29 June 2011. The decision on prolonging the exploration period will be implemented in the form of an annex to the Emba Contract. As at the date of approval of this Report, the Company had worked all of the remarks made by the Ministry of Gas and Oil into the draft of the annex to the Emba Contract; the annex was sent over to be signed and is now subject to approval by the legal department of the Ministry.

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, took steps aimed at securing a partner under the farm-out formula or reselling the shares in TOO Emba Jug Niefert. The Management Board may continue to partly finance TOO EmbaJugNiefert, 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.

In the 2010, works were continued on the relinquishment 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. For this purpose, an agreement was signed with a company possessing a licence for drawing up the documentation required by the contract. The agreement also covers obtaining a new so-called *geological allotment*, in which the new geographical coordinates of the contract area will be defined.

On 7 December 2010 the Company received the decision issued by the Ministry of Oil and Gas of the Republic of Kazakhstan (formerly The Ministry of Energy and Mineral Resources of the Republic of Kazakhstan) regarding the extension of the exploration period under the Profit Contract by two years. The provision in question will be implemented in the form of an annex to the Profit Contract No 1810 dated 18 August 2005, registered for the benefit of TOO Company Profit. The current exploration period for the Profit Contract, as provided in the annex dated 5 March 2008, expired on 18 August 2010.

3.2.2. Gas trade

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

The agreement with the highest value among all the agreements concluded by the Company with ORLEN GAZ Sp. z o.o. within the past 12 months is the significant agreement concluded on 23 August 2010, the estimated value of which is PLN 40,416 thousand. The terms and conditions of the Agreement are similar to market terms and conditions, the delivery of LPG will be effected using the "DDU Suwałki/Łubiana/Gdynia" formula in accordance with the Incoterms 2000. The Agreement was concluded for a period ending on 31 December 2010. A bill of exchange guarantee submitted by a company that belongs to the Prokom Investments S.A. capital group serves as the financial collateral for the performance of the Agreement. The aforementioned Agreement may be considered a significant agreement, as the aggregate value of all agreements concluded with this client over the preceding 12 months exceeds 10% of the Company's equity.

- ✓ On 18 November 2010, the Company and the Morgan Stanley Capital Group, Inc. ("Morgan Stanley") concluded an agreement concerning the final settlement between the parties in connection with the termination by Morgan Stanley of the LPG supply agreement of 4 November 2009 concluded between the Company and Morgan Stanley (the Company announced the conclusion of this agreement in current report No 99/2009 of 5 November 2009). The subject matter of the agreement was the purchase of 140,000 tons of LPG in total by the Company in the years 2010–2011. The estimated value of deliveries to be performed under the contract was supposed to exceed USD 90,000. The Agreement was terminated on 13 October 2010. The reason provided by Morgan Stanley for terminating the agreement was the failure of the Company to establish, pursuant to the terms of the agreement, collateral on behalf of Morgan Stanley for the Company's payment for LPG deliveries under the agreement in the form of documentary credit.

Pursuant to the terms of the agreement concluded on 18 November 2010, during the final settlement between the parties in connection with the termination of the Agreement, the Company was obliged to pay to Morgan Stanley the amount of USD 2,450,000, corresponding to the excess of the margin which Morgan Stanley would have generated delivering LPG to the Company, in comparison with deliveries to other recipients, which the Company indicated in current report No 99/2009 of 5 November 2009. The settlement amount is fully covered by the provision created in 2008, and therefore the payment of the settlement amount will not be charged to the Company's financial result.

In the opinion of the Company's Management Board, in view of the ongoing situation regarding price relations on the LPG market between the Western and Eastern European purchase areas, performance of the Agreement would not have brought the Company the expected economic effects. The conclusion of the agreement made it possible to limit the detrimental economic effects of the Agreement.

Termination of the Agreement with Morgan Stanley was another element of the restructuring of the Company's LPG sector operations, which is nearing completion. As previously signalled, operations in this segment became more dynamic at the beginning of 2010, resulting in a significant growth in sales volume.

3.2.3. Financial area

- ✓ On 16 March 2010, TOO OilTechnoGroup, a company established and operating under the law of Kazakhstan, controlled by the Company ("OTG"), and the Company concluded a farm-out agreement with TOTAL E&P KOBLANDY, a TOTAL Group ("Total") Company established and operating under the law of France, setting forth the terms and conditions for the joint continuation of work in the area of the OTG Contract.

In the Agreement, Total committed to finance the efforts in the area of the OTG Contract with the amount of USD 70 million, including drilling the Koblandy-4 well on the Koblandy structure ("Costs"). In exchange for the financing, OTG committed to transfer 50% interest in the OTG Contract to Total.

In addition:

- after commercial production of hydrocarbons is commenced, OTG will refund 50% of costs incurred by Total (plus interest equal to LIBOR + 5% p.a.) from OTG's share in the production or from proceeds from the sale of that production,
- after oil discovery in the Koblandy-4 well is officially confirmed, two more wells will be drilled and financed in proportion to Total's and OTG's interests in the OTG Contract; in this case, OTG will have the option to finance its share of the costs of drilling those wells from the funds provided by Total; if OTG decides to use this option, Total will acquire a further 30% interest in the OTG Contract, provided that appropriate consent from the Ministry of Energy and Mineral Resources ("MEMR") is obtained.

Furthermore, as provided in the 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 Agreement provides that Total will become the operator for all the work on the OTG Contract area (except for the work on the Shyrak structure) on the basis of a Joint Operations Agreement that will be concluded by and between the parties based on a model contract prepared by the Association of International Petroleum Negotiators ("JOA"), which is a recognised international standard in the oil industry, regulating the terms and conditions of cooperation among partners on the same contract.

The Agreement was concluded with the following conditions precedent:

- a) obtaining consent from the Kazakh MEMR to execute the agreement and MEMR's consent to extend the exploration period of the OTG Contract by a minimum 3 years to ensure proper evaluation of discovered reserves, with the obligation to incur expenditures of up to USD 60 million that will involve drilling the Koblandy-4 well on the Koblandy structure,
- b) OTG and Total signing an annex to the concession agreement relating to the OTG Contract,
- c) terminating the agreement between the Company and PGNIG S.A. that was the subject of current report No 105/2009 dated 25 November 2009 to the extent applicable to the OTG Contract,
- d) obtaining appropriate consents from the Company's and OTG's financing banks and clearing the pledge over the OTG Contract,
- e) concluding an agreement providing that a pledge over 50% of the OTG Contract owned by OTG should be established in favour of Total,
- f) the Company providing a guarantee of performance by OTG of some of the obligations resulting from the Agreement,
- g) obtaining other necessary consents, including documents confirming that such consents have been obtained, and delivering the documentation specified in the Agreement to Total.

The offer to conclude a farm-out agreement whereby Total would commit itself to cover the costs of drilling a new exploration well on the Koblandy structure in exchange for 50% of the OTG Contract was made to the Company during negotiations on 23 December 2009.

The Agreement meets the criteria of a significant agreement because its value exceeded 10% of the Company's equity.

Strategic partnership of PETROLINVEST Group with TOTAL Group, one of the world's largest oil companies, is in the opinion of the Management Board a success of the strategy adopted by the Company and its shareholders in respect of the OTG Contract. The partnership with Total Group will allow for the geological and economic potential of the OTG Contract to be put to full use in the shortest possible time-frame.

Engaging 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 three 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, in effect, will contribute to the OTG Contract quickly gaining in value and production being launched on a commercial scale.

On 29 March 2010, the Company received a decision from the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan authorising the extension of the exploration period under the OTG Contract by five years in order to evaluate the discoveries within the contractual territory, which was one of the conditions for executing the farm-out agreement. On 21 October 2010 the parties executed a relevant annex concerning that matter.

- ✓ On 18 March 2010, the Company concluded an agreement with Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and GEM Global Yield Fund Limited (collectively, the "Investors") concerning financing of up to PLN 127.5 million to be made available to the Company, through the issue by the Company of unsecured convertible bonds with a total nominal value of up to PLN 112.5 million and prepaid subscription warrants totalling PLN 15 million with an exercise price of PLN 19 per share, and, furthermore, the delivery to the Investors of up to 2,400,000 subscription warrants issued on the basis of Resolution No. 1 of the Extraordinary General Meeting of the Company of 30 December 2009 entitling their holders to acquire up to 2,400,000 shares in the Company issued at PLN 35 per share (for the first tranche consisting of 1,200,000 warrants) and PLN 47.5 per share (for the second tranche consisting of 1,200,000 warrants), with a total value of PLN 99 million. Each of the Investors is entitled to acquire a relevant part, as specified in the Agreement, of the bonds and warrants to be issued under the Agreement (the "Relevant Part").

The agreement permits the Company, subject to certain conditions, to issue up to four tranches of convertible bonds or prepaid subscription warrants at a total issue price of PLN 22.5 million (the first tranche), and PLN 30 million (each of the remaining tranches). The Investors also have the right to demand that the Company issue the remaining tranches and accordingly to purchase bonds or prepaid subscription warrants issued under such tranches. The price at which bonds from the particular tranches can be converted into the Company's shares was established at PLN 19 (the first tranche), PLN 22 (the second tranche), PLN 30 (the third tranche) and PLN 36 (the fourth tranche) for one share in the Company, provided, however, that if the mean of the three lowest closing prices (determined based on the exchange listing prices of the Company's shares) of the Company's shares over 20 consecutive trading days immediately preceding the date on which the bondholder submits a notice converting his bonds into the Company's shares is lower than the basic conversion price applicable to the relevant tranche, as stated above, then the conversion price for the bonds referred to in the conversion notice would be equal to that mean price. The possibility of reducing the conversion price based on the aforementioned rule did not apply to bonds issued in the first tranche. It was established that the conversion price may be subject to adjustment in accordance with agreed formulae upon certain corporate events affecting the Company.

Should it occur during the effective term of the agreement that the closing price of the Company's shares remains, for any 15 trading days out of any 30 consecutive trading days, above the price levels specified for the relevant bond tranches (i.e. PLN 26 for the second tranche, PLN 36 for the third tranche, and PLN 42.5 for the fourth tranche) following the issue of the previous tranche, the Company is, subject to certain conditions, entitled to issue the relevant bond (or prepaid subscription warrant) tranche and demand that the Investors purchase such bonds or prepaid subscription warrants.

Prior to obtaining from the banks that finance the Company the consent to issue bonds, each of the Investors was entitled to demand that the Company issue, for such Investor's benefit, prepaid subscription warrants in a number not exceeding the quotient of the value of the given Investor's Relevant Part for the given bond tranche and the basic bond conversion price for the given tranche, which enabled the given Investor to become entitled to subscribe for the same number of shares as he would be entitled to if an equivalent amount of bonds of the same tranche was issued, and at an exercise price corresponding to the conversion price which would apply to the given bond tranche, if such were issued. Moreover it was established that the Company may require the Investors to subscribe for such prepaid warrants on the same terms as the terms under which it would be entitled to require the Investors to subscribe for a tranche of convertible bonds, if such were issued. If subscription warrants were to be issued instead of the bonds, the Company would, on the date of issue of such warrants, receive funds equal to the funds it would obtain if a relevant part of the bond tranche was issued. It was also decided that prepaid subscription warrants issued by the Company instead of the bonds would entitle their holders to subscribe for shares by 31 December 2014. The parties agreed that upon exercising the warrant, the prepaid amount would be credited towards the issue price of the shares subscribed for in the exercise of the warrant. Furthermore, if the issue price of the shares subscribed for in the exercise of the warrant is lower than the issue price applicable on the date such warrant is issued, the Company is required to issue additional warrants to such warrant holder, whose total number shall be the quotient of the difference between the total amount prepaid towards the warrants being exercised by the given holder at the given time and the total issue price of the shares subscribed for in the exercise of the warrants, and the share issue price applicable to the warrants on their relevant exercise date.

The agreement requires the Company to pay to the warrant holder who exercises his share subscription right a contractual penalty in an amount determined in accordance with a formula provided in the agreement if, within the time-frame specified in the agreement, shares in the Company are not recorded in the warrant holder's securities account in a number stated in the warrant exercise notice. The amount of the contractual penalty depends on how many shares to be subscribed for in the exercise of the warrants failed to be recorded in such warrant holder's securities account and on the time by which such entry was delayed compared with the time-frame provided for recording such shares in such warrant holder's securities account. If a contractual penalty is paid in the manner stated above, the given warrant holder may not seek damages for the relevant delay in excess of such contractual penalty paid.

The negotiations between the Company and the Investors entered the stage of firm commitments on 12 March 2010.

The Agreement meets the criteria of a significant agreement because its value exceeded 10% of the Company's equity.

- ✓ On 28 May 2010, the Company executed an agreement with Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. (the "Investors"), and Prokom Investments S.A. (the "Assumption Agreement") regarding the assumption by Prokom Investments S.A. of certain of the Investors' rights under the agreement dated 18 March 2010 (the "Assumption Agreement") between the Company, the Investors and GEM Global Yield Fund Limited.

Under the Assumption Agreement the Investors transferred to Prokom all the rights to subscribe for II tranche convertible bonds or II tranche prepaid subscription warrants for the total issue price of PLN 30 million. The terms of conversion of the convertible bonds into shares in the Company and the terms of exercise of rights to prepaid subscription warrants remained as originally stated in the Agreement.

Besides the 1,200,000 subscription warrants that the Company has issued on a gratuitous basis under the Agreement in favour of the Investors, the Company, in the Assumption Agreement, warranted to issue, on gratuitous basis, in favour of the Investors, 3,000,000 additional subscription warrants that authorise to subscribe for 3,000,000 shares in the Company at the issue price of PLN 20 per share (the "New Warrants"), where 1,200,000 New Warrants were to be issued immediately after the execution of the Assumption Agreement, and 1,800,000 New Warrants after the adoption by the Company's General Meeting, no later than by 31 August 2010, of a resolution regarding a conditional increase of the Company's share capital by PLN 18,000,000 (the "Resolution"). For the purposes of the Assumption Agreement the issue price for the shares subscribed for in result of exercise of the issued Warrants was changed from PLN 35 to PLN 20.

The Investors were granted the right to exercise, on the terms of the Agreement, the subscription warrants that are held by them and that have been issued by the Company under the Agreement.

Under the Assumption Agreement, PETROLINVEST S.A. obtained the possibility to procure earlier financing of the Company by the Investors through the Investors' subscription for shares as a result of the exercise of the rights under the subscription warrants. If during consecutive 60 stock exchange sessions the closing price for the shares in the Company remain at over PLN 30, the Company has been equipped with the right to request the Investors to exercise 50% of the Issued Warrants and 50% of the New Warrants. The Company gained the right to demand the Investors to exercise their rights to the remaining 50% of the Issued Warrants and the New Warrants if during consecutive 60 stock exchange sessions the closing price for the shares in the Company remains at over PLN 40. With respect to the New Warrants, the periods referred to in this paragraph are solely the periods after the adoption of the Resolution.

Pursuant to the Assumption Agreement, Prokom was granted the right to demand the Investors to assign to Prokom or an entity designated by Prokom any rights to subscribe for the III and IV tranche convertible bonds and the III and IV tranche prepaid subscription warrants that the Company agreed to issue in favour of the Investors under the Agreement. Once Prokom or an entity designated by Prokom exercise the rights described in this paragraph, the terms of conversion of the convertible bonds into shares in the Company and the terms of exercise of the rights to the prepaid subscription warrants remain as originally stated in the Agreement.

The Agreement meets the criteria of a significant agreement because its value exceeded 10% of the Company's equity.

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

Financing provided by the Investors played a significant role in ensuring the Company's liquidity at a time of material importance for the Company while the Investors' willingness to allow Prokom to become involved in the financing of the Company through convertible bonds and prepaid subscription warrants meant to the Company that it would in fact be able to obtain financing adjusted to the needs of the Company and granted regardless of the price of company shares, and by Prokom to the extent possible, in accordance with the declarations made by Prokom to provide financing to the Company.

As part of performance of the Agreement of 18 March 2010, Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and GEM Global Yield Fund Limited provided to the Company — in execution of the I tranche and a part of the III tranche of prepaid subscription warrants — funds in the amount of PLN 47.5 million.

The remaining funds in the form of execution of the II tranche, a part of the III tranche and the IV tranche of prepaid subscription warrants totalling PLN 80 million were made available to the Company by Osiedle Wilanowskie Sp. z o.o. (on Prokom's indication) and by entities indicated by Osiedle Wilanowskie.

As of the end of the reporting period, the whole financing totalling PLN 127.5 million and granted under the aforementioned Agreement in the form of prepaid subscription warrants was drawn.

On 9 September 2010, the Company and Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and Prokom Investments S.A. executed an agreement ("Transfer Agreement") regarding the transfer by the funds to Prokom of 2,400,000 subscription warrants entitling their holders to take up 2,400,000 shares in the Company at an issue price of PLN 20 per share, issued in favour of the funds under the agreement of 18 March 2010 and under the Assumption Agreement of 28 May 2010.

Pursuant to the Transfer Agreement, the Company undertook to issue 2,400,000 free-of-charge subscription warrants to the funds for 2,400,000 shares in the Company at an issue price of PLN 16.50 per share, and, additionally, 1,800,000 subscription warrants for 1,800,000 shares in the Company at an issue price of PLN 20 per share ("Additional Warrants"). The parties agreed that the Additional Warrants would be issued following the adoption at the General Meeting of the Company of a resolution regarding their issuing as well as the conditional increase of the Company's share capital, registration of the resolution by the registry court and adoption by KDPW S.A. (National Depository for Securities) and

GPW S.A. (Warsaw Stock Exchange) of relevant resolutions concerning the registration of shares with the National Depository for Securities (KDPW) as well as admittance and introduction of the shares at the GPW S. A. At the same time it was agreed that 1,800,000 Additional Warrants would be issued instead of 1,800,000 New Warrants which were to be issued under the provisions of the Assumption Agreement.

The 2,400,000 subscription warrants that had been transferred to Prokom were executed by Prokom and Osiedle Wilanowskie on 15 September 2011. In view of the provisions of agreements concluded earlier and the need to consistently reduce the debt of the Company, the Management Board of the Company decided to change the conditions of execution of subscription warrants over the shares by setting the issue price of shares included in the execution of the above-mentioned warrants at 11.8918 per one share. The funds received by the Company in connection with the execution of warrants totalled PLN 28.5 million.

The Company share issues, as part of which shares were taken up in execution of the subscription warrants issued in exercise of the aforementioned agreements, have been discussed in detail in item 3.2.5. herein.

- ✓ On 29 March 2010, the Company concluded a Loan Agreement with the European Bank for Reconstruction and Development ("EBRD") ("Loan Agreement"), under which EBRD extended a loan facility to the Company in the maximum amount of USD 50,000,000.

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

As provided in the Loan Agreement, the EBRD will have the right to convert the Loan to Company shares, either fully or partially. The right of conversion may be exercised at the EBRD's sole discretion at any point, starting from the date of the first disbursement and until 30 days before the third anniversary of the conclusion of the Loan Agreement. The conversion price shall be PLN 27.50 per share. Moreover, if the market price of the Company's shares over 30 consecutive calendar days is PLN 50 or more, and the EBRD decides not to convert any part of the Loan, the Company shall have the right (but not the obligation) to repay the outstanding balance of the Loan, either in full or in part. In such a case, the conversion right shall expire upon repayment.

The Loan Agreement imposes a number of specific obligations on the Company, including the following: (i) not to take any actions that could dilute the stock to which the EBRD is entitled, without prejudice to the Company's existing liabilities; (ii) to further reduce the debt of PETROLINVEST Group; (iii) to apply best corporate governance practices (including OECD Principles of Corporate Governance); and (iv) to use its best efforts to have the Company's shares listed on the London Stock Exchange, in parallel to the WSE, prior to the second anniversary of the Loan Agreement.

The Loan Agreement envisages the establishment of the following security:

- a financial and registered pledge over Petrolinvest shares owned by Prokom Investments S.A.;
- a financial and registered pledge over the Company's bank accounts;
- a pledge over the OTG Contract (the pledge shall not prejudice the rights of Total Group);
- a pledge over the Emba shares held by the Company;
- a pledge over the Emba Contract.

The conditions precedent of the Loan were:

- confirmation that loan security was established or submitted for registration (in the case of registered pledges over Company shares owned by Prokom Investments S.A., on the Company's bank accounts and on the OTG Contract) to relevant registers in Poland and Kazakhstan
- releasing the pledge over the OTG Contract established in favour of Bank CenterCredit;
- agreeing upon and registering a conditional share capital of the Company in the amount enabling the conversion of the entire Loan in exercise of the conversion option;
- concluding a share retention agreement between Prokom Investments S.A. and the EBRD, whereby Prokom Investments S.A. would undertake not to change its shareholding in the Company without the EBRD's prior written consent;
- amending the provisions of the equity line of credit agreement with GEM Global Yield Fund Limited so that its form is satisfactory to the EBRD and the Company committing to the EBRD to use the equity line of credit to obtain the necessary funds to repay the Loan;
- confirmation that Prokom Investments S.A. has transferred no less than USD 130,000,000 to finance OTG's and Emba's geological work;
- appointing an EBRD representative to the Company's Supervisory Board (and concluding an appropriate side letter with Prokom Investments S.A.);
- obtaining appropriate consents from the entities financing the Company;
- the Company meeting all the other conditions of the Loan Agreement;
- providing certified copies of the documents specified in the Loan Agreement to the EBRD, including agreements and other documents pertaining to the financing of PETROLINVEST Group, agreements connected with the

delivery of the exploration and production project in Kazakhstan, and any other necessary regulatory and corporate consents, reports, letters, certificates, excerpts or copies and legal opinions.

The Agreement meets the criteria of a significant agreement because its value exceeds 10% of the Company's equity.

EBRD's decision was preceded by several months' due diligence covering geological, technical, environmental, economic, financial, and legal aspects. As the EBRD's Management Board resolved to approve the financing, the agreement with EBRD, apart from providing finance for the Company's investment activities in Kazakhstan, will also involve some actions to be taken by the Company in consultation with EBRD aimed at enhancing the Company's corporate governance standards and ensuring that the highest environmental protection standards are applied.

The Resolution of the EBRD Management Board concerning the financing of the Company's operations was adopted on 9 March 2010.

- ✓ On 9 December 2010, the Company signed an agreement with Prokom Investments S.A. ("Assignment Agreement") on the transfer by Prokom to the Company:
 - of accounts receivable under the loan agreement concluded on 14 January 2008 between PROKOM and Capital Energy S.A. (Loan Agreement"). The value of these accounts receivable exceeds PLN 51,367,000, whereas the Company acquired them from Prokom for PLN 45,460,579.37. The parties agreed that the transaction would be settled in a non-cash manner, through the issue of shares by the Company; and
 - Accounts receivable under the share sale agreement of 20 December 2007 concluded between Prokom and Mars International Worldwide Inc. pertaining to indirect acquisition of shares in BMB Munai, one of the companies of Capital Energy S.A. group. The value of these account receivable exceeds PLN 22,880,000, whereas the Company acquired these accounts from Prokom for PLN 20,250,000.00. The parties agreed that the transaction would be settled in a non-cash manner, through the issue of shares by the Company.

The Assignment Agreement was concluded in exercise of one of the obligations under the agreement of 13 January 2009 concluded by the Company and Prokom and in connection with obtaining the consent of PKO Bank Polski S.A. on 9 December 2010, acting as the Consortium Agent, to perform the Agreement as regards the part thereof relating to the acquisition of the above-mentioned accounts receivable. The Bank's consent was granted subject to conditions which guarantee the legal security of the Company as a party to the Assignment Agreement.

In connection with the conclusion of the Assignment Agreement, the Company and Prokom concluded an agreement concerning the transfer to Prokom of rights and obligations under the pledge agreement concluded on 13 January 2008 between InvestTechnoGroup LLP, a company established under Kazakh law ("ITG") and Prokom, on the basis of which ITG established a pledge over 75% of shares in BMB Munai LLP, a company established under Kazakh law, to serve as collateral for the accounts receivable by Prokom under the Loan Agreement ("Pledge Agreement"). The agreement on the transfer of rights and obligations under the Pledge Agreement shall enter into force upon the fulfilment of the following conditions precedent:

- granting by the Ministry of Oil and Gas of the Republic of Kazakhstan ("MRG") of consent to the transfer of rights and obligations under the Pledge Agreement to the Company or issuing a confirmation in writing by the MRG that such a consent is not required; and
- registration of the agreement on the transfer of rights and obligations under the Pledge Agreement with the Almaty Regional Department of Justice or the MRG.

The agreements under which receivables were transferred to PETROLINVEST S.A. were concluded by Prokom at the request of and to the benefit of the Company in order to enable it to carry out investments relating to its exploration and production activities. The conclusion of the aforementioned agreements was one of the numerous forms of Prokom's involvement in financing the Company's operations.

The conclusion of the Assignment Agreement was one of the stages of the works aimed at the concentration of exploration assets within the framework of PETROLINVEST S.A. The Management Board of the Company is of the opinion that such a concentration will enable an efficient restructuring of exploration assets in Kazakhstan. The receivables were acquired at a discount to their accounting value, which is equivalent to the risk premium relating to the restructuring of exploration assets being under way.

On 9 December 2010, the Company's liabilities towards Prokom Investments S.A. resulting from acquisition of the accounts receivable discussed above were converted to the Company's equity (for details see item 3.2.5 herein). The settling of accounts payable to Prokom through the issue of shares is beneficial to the Company, considering its financial needs. The conversion of liabilities towards Prokom to equity constitutes a desirable step towards reducing the share of debt in the Company's asset financing structure and translates into an increase in equity. The accounts receivable acquired by the Company in the above-mentioned, non-cash manner have equipped the Company with the right to receive contributions in cash from its debtors.

- ✓ On 31 December 2010, the Company concluded with Prokom an annex to the agreement setting out terms and conditions for cooperation in seeking financing for the Company dated 20 March 2009 ("Annex").

Pursuant to the Annex, the parties agreed on extending the period for conducting activities by Prokom aimed at seeking financing for the Company's operations by 18 months, i.e. until 30 June 2012. Simultaneously, Prokom undertook to seek financing in the period of the aforementioned 18 subsequent months up to the amount of PLN 200 million ("Financing").

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 current report no. 33/2009 of 20 March 2009, were maintained. The Financing for the Company will be provided by Prokom or third parties indicated by Prokom ("Financing Entities") on the basis of loan agreements or other agreements of similar nature, on an arm's length basis with the possibility of conversion into the Company's equity, or as a direct equity investment in shares of the Company.

The request to convert the whole or a part of the Financing into the Company's equity shall be effected through the issue of new Petrolinvest shares at an issue price equal to an average close price of the Company's shares at the Warsaw Stock Exchange ("WSE") from 180 quoting days preceding the date of the request, or — if the Financing Entity shall decide so — at an issue price equal to the close price of the Company's shares at the WSE from the day preceding the date of the request, whereas the issue price shall not be lower than the face value of a share, i.e. PLN 10.

If Prokom obtains financing from another Financing Entity, other than Prokom, then Prokom shall be entitled to remuneration from the Company equal to 2% (net) of the value of the Financing so obtained.
The Annex was concluded at arm's length.

The above Annex meets the criteria of a significant agreement because its value exceeds 10% of the Company's equity.

As at the date of conclusion of the Annex, the total value of financing invested in PETROLINVEST S.A. by Prokom or entities indicated by Prokom since the beginning of 2010 exceeded the amount of PLN 262 million, including financing by entities indicated by Prokom within the framework of executing the above-mentioned agreement on seeking financing (through a direct equity investment in the Company's shares), which exceeded the amount of PLN 68 million, out of which the amount of PLN 35.8 million was directly designated for reducing the Company's credit debt in December 2010. More than PLN 60 million of the above financing was obtained with the possibility of conversion into PETROLINVEST shares at the issue price of PLN 10 per share, i.e. higher than their price at the WSE, which is indicative of the investors' faith in the success of projects carried out by the Company.

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 simultaneously constituted a significant source of financing for the Company's entire activity in 2010.

- ✓ During the period covered herein, PETROLINVEST S.A. significantly reduced its indebtedness resulting from the biggest interest debt item, i.e. the credit facility extended to the Company under the credit facility agreement of 21 March 2007 by PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego (BGK). On 15 and 17 March 2010, the outstanding balance of the facility was reduced by PLN 74 million, i.e. the balance amounted to PLN 74.9. On 31 March 2010, the Company made another early repayment in the amount of USD 6.2 million.

This reduction in the outstanding balance of the credit facility was possible owing to the repayment of PLN 74 million made by Prokom Investments S.A. towards the credit facility and the securing of funds under the agreement concluded by the Company and Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and GEM Global Yield Fund Limited.

In the second half of 2010 subsequent repayments of the credit facility extended by PKO BP and BGK were made. On 9 August 2010, the Company made an early repayment of USD 3.5 million, while on 29 December 2010 the amount of USD 11.8 million was repaid, which constituted a part of the instalment payable on 31 December 2010. The repayment of the remaining part of the instalment amounting to USD 4.9 million was postponed until 30 June 2011. Funds designated for the repayment of the credit facility were procured from the entities of Prokom Group as well as entities designated by Prokom which made direct equity investments in the company's shares under the financing agreement concluded by the Company and Prokom on 30 March 2009.

As at the date of this Report, the amount of the credit facility extended by PKO BP and BGK which the Company had used thus far was USD 53.371 thousand.

Events occurring after the end of the reporting period

- ✓ On 18 April 2011, the Company concluded with Prokom an annex to the agreement setting out 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.

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 (the 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 the amount of PLN 124 million, and only in 2011 this amounted to over PLN 56 million.

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 simultaneously 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.

3.2.4. Acquisitions

- ✓ On 20 September 2010, the Company and Yukola — a company with a registered seat in Moscow — concluded a preliminary agreement concerning the purchase of 50% of shares in Open Stock Company "Bogorodsknieft" with its registered office in Saratov ("Bogorodsknieft") which owns a licence authorising it to exploit deposits, explore and produce crude oil from Bogorodskie and Nikolskie fields and Raduzhny structure situated in Saratov Oblast in the territory of the Russian Federation.

The subject of the agreement is the granting to the Company of an exclusive right to conduct negotiations aiming at finalising the purchase of 50% of shares in Bogorodsknieft and to complete the comprehensive due diligence covering, among other things, corporate, legal and financial aspects by the end of 2010. The Company has completed the due diligence regarding the crude oil resources that Bogorodsknieft already owns and exploits. As at the date of this Report, the contracting parties continued the works connected with the analysis of documentation received as a result of the due diligence which had been carried out.

The Parties agreed that the closing of the transaction is conditional upon the completion of the due diligence, obtaining relevant approvals and the establishment of final terms of the transaction, including the price.

Moreover, the Parties expressed their interest, in the event of closing the transaction, in starting a cooperation in the scope of collection by Petrolinvest of crude oil produced by Bogorodsknieft.

Bogorodsknieft currently extracts crude oil from Bogorodskie and Nikolskie fields. The fields of Bogorodsknieft are relatively shallow, from 800 to 1200 metres and are characterised by a simple geological structure, thus development of those fields is not technically complex and does not require high financial outlays. After the second field is developed and subsequent wells are included in the output, it is expected that the production will increase from 1 million barrels planned for 2010 to approximately 3 million barrels annually. The manufactured crude oil is characterised by very good properties and is classified as light crude oil. The efficiency of wells is stable and amounts to approximately 400 barrels from any single well daily. Crude oil is mostly exported and transported via the "Friendship" pipeline to Poland and Germany. The total documented and confirmed oil resources in both fields amount to approximately 45 million barrels. Within the licensed area of the company, there are also structures whose prospective resources are additionally estimated at around 20 million barrels. The development of the main horizon of the first field with the aim of producing crude oil currently has already been completed, while in the case of the second field it started in 2010.

- ✓ On 16 December 2010, the Company concluded an investment agreement ("Agreement") with Mr Wiesław Skrobowski on investing funds in Silurian Sp. z o.o. ("Silurian"). The subject matter of the Agreement is the establishment, as part of business conducted by Silurian, of cooperation regarding development, ensuring organisational and legal security as well as provision of services to companies which are active in Poland in the field of shale gas exploration. Silurian intends 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. Silurian will operate based on reliable, American drilling technologies and methodologies related to drilling during exploration and production of shale gas.

The Agreement provides for the development of the Company's business activities based on its know-how as regards the provision of services to the petroleum sector, long-standing experience and knowledge of the drilling services market, as well as cooperation with highly qualified specialists from the industry involved in the enterprise.

The Company intends to provide Silurian with capital to such an extent as will be dictated by the growth of its business activities and the completion stage of its defined measurable investment goals.

Both parties intend to transform Silurian into a joint-stock company and, subsequently, to cooperate in order to introduce Silurian's shares to trading on the NASDAQ stock market in the US or on another foreign regulated market, in particular AIM (London), TSX (Toronto) as well as the regulated market of Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.). The Agreement also sets forth the corporate governance rules for Silurian and defines mutual relationships between the shareholders.

In connection with the conclusion of the Agreement, the Company also signed an agreement, whereby it purchased from Mr Wiesław Skrobowski shares that jointly represent 60% of Silurian's share capital, at the selling price totalling PLN 3,000.00 and the equivalent in PLN of USD 25,000.00.

According to companies specialised in estimation of unconventional gas reserves, including Advance research Int. and Wood Mackenzie, the reserves of shale gas in Poland are expected at 1.4 trillion m³ up to 3 trillion m³. To date, approximately 70 concessions for the exploration of shale gas have been awarded in Poland — ultimately, this number is supposed to rise to around 100. Apart from Polish energy companies such as PKN Orlen and PGNiG, the largest petroleum companies in the world, namely ConocoPhillips, ExxonMobil, Chevron, Marathon Oil and ENI are also involved in the exploration of shale gas. Under the granted concessions it is necessary to make 2 exploratory boreholes. However, industry experts claim that in order to determine the full potential of the reserve, it is necessary to make more drillings. Rystad Energy AS — a Norwegian firm offering consulting services related to drilling works — estimates that the number of boreholes to be made in Poland during the exploratory stage will amount to around 330. It is also estimated that the investment outlays incurred by exploration companies during the exploration of shale gas will amount to around USD 3 billion.

The investment in Silurian will enable Petrolinvest to enter a new business segment related to the provision of services to entities involved in exploration and production of shale gas in Poland. It is one of the business areas of the Company, whereby, apart from carrying out its main activities, namely the exploration and production of oil (in particular in the OTG contract area), the Company will expand its presence in business segments that may provide it with stable and predictable income and ensure the essential positive cash flows.

3.2.5. Capital area

In 2010, the Company performed issues of 28,691,057 shares in total whose nominal value amounted to PLN 286,910,570 and whose issue price totalled PLN 392,873,307.

With the issue, the Company acquired a gross amount of PLN 274 million and converted its debt towards the entities of the Procom Group into equity in the gross amount of PLN 118,9 million in total. Subject to conversion was the Company's debt in the amount of PLN 48.4 million which resulted from the commission for the establishment and maintenance of collateral over the credit facility (pursuant to the agreements of 14 May 2009 concerning the specification of terms under which assets were made available to the Company to be used as collateral for the repayment of the credit facility extended under the agreement of 21 March 2007 by the consortium of PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego), and the debt amounting to PLN 65.7 million resulting from the assignment agreement for accounts receivable which was concluded on 9 December 2010, as well as the remaining liabilities totalling PLN 4.8 million.

Share issues were performed according to the current financial needs of the Company. The biggest part of the funds received came from the payments made by Prokom and Osiedle Wilanowskie which amounted to PLN 144.5 million, as well as the payments made by investors designated by Prokom totalling PLN 80,2 million. The remainder of the cash payments made for the take up of shares issued in 2010, i.e. PLN 49.2 million, were the funds received from GEM Global Yield Fund Limited as part of performance of the equity line of credit agreement dated 29 April 2010 and from Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and GEM Global Yield Fund Limited under the financing agreement of 18 March 2010.

The receipts from share issues performed throughout 2010 were used mostly to implement the exploration and production project in Kazakhstan and to reduce the level of credit debt.

The shares were issued on the basis of resolutions of the Extraordinary General Meeting of the Company of 31 July 2009 (the issue of series P shares) and 30 December 2009 (the issue of series V shares) and 30 October 2010 (the issue of series B shares) as a part of the conditional increase of the Company's equity.

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

11 January 2010

The Management Board of the Company, in execution of the provisions of the resolution of the EGM of 31 July 2009, passed a resolution which set forth the detailed conditions for the issuance of subscription warrants for P series shares. The Management Board of the Company decided to issue 70,800 B series registered subscription warrants and offered them for subscription through private placement to a private company GEM Global Yield Limited in exercise of the equity line of credit agreement concluded on 29 April 2009. The series B warrants were subscribed for by GEM on 11 January 2010. On the same day, GEM exercised its right to subscribe for the Company shares following from the series B warrants and filed a statement on subscription for 70,800 series P ordinary bearer shares in the Company.

The issue price of ordinary bearer shares of P series issued to holders of warrants of B series issued under the EGM Resolution, as a part of the conditional increase of the Company's share capital, was set by the Management Board at PLN 24.2856 per share.

As a result of the issue of the series P shares carried out in execution of the rights attached to the series B subscription warrants, the Company received gross proceeds of PLN 1,719,420.48.

18 January 2010

Admission by the Management Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) of 70,800 series P shares to public trading on the main list.

20 January 2010

Registration of the 70,800 series P shares with the National Depository for Securities and introduction of the shares to trading on the WSE. On the day of the introduction of the 70,800 series P shares to public trading, the share capital of PETROLINVEST S.A. was increased to PLN 215,973,990, while the total number of votes attached to all issued Company shares was 21,597,399.

On 15 September 2011, another issue of P series shares was carried out in execution of series C and D subscription warrants. The details of the issue are discussed further below in section 3.2.5 herein.

- ✓ Timetable of events relating to the issue of series V shares
 - On 19 January 2010, the District Court for Gdańsk-Północ of Gdańsk, VIII Economic Division of the National Court Register, pursuant to the Resolution of the Extraordinary General Meeting of the Company of 30 December 2009, registered the amendment to the Company's statute concerning the conditional increase of the share capital of the Company by no more than PLN 190,000,000 through the issuance of no more than 19,000,000 ordinary series V bearer shares of a nominal value of PLN 10 each. In consequence, the nominal value of the conditional increase of the share capital of the Company, following the registration, did not exceed PLN 217,642,850.
 - On 17 March 2010, the Management Board of the National Depository for Securities decided (amending its Resolution of 8 March 2010, as requested by the Company) to register with the KDPW up to 17,686,220 ordinary bearer shares (the remainder of series V shares which had not been registered as at the date of the decision) with a nominal value of PLN 10 each, issued as a part of the conditional share capital increase under Resolution No. 1 of the Extraordinary General Meeting of the Company of 30 December 2009, and to assign the code number PLPTRLI00018, provided that the operator of the regulated market decides to introduce the series V shares to trading on the same regulated market as the other Company shares marked PLPTRLI00018, each time no later than on the day of registration of the series V shares with the National Depository for Securities.
Registration of the series V shares with the National Depository for Securities took place based on settlement instructions referred to in § 14 item 3 of the Detailed Rules of Operation of the National Depository for Securities.
 - On 17 March 2010, the Management Board of the WSE resolved to admit and introduce the 17,686,220 series V shares to public trading on the WSE Main List. Pursuant to § 38 items 1 and 3 of the Rules of the Warsaw Stock Exchange, the WSE Management Board decided to introduce the above-mentioned shares, using the ordinary procedure, to public trading on the main market as of the date of registration of those shares by the National Depository for Securities under code number PLPTRLI00018; however, no earlier than on 19 March 2010.

Presented below are the details of subsequent issues of Series V Shares performed as part of the conditional capital increase.

- ✓ Timetable of events relating to the issue of series V shares (subscription warrants)
 - 25 February 2010* Due to the request and call for shares by Prokom Investments S.A., and in line with the provisions of the EGM Resolution of 30 December 2009, the Management Board adopted a resolution concerning offering registered subscription warrants for Series V Shares and setting forth the detailed conditions for the issue of subscription warrants. The Management Board decided to issue 1,313,780 subscription warrants and offered them to Prokom Investments S.A. The subscription warrants were acquired by Prokom on 25 February 2010. On the same day, Prokom Investments S.A. exercised its right to subscribe for the Series V Shares under the subscription warrants and submitted a statement on subscription for 1,313,780 ordinary series V bearer shares in the Company.
The issue price of the Shares was set by the Management Board at PLN 21.8654 per share.
The payments for Shares of V Series were made by means of setting off the accounts receivable under the share subscription agreement for the shares of V series totalling PLN 28,726,325.21 against due accounts payable to Prokom by the Company under the Credit Facility Collateral Agreement of 14 May 2009.
 - 8 March 2010* Decision by the National Depository for Securities to admit 1,313,780 series V shares to the National Depository for Securities, on the condition that the operator of the regulated market decides to introduce the series V shares to trading on the same regulated market that the other Company shares bearing code PLPTRLI00018 have been introduced to.
 - 12 March 2010* Admission by the Management Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) of 1,313,780 Series V Shares to public trading on the main list.
 - 17 March 2010* Registration of 1,313,780 Series V Shares with the National Depository for Securities and introduction of the shares to trading on the WSE. On the day of introduction of the 1,313,780 Series V Shares to public trading, the share capital of PETROLINVEST S.A. was increased to PLN 232,111,790 and the total number of votes resulting from all of the Company's shares issued reached 23,211,179.
- ✓ Timetable of events relating to the issue of series V shares (series B prepaid subscription warrants and series C subscription warrants)
 - 18 March 2010* Due to the requests from Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and GEM Global Yield Fund Limited – pursuant to the agreement of 18 March 2010 on providing funds for the Company (for details see item 3.2.3. herein) – to issue an adequate number of prepaid subscription warrants in place of the I Tranche convertible bonds, and in line with the provisions of the EGM Resolution of 30 December 2009, the Management Board adopted a resolution to issue 1,973,681 series B prepaid subscription warrants to the subscribers (including

1,184,209 prepaid subscription warrants in place of I Tranche convertible bonds and additional prepaid subscription warrants with a prepayment of PLN 15 million), giving the right to subscribe for 1,973,681 series V shares in the Company at the issue price of PLN 19, and on the issue of 1,200,000 subscription warrants of the C series issued gratuitously, giving the right to acquire 1,200,000 series V shares in the Company, at the issue price per share equal to PLN 20 (in accordance with the modification resulting from the Assumption Agreement of 28 May 2010; the rights attached to the warrants were exercised on 15 September 2010 – detailed information is provided further below).

On 18 March 2010, the aforementioned warrants were issued to the Investors.

As a result of the issue of the prepaid subscription warrants, the prepayment received by the Company totalled PLN 37,499,939.

On 19 March 2010, in the exercise of the series B prepaid subscription warrants, 1,973,681 series V shares in the Company were subscribed for. The amount prepaid by warrant holders on the date of issue was credited towards the issue price of the shares subscribed for in exercise of the warrants. The Company shares were acquired in exchange for cash contributions.

24 March 2010

Registration with the National Depository for Securities and introduction to trading on the WSE of 394,736 series V shares in the Company subscribed for by GEM Global Yield Fund Limited.

Thus, in accordance with Article 452 (1) of the Code of Commercial Companies, the Company's share capital increased to PLN 288,705,100 on the day when the 394,736 ordinary shares of V series with a nominal value of PLN 10 each, acquired by the shareholders as a part of the registered conditional share capital, were introduced to trading at the WSE. The total number of votes attached to all Petrolinvest shares issued and introduced to trading at the WSE was 28,870,510.

25 March 2010

Registration with the National Depository for Securities and introduction to trading on the WSE of 1,578,945 series V shares in the Company subscribed for by Iroquois Master Fund Ltd. and Kingsbrook Opportunities Master Fund LP in the exercise of 1,578,945 prepaid subscription warrants. 473,683 warrants were exercised by Iroquois Master Fund Ltd., and 1,105,262 warrants were exercised by Kingsbrook Opportunities Master Fund LP.

Thus, in accordance with Article 452 (1) of the Code of Commercial Companies, the Company's share capital increased to PLN 304,494,550 on the day when the 1,578,945 ordinary shares of V series, each with a nominal value of PLN 10, acquired by the shareholders as a part of the registered conditional share capital, were introduced to trading at the WSE. The total number of votes attached to all Petrolinvest shares issued and introduced to trading on the WSE was 30,449,455.

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

18 March 2010

Due to the requests and calls for shares by Prokom Investments S.A. and Osiedle Wilanowskie Sp. z o.o., and in line with the provisions of the EGM Resolution of 30 December 2009, the Management Board adopted a resolution concerning offering 3,824,241 series D registered subscription warrants for series V shares, and setting forth the detailed conditions for the issue of subscription warrants (on 31 March 2010, the Management Board adopted a resolution changing the incorrect series marking, adopted in the resolution of 18 March 2010, of 3,824,241 warrants from B to D).

The Management Board decided to issue 3,824,241 series D subscription warrants and offered 3,747,273 warrants to Prokom Investments S.A. and 76,968 warrants to Osiedle Wilanowskie Sp. z o.o. The series D warrants were taken up by Prokom Investments S.A. and Osiedle Wilanowskie Sp. z o.o. on 18 March 2010. On the same day, both eligible entities exercised their rights to subscribe for series V shares attached to the series D warrants and submitted statements on subscription for 3,824,241 ordinary bearer series V shares.

The issue price of the Shares was set by the Management Board at PLN 20.5544 per share.

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

- a netting agreement with Prokom Investments S.A. under which the Parties netted an outstanding account receivable by the Company under the share subscription agreements for the series V shares totalling PLN 77,022,948.15 with outstanding accounts payable to Prokom Investments S.A. by the Company for the early repayment by Prokom of a portion of the credit facility extended to the Company under the credit facility agreement with PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego dated 21 March 2007 and under the Credit Facility Collateral Agreement dated 14 May 2009,
- a netting agreement with Osiedle Wilanowskie Sp. z o.o. under which the Parties netted an outstanding account receivable by the Company under the share subscription agreements for series V shares totalling PLN 1,582,031.05 with outstanding accounts payable to Osiedle Wilanowskie Sp. z o.o. by the Company under the Credit Facility Collateral Agreement dated 14 May 2009.

As a result of the netting, the cash contribution due from Prokom Investments S.A. and Osiedle Wilanowskie Sp. z o.o. to the Company for the acquisition by the subscribers of the total of 3,824,241 series V shares was fully covered.

- ✓ **Timetable of events relating to the issue of shares of V series (subscription warrants of E series)**
 - 18 March 2010*

Due to the request and call for shares by Prokom Investments S.A., and in line with the provisions of the EGM Resolution of 30 December 2010, the Management Board adopted a resolution concerning offering 1,440,354 E series registered subscription warrants for series V shares and setting forth the detailed conditions for the issue of subscription warrants (on 31 March 2010, the Management Board adopted a resolution changing the incorrect series marking, adopted in the resolution of 18 March 2010, of 1,440,354 warrants from C to E). The Management Board decided to issue 1,440,354 E series subscription warrants and offered them for subscription to Prokom. The E series warrants were subscribed for by Prokom on 18 March 2010. On the same day, Prokom exercised its right to subscribe for the series V shares attached to the E series warrants and submitted a statement on subscription for 1,440,354 ordinary series V bearer shares in the Company. The issue price of the shares was set by the Management Board at PLN 20.8282 per share. Payments for the shares of V series were made by setting off the accounts receivable/accounts payable by the Company and Prokom Investments S.A. On 18 March 2010, the Company entered into a set-off agreement with Prokom, under which the Parties set off the accounts receivable under the share subscription agreement for the shares of V series totalling PLN 29,999,981.18 against due accounts payable to Prokom by the Company on account of the payment made to the bank account of the Company on 18 March 2010 in the amount of PLN 30,000,000.00. As a result of the set-off, the cash contribution due from Prokom to the Company for the acquisition of the total of 1,440,354 Shares of V series was fully covered. The netting agreements made on 18 March 2010, in order to pay for the 5,265,595 series V shares acquired by subscribers, meet the criteria for a significant contract due to the fact that their total value (including the netting agreement concluded with Prokom in connection with the acquisition of 1,313,780 series V shares, with a value of PLN 28,726,325.21 on 25 February 2010) exceeds 10% of the Company's equity. Osiedle Wilanowskie Sp. z o.o. is a subsidiary of Prokom Investments S.A. The agreement with Prokom relating to the exercise of series D warrants also meets the criteria for a significant agreement, as its value exceeds 10% of the Company's equity.
 - 23 March 2010*

Registration with the National Depository for Securities and introduction to trading on the WSE of 5,264,595 series V shares in the Company subscribed for by Prokom Investments S.A. and Osiedle Wilanowskie Sp. z o.o. in exercise of subscription warrants of the D and E series. Thus, in accordance with Article 452 (1) of the Code of Commercial Companies, the Company's share capital increased to PLN 284,757,740 on the day when the 5,264,595 ordinary series V bearer shares with a nominal value of PLN 10 each, subscribed for by the shareholders as a part of the registered conditional share capital, were introduced to trading on the WSE. The total number of votes attached to all the Company shares issued and introduced to trading at the WSE was 28,475,774.
- ✓ **Timetable of events relating to the issue of series V shares (series F subscription warrants)**
 - 7 June 2010*

In accordance with the provisions of the Assumption Agreement of 28 May 2010 (details in item 3.2.3 of this Report), in line with the provisions of the EGM Resolution of 30 December 2009, the Management Board of the Company carried out the issue of 1,200,000 subscription warrants, issued gratuitously, which entitle their holders to subscribe for 1,200,000 series V shares in the Company at the issue price of PLN 20 per share. On the same day, the warrants were issued to the investors. The rights attached to the warrants were exercised on 15 September 2010 – more details are provided further below.
- ✓ **Timetable of events relating to the issue of series V shares (series G prepaid subscription warrants)**
 - 9 June 2010*

In connection with the request of delivery of the II Tranche subscription warrants, received from Osiedle Wilanowskie Sp. z o.o., compliant with the provisions of the Assumption Agreement of 28 May 2010 (details in item 3.2.3. of this Report), in line with the provisions of the EGM Resolution of 30 December 2009, the Management Board of the Company carried out the issue of 2,323,777 II Tranche subscription warrants, which entitle their holders to subscribe for 2,323,777 series V shares in the Company. Pursuant to the Assumption Agreement, Osiedle Wilanowskie Sp. z o.o. was designated to Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd., by Prokom Investments S.A., as the entity authorised to subscribe for II Tranche subscription warrants. The issue price of the series V ordinary bearer shares, issued to holders of the II tranche subscription warrants, was set by the Management Board at PLN 12.91 per share.

On 9 June 2010, the aforementioned warrants were issued to the Investors. As a result of the issue of the prepaid subscription warrants, the prepayment received by the Company totalled PLN 29,999,970.

On the same day, in exercise of the prepaid II Tranche subscription warrants, 2,323,777 series V shares in the Company were subscribed for by Osiedle Wilanowskie Sp. z o.o. The amount prepaid by warrant holders on the date of issue was credited towards the issue price of the shares subscribed for in exercise of the warrants.

The Company shares were acquired in exchange for cash contributions.

15 June 2010

Registration with the National Depository for Securities and introduction to trading on the WSE of 2,323,777 series V shares in the Company subscribed for by Osiedle Wilanowskie Sp. z o.o. in exercise of II Tranche subscription warrants.

Thus, in accordance with Article 452 (1) of the Code of Commercial Companies, the Company's share capital increased to PLN 327,732,320 on the day when the 2,323,777 ordinary series V bearer shares with a nominal value of PLN 10 each, acquired by the shareholders as a part of the registered conditional share capital, were introduced to trading on the WSE. The total number of votes attached to all Company shares issued and introduced to trading on the WSE was 32,773,232.

✓ Timetable of events relating to the issue of series V shares (series H prepaid subscription warrants)

29 and 30 July 2010

In connection with the request for delivery of the III tranche subscription warrants, received from Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd. – pursuant to the financing agreement of 18 March 2010 (for details see item 3.2.3 herein) – compliant with the provisions of the agreement of 18 March 2010, in line with the provisions of the EGM Resolution of 30 December 2009, the Management Board of the Company carried out the issue of 188,500 III tranche prepaid subscription warrants, entitling their holders to subscribe for 188,500 series V bearer shares in the Company.

The issue price of the shares was set by the Management Board at PLN 10.61 per share.

On 30 July 2010, the above-mentioned warrants were issued to the Investors as a result of which the company received a prepayment totalling PLN 2 million.

On the same day, in the exercise of the above-mentioned prepaid subscription warrants, 131,950 series V shares in the Company were acquired by Kingsbrook Opportunities Master Fund LP and 56,550 series V shares in the Company were acquired by Iroquois Master Fund Ltd. The amount prepaid by warrant holders on the date of issue was deducted from the issue price of the shares acquired in the exercise of the warrant.

The Company shares were acquired in exchange for cash contributions.

3 and 4 August 2010

56,550 series V shares in the Company acquired by Iroquois Master Fund Ltd. and 131,950 series V shares in the Company acquired by Kingsbrook Opportunities Master Fund LP were registered with the National Depository for Securities and introduced to trading on the WSE.

Thus, in accordance with Article 452 § 1 of the Commercial Companies Code, the Company's share capital increased to PLN 329,617,320 on the day when the 188,500 series V ordinary bearer shares, each with a nominal value of PLN 10, acquired by the shareholders as a part of the registered conditional share capital, were introduced to trading on the WSE. The total number of votes attached to all Company shares issued and introduced to trading on the WSE was 32,961,732.

✓ Timetable of events relating to the issue of series V shares (series H prepaid subscription warrants)

3 August 2010

In connection with the request for delivery of the III Tranche subscription warrants, received from Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd. – pursuant to the financing agreement of 18 March 2010 (for details see item 3.2.3 herein) – compliant with the provisions of the agreement of 18 March 30, in line with the provisions of the EGM Resolution of 30 December 2009, the Management Board of the Company carried out the issue of 754,004 III Tranche prepaid subscription warrants, entitling their holders to subscribe for 754,004 series V bearer shares in the Company.

The issue price of the shares was set by the Management Board at PLN 10.61 per share.

On 3 August 2010, the above-mentioned warrants were issued to the Investors as a result of which the company received a prepayment totalling PLN 8 million.

On the same day, in the exercise of the above-mentioned prepaid subscription warrants, 527,803 series V shares in the Company were acquired by Kingsbrook Opportunities Master Fund LP and 226,201 series V shares in the Company were acquired by Iroquois Master Fund Ltd. The amount prepaid by warrant holders on the date of issue was deducted from the issue price of the shares acquired in the exercise of the warrant.

The Company shares were acquired in exchange for cash contributions.

5 August 2010

226,201 series V shares in the Company acquired by Iroquois Master Fund Ltd. and 527,803 series V shares in the Company acquired by Kingsbrook Opportunities Master Fund LP were registered with the National Depository for Securities and introduced to trading on the WSE.

Thus, in accordance with Article 452 § 1 of the Commercial Companies Code, the increase of the Company's share capital to PLN 337,157,360 was effected on the same day that the 754,004 series V ordinary bearer shares subscribed for by the shareholders within the scope of registered conditional share capital, each of a nominal value of PLN 10, were introduced to trading on the WSE. The total number of votes attached to all Company shares issued and introduced to trading on the WSE was 33,715,736.

- ✓ Timetable of events relating to the issue series V shares (series I and J prepaid subscription warrants)
13 August 2010
- In connection with the request for delivery of the remaining part of the III tranche and the entire IV tranche of subscription warrants, received from a group of investors (who had acquired the rights to subscribe for and exercise warrants on the basis of the transfer of 13 August 2010, pursuant to the agreement of 18 March 2010), compliant with the provisions of the agreement of 18 March 2010, in line with the provisions of the EGM Resolution of 30 December 2009, the Management Board of the Company carried out the issue of 1,885,014 III tranche and 2,827,520 IV tranche prepaid subscription warrants, entitling their holders to subscribe for a total of 4,712,534 series V shares in the Company.
- The issue price of the shares was set by the Management Board at PLN 10.61 per share.
- On 13 August 2010, the above-mentioned warrants were issued to the investors, as a result of which the company received a prepayment totalling PLN 50 million.
- On the same day, in exercise of the above-mentioned subscription warrants, 4,712,534 series V shares in the Company were acquired by the investors. The amount prepaid by warrant holders on the date of issue was deducted from the issue price of the shares acquired in the exercise of the warrant.
- The Company shares were acquired in exchange for cash contributions.
- 18 August 2010*
- Registration with the National Depository for Securities and introduction to trading on the WSE of a total of 4,712,534 series V shares in the Company.
- Thus, in accordance with Article 452 § 1 of the Commercial Companies Code, the Company's share capital increased to PLN 384,282,700 on the day when the 4,712,534 series V ordinary bearer shares, each with a nominal value of PLN 10, acquired by the shareholders as part of the registered conditional share capital, were introduced to trading on the WSE. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 38,428,270.
- ✓ Timetable of events relating to the issue of series V and P shares
(V — C, F and K series subscription warrants; P — C and D series subscription warrants)
15 September 2010
- In connection with the requests and calls for a share offer regarding 2,890,084 shares in the company (under the agreement of 13 January 2009 concluded with Prokom, concerning among other things expanding the scope of the call option to cover all accounts receivable by Prokom from the Company, the agreement of 14 May 2009 concluded with Prokom, setting forth the terms on which Prokom provided assets to serve as credit facility collateral and the financing agreement concluded with Prokom on 20 March 2009) that were placed by Prokom Investments S.A., Osiedle Wilanowskie Sp. z o.o. and the investor indicated by Prokom ("Financing Entity"), and in execution of the provisions of the resolutions of the EGM of 31 July 2009 and 30 December 2009, the Management Board adopted resolutions regarding the offering of registered subscription warrants over series V and P shares and setting forth detailed terms and conditions of the issue of subscription warrants.
- The Management Board of the Company decided to offer:
- to Prokom Investments S.A. — 1,447,396 series C and F subscription warrants for 1,447,396 series V shares;
 - to Osiedle Wilanowskie Sp. z o.o. — 1,021,733 series F and K subscription warrants for 1,021,733 series V shares and 84,821 series C subscription warrants for 84,821 series P shares;
 - to the Financing Entity — 314,379 series D subscription warrants for 314,379 series P shares (the shares in a number which constitutes the difference between the number of shares participating in the call of the Financing Entity and the number of shares to be acquired under the warrants, i.e. 21,755 shares in the Company, will be offered later).
- The above-mentioned warrants were taken up on 15 September 2010. On the same day, the eligible entities exercised their rights to take up the series V and P shares attached to the acquired warrants and filed a statement of acquisition of 2,469,129 series V ordinary bearer shares of the Company as well as 399,200 series P ordinary bearer shares of the Company.
- The issue price for series V ordinary bearer shares issued to the holders of series C, F and K warrants and for series P ordinary bearer shares issued to the holders of series C warrants was set by the Management Board at PLN 11.8918 per share. The issue price for series V ordinary bearer shares issued to the holders of series D warrants was set by the Management Board at PLN 11.90 per share.

Payments of Prokom and Osiedle Wilanowskie for the series V and P Shares were made by netting mutual accounts receivable/accounts payable by the Company and the subscribers. On 15 September 2010, the Company concluded netting agreements for a total of PLN 30,371, as a result of which the cash contribution payable by Prokom and Osiedle Wilanowskie to the Company in connection with the take-up of 2,553,950 series V and P shares by these entities was fully covered:

- a netting agreement with Prokom under which the Parties netted an outstanding account receivable by the Company under the subscription for series V Shares totalling PLN 17,212,143.75 with outstanding accounts payable by the Company to Prokom resulting from the fee for providing and maintaining collateral for the credit facility charged for the period ending 14 September 2010 in the amount of PLN 12,161,416.19 and the payment of PLN 5,050,744.71 to PKO BP SA of 9 August 2010 for the partial repayment on behalf of PETROLINVEST S.A. of the credit facility extended to the Company by PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego under the credit agreement dated 21 March 2007.
- a netting agreement with Osiedle Wilanowskie under which the Parties netted an outstanding accounts receivable by the Company in relation to the subscription for series V Shares totalling PLN 12,150,244.48 with outstanding accounts payable by the Company to Osiedle Wilanowskie for an advance towards the fee for providing and maintaining collateral for the credit facility charged for the period ending 14 September 2010 in the amount of PLN 2,928,421.35, the payment of PLN 5,426,195.29 to PKO BP SA of 9 August 2010 for the partial repayment on behalf of PETROLINVEST S.A. of the credit facility extended to the Company by PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego under the credit agreement dated 21 March 2007, and other accounts payable by Petrolinvest totalling PLN 4,804,315.07.
- a netting agreement with Osiedle Wilanowskie under which the Parties netted an outstanding account receivable by the Company under the share subscription agreements for series P shares totalling PLN 1,008,674.37 with outstanding accounts payable by the Company to Osiedle Wilanowskie, set forth in the previous subitem.

As a result of the series P issue carried out in execution of the rights attached to series D subscription warrants, the Company received gross proceeds of PLN 3,741 thousand from the Financing Entity.

21 September 2010

Registration with the National Depository for Securities and introduction to trading on the WSE of a total of 2,469,129 series V shares in the Company.

Thus, in accordance with Article 452 § 1 of the Commercial Companies Code, the increase of the Company's share capital to PLN 408,973,990 was effected on the same day that the 2,469,129 series V ordinary bearer shares subscribed for by the shareholders within the scope of registered conditional share capital, each of a nominal value of PLN 10, were introduced to trading on the WSE. The total number of votes attached to all Petrolinvest shares issued and introduced to trading at the WSE was 40,897,399.

24 September 2010

Admission by the Management Board of the Warsaw Stock Exchange of 399,200 series P shares to public trading on the main list.

29 September 2010

Registration with the National Depository for Securities and introduction to trading on the WSE of a total of 399,200 series P shares in the Company.

Thus, in accordance with Article 452 § 1 of the Commercial Companies Code, the Company's share capital increased to PLN 412,965,990 on the day when the 399,200 series P ordinary bearer shares, each with a nominal value of PLN 10, acquired by the shareholders as part of the registered conditional share capital, were introduced to trading on the WSE. The total number of votes attached to all Company shares issued and introduced to trading on the WSE was 41,296,599.

✓ **Timetable of events relating to the issue of series B shares**

- On 30 October 2010, the Extraordinary General Meeting adopted a resolution regarding the issuing of up to 19,000,000 subscription warrants, a conditional share capital increase by no more than PLN 190,000,000 through the issue of no more than 19,000,000 ordinary series B bearer shares, each of a nominal value of PLN 10, as well as the exclusion of the pre-emptive rights of the existing shareholders of the Company and amending the Company's Statute.

The adoption of the new conditional capital had the primary aim of ensuring that the Company was able to obtain funds for financing new investment projects/production projects, financing wells within the contract areas held by Company's subsidiaries in Kazakhstan, including wells on the Shyrak structure, as well as to obtain funds for reducing the Company's indebtedness to financial institutions, in accordance with the obligations incurred previously, including the agreement with Total, to secure the Company's liquidity needs connected with reducing its indebtedness, to perform the Company's obligations regarding issue of subscription warrants resulting from previously concluded agreements, including agreements with Kingsbrook Opportunities Master Fund LP and Iroquois Master Fund Ltd. and to implement incentive programmes for the Company's authorities and top management.

At the same time, the Extraordinary General Meeting introduced changes in the labelling of Company shares issued before 30 October 2010 under the following series: A, B, C, D, F, G, H, K, L, M, N, Q, R, S, T, U and V by marking the shares of these series as series "A".

- On 8 November 2010, the District Court for Gdańsk-Północ of Gdańsk, 8th Economic Division of the National Court Register, registered the amendment to the Company's statute concerning the conditional increase of the share capital of the Company by no more than PLN 190 million through the issuance of no more than 19 million series B ordinary bearer shares of a nominal value of PLN 10 each.

In consequence, the nominal value of the conditional increase of the share capital of the Company, following the registration, did not exceed PLN 209,942,850. The Court also registered the change in the labelling of shares, in accordance with the resolution of the Extraordinary General Meeting.

- On 1 December 2010, the Management Board of the National Depository for Securities ("KDPW") resolved to admit to the depository for securities up to 19 million ordinary series B bearer shares of the Company each of a nominal value of PLN 10, issued within the conditional share capital increase under Resolution no 2 of the Extraordinary General Meeting of the Company dated 30 October 2010, and mark them with code PLPTRLI00018 ("Series B Shares"), on the condition that the operator of the regulated market decides to introduce the Series B Shares to trading on the same regulated market that the other Company shares bearing code PLPTRLI00018 have been introduced to, each time no later than on the day of registration of the series B shares with the National Depository for Securities.

Registration of the Series B Shares with the National Depository for Securities is effected based on settlement instructions submitted to the KDPW, referred to in § 14 section 3 of the Detailed Rules of Operation of the National Depository for Securities.

- On 6 December 2010, the Management Board of the WSE adopted a resolution admitting 19 million ordinary series B bearer shares of the Company each of a nominal value of PLN 10, issued as part of the conditional share capital increase under Resolution No 2 of the Extraordinary General Meeting of the Company dated 30 October 2010, to trading on the main list. Pursuant to the resolution, the WSE Management Board decided also to introduce the above-mentioned shares of the Company, using the ordinary procedure, to trading on the main list as of the date of registration of those shares by the National Depository for Securities under code PLPTRLI00018; however, no earlier than on 9 December 2010.

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

9 December 2010

In connection with the requests and calls for a share offer regarding 9,221,057 shares in the company in total (received on 16 November 2010 and 9 December 2010 under the agreements concluded with Prokom on 16 November 2010 and 9 December 2010; in line with the provisions of the agreement with Prokom of 13 January 2009 and the agreement with Prokom of 20 March 2009) that were placed by Prokom Investments S.A. and the investors indicated by Prokom ("Financing Entity"), and in execution of the provisions of the resolution of the EGM of 30 October 2010, the Management Board adopted a resolution regarding the offering of registered subscription warrants over series B shares and setting forth detailed terms and conditions of the issue of subscription warrants.

The Management Board of the Company decided to offer:

- to Prokom Investments S.A. — 6,571,057 series A subscription warrants for 6,571,057 series B shares;
- to Financing Entities — 2,650,000 series A subscription warrants for 2,650,000 series B shares.

The above-mentioned warrants were taken up on 9 December 2010. On the same day, both eligible entities exercised their rights to take up the series B shares attached to the acquired warrants and filed a statement of acquisition of total of 9,221,057 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 series B shares was made by Prokom by netting the accounts receivable by the Company and Prokom's receivables under the Assignment Agreement whose detailed terms and conditions are set forth in item 3.2.3 hereof. On 9 December 2010, the Company and Prokom concluded a netting agreement under which the parties to the agreement netted the outstanding account receivable by the Company under the subscription for series B shares totalling PLN 65,710,570.00 with outstanding accounts payable by the Company to Prokom totalling 65,710,579.37.

The netting agreement as well as the other agreements concluded by the Company and its subsidiaries with Prokom and its subsidiaries during the period starting on 28 May 2010, i.e. on the publication date of the last report on the conclusion of a significant agreement with Prokom and its subsidiaries (the current report No 39/2010) jointly fulfil the criterion of a significant agreement. The aggregate value of the aforementioned agreements amounts to PLN 121,811,310, thus exceeding 10% of the Company's equity. The agreement with the highest value is the aforementioned netting agreement.

As a result of the netting, the cash contribution due by Prokom to the Company for the subscription of the total of 6,571,057 Series B Shares was fully covered.

- 13 December 2010
- Payments for the take-up of 2,650,000 series B shares by Financing Entities were made in cash, as a result of which the Company received gross proceeds of PLN 26,500,000 in total.
- Registration with the National Depository for Securities and introduction to trading on the WSE of 9,221,057 series B shares in the Company subscribed for by Prokom Investments S.A. and Financing Entities.
- Thus, in accordance with Article 452 § 1 of the Commercial Companies Code, the Company's share capital increased to PLN 505,176,560 on the day when the 9,221,057 series B ordinary bearer shares, each with a nominal value of PLN 10, acquired by the shareholders as part of the registered conditional share capital, were introduced to trading on the WSE. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 50,517,656.

In addition, the following events related to the issues of shares in the period preceding the period covered by this Report occurred in 2010:

- 18 January 2010 1,453,571 series T shares and 2,503,628 series U shares admitted by the Management Board of the Warsaw Stock Exchange to public trading on the main market.
- 20 January 2010 1,453,571 series T shares and 2,503,628 series U shares registered with the National Depository for Securities and introduced to trading on the WSE.
- 19 February 2010 The increase of the Company's share capital by means of an issue of 300,000 series S shares registered by the District Court. Following the registration, the Company's share capital reached PLN 218,973,990, and the total number of votes resulting from all of the Company's shares issued reached 21,897,399.
- 8 March 2010 Decision by the National Depository for Securities to admit the series S shares to the National Depository for Securities, on the condition that the operator of the regulated market decides to introduce the series S shares to trading on the same regulated market that the other Company shares bearing code PLPTRLI00018 have been introduced to.
- 12 March 2010 Admission by the Management Board of the Warsaw Stock Exchange of the Series S Shares to public trading on the main list.
- 17 March 2010 Registration of the Series S Shares with the National Depository for Securities and introduction of the shares to trading on the WSE.

Events occurring after the end of the reporting period

- ✓ 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"), and in execution of the provisions of the resolution of the EGM of 30 October 2010, the Management Board adopted a resolution regarding the offering of registered subscription warrants over series B shares and setting forth 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 exercised its rights to take up the series B shares attached to the acquired warrants and 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 Registration with the National Depository for Securities and introduction to trading on the WSE of 2,500,000 series B shares in the Company subscribed for by the Financing Entity.
- Thus, in accordance with Article 452 § 1 of the Commercial Companies Code, the Company's share capital increased to PLN 530,176,560 on the day when the 2,500,000 series B ordinary bearer shares, each with a nominal value of PLN 10, acquired by the shareholders as part of the registered conditional share capital, were introduced to trading on the WSE. 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 with Prokom on 20 March 2009) that were placed by the investor indicated by Prokom ("Financing Entity"), and in execution of the provisions of the resolution of the EGM of 30 October 2010, the Management Board adopted a

resolution regarding the offering of registered subscription warrants over series B shares and setting forth 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 B 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 exercised its rights to take up the series B shares attached to the acquired warrants and 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.

20 January 2011

Registration with the National Depository for Securities and introduction to trading on the WSE of 1,800,000 series B shares in the Company subscribed for by the Financing Entity.

Thus, in accordance with Article 452 § 1 of the Commercial Companies Code, the Company's share capital increased to PLN 548,176,560 on the day when the 1,800,000 series B ordinary bearer shares, each with a nominal value of PLN 10, acquired by the shareholders as part of the registered conditional share capital, were introduced to trading on the WSE. 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 1,900,000 shares in the company (under the financing agreement concluded with Prokom on 20 March 2009) that were placed by Prokom and the investor indicated by Prokom ("Financing Entity"), and in execution of the provisions of the resolution of the EGM of 30 October 2010, the Management Board adopted a resolution regarding the offering of registered subscription warrants over series B shares and setting forth 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 exercised their rights to take up the series B shares attached to the acquired warrants and filed a statement of acquisition of 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

Registration with the National Depository for Securities and introduction to trading on the WSE of 1,900,000 series B shares in the Company subscribed for by the Financing Entity.

Thus, in accordance with Article 452 § 1 of the Commercial Companies Code, the Company's share capital increased to PLN 567,176,560 on the day when the 1,900,000 series B ordinary bearer shares, each with a nominal value of PLN 10, acquired by the shareholders as part of the registered conditional share capital, were introduced to trading on the WSE. 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 (compliant with 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 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, and in execution of the provisions of the resolution of the EGM of 30 October 2010, the Management Board adopted a resolution regarding the offering of registered subscription warrants over series B shares and setting forth 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 exercised its rights to take up the series B shares attached to the acquired warrants and 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. On 8 March 2011, the Company concluded a netting agreement with Prokom under which the Company and Prokom netted an outstanding account receivable by the Company under the subscription for series B shares totalling PLN 14,103,480 with outstanding accounts payable by the Company to Prokom, resulting from the advance towards the fee for providing and maintaining collateral for the credit facility charged for the period until 7 March 2011 amounting to PLN 11,337,151.37, the commercial accounts payable in the amount of PLN 2,527,255.62 charged for the period until 31 December 2010 and the accounts payable to Prokom by Petrolinvest pursuant to the agreement dated 3 February 2011 on paid collateral in the amount of PLN 239,075.34. 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.

Payments for the take-up of 1,000,000 Series B Shares by Prokom were made in cash.

10 March 2011

Registration with the National Depository for Securities and introduction to trading on the WSE of 2,410,348 series B shares in the Company subscribed for by Prokom.

Thus, in accordance with Article 452 § 1 of the Commercial Companies Code, the Company's share capital increased to PLN 591,280,040 on the day when the 2,410,348 series B ordinary bearer shares, each with a nominal value of PLN 10, acquired by the shareholders as part of the registered conditional share capital, were introduced to trading on the WSE. The total number of votes attached to all of the shares in the Company issued and introduced to trading on the WSE was 591,280,004.

✓ 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 with Prokom on 20 March 2009) that were placed by Prokom, and in execution of the provisions of the resolution of the EGM of 30 October 2010, the Management Board adopted a resolution regarding the offering of registered subscription warrants over series B shares and setting forth detailed terms and conditions of the issue of subscription warrants.

The Management Board of the Company decided to offer Prokom 1,168,595 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, will be offered to Prokom later.

The above-mentioned warrants were taken up on 18 March 2011. On the same day, Prokom exercised its rights to take up the series B shares attached to the acquired warrants and 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

Registration with the National Depository for Securities and introduction to trading on the WSE of 1,168,595 series B shares in the Company subscribed for by Prokom.

Thus, in accordance with Article 452 § 1 of the Commercial Companies Code, the Company's share capital increased to PLN 602,965,990 on the day when the 1,168,595 series B ordinary bearer shares, each with a nominal value of PLN 10, acquired by the shareholders as part of the registered conditional share capital, were introduced to trading on the WSE. 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.

3.3. MAJOR FACTORS FOR THE DEVELOPMENT OF PETROLINVEST GROUP

The development of PETROLINVEST Group is dependent on a range of internal and external factors, among which those that deserve special attention are:

External factors

- The discovery of oil fields in areas covered by concessions, as well as their parameters, in particular the size of fields, the productivity of individual boreholes and the quality of the oil found in the fields,
- Access to financing for investment activities on the Concessions owned by the Group,
- The price of oil in global markets and level of demand,
- The economic policy of countries in which the Group operates, in particular regarding taxes and duties,
- Exchange rates,
- The level of competition in the exploration sector in Kazakhstan.

Internal factors

- The level of competency of the teams carrying out exploration and production works as well as that of management,
- The correct employment structure, ensuring that the requirements of complicated technical processes are met as part of the oil exploration process,
- The financial condition of the Group and the ability to obtain financing for investment.

Furthermore, taking into account the Group's strategy to supplement the investment portfolio with companies from the exploration and production sector as well as companies that provide services to the shale gas exploration sector, it cannot be ruled out that a factor in the Group's development during the next 12 months will also be the quality and effectiveness of assets that are acquired as part of this strategy. The Management Board of the Company will apply the highest standards in preparing to make decisions about possible acquisitions, and shall be guided by expertise in the areas of geology, law and finance prepared by renowned specialist companies.

It should be underlined that PETROLINVEST Group receives know-how and financial support from Prokom Group, and is also able to take advantage of the considerable experience of a team of key managers and employees, who in the opinion of the Management Board constitute a guarantee of professionalism in the correct and effective management of the exploration process and capital acquisitions.

3.4. DEVELOPMENT PROSPECTS

The development prospects of PETROLINVEST Group are directly related to its access to financing, the pace and results of exploration works on the contract areas owned by PETROLINVEST Group companies, and the success of the undertaking that involves the Company entering the sector of services for shale gas exploration and production companies in Poland. Of importance to the development of PETROLINVEST Group is also the effectiveness of actions taken in order to increase the current scale of trade in Petroleum products.

Achieving the first effects of the production of oil, as well as the formal registration of resources possessed, will allow financing to be obtained for further development work thanks to stable cash flow. The chances of achieving the aims set by the Company were confirmed by the results of the reports prepared by the independent expert McDaniel & Associates Consultants regarding contracts and licenses belonging to the Company.

Management's future strategic plans involve:

- cooperation with TOTAL Group based on the OTG Contract farm-out agreement, whereby TOTAL will finance the making of K-4 well on the Koblandy structure and then – all expenditures and obligations connected with further works on the concession will be financed in proportion to the interests in the OTG Contract owned by the parties to the agreement,
- performing exclusive operations on the Shyrak structure where the Group has the exclusive right to carry out exploration work and then – enjoy all benefits from the development of the field, while TOTAL has the right to join those operations on the terms and conditions stipulated in the agreement,
- being prepared for acquisitions of companies or contracts with documented hydrocarbon reserves and actual production in place.
- selling exploration assets which have not been deemed as crucial for the long-term development prospects of the Company,
- securing collaboration with strategic foreign suppliers of petroleum products in order to intensify the PETROLINVEST Group's activities within that segment,
- commencement, within the framework of a subsidiary, of operation in the sector of drilling and maintenance services related to shale gas, both in Poland and abroad.
- commencement of operations related to 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.

3.5. ASSESSMENT OF THE CHANCES OF ACHIEVING THE INVESTMENT OBJECTIVES, INCLUDING CAPITAL INVESTMENTS IN COMPARISON WITH THE SIZE OF FUNDS POSSESSED

In view of the specific scope of activities undertaken by the Company and its Capital Group, which entails risks typical of the exploration and production industry, and considering the present state of advancement of ongoing works regarding exploration and production of hydrocarbons, the Management Board – in keeping with the best market practices – indicates below factors which, under extraordinary circumstances, may pose a potential threat to the going concern of the Company in the future. The risks presented below are considered by Management Board to be the most important; they are presented together with the activities undertaken by the Company in order to eliminate the possible negative impact of those risks on the Company's business in the future:

1. The Company and its subsidiaries continue the investment programme, the aim of which is to expand PETROLINVEST's activities in the area of exploration for and production of crude oil and natural gas. In view of the early stage of the investments being executed as well as exploration risks commonly associated with this industry, the Management Board finds that as at the date of approval of the financial statements for the period of 12 months ended 31 December 2010 there

exist external risk factors which may pose a threat to the Group reaching its goals within the set deadline, in spite of the fact the ongoing investment programme is being executed pursuant to the schedule approved by the Management Board of the Company. The Company and the entities of PETROLINVEST Group have taken a number of steps and decisions in order to minimise the negative effects of limited access to external financing. These include: cooperation with reputable and reliable subcontractors, flexibility in responding to changing geological conditions, use of alternative techniques which make it possible to increase the pace of works and minimise costs locally, etc.

2. The investment program is financed with the Company's own cash, loans extended by Prokom Investments S.A., and external financing. The execution of the investment program is dependent upon the Company's ability to obtain proper financing, as well as the terms and conditions of such financing. Failure to obtain the necessary financing in the amount required and time space given may result in delays or postponement of a part of or an entire investment program and may have a material adverse effect on the Company's business, financial condition, assets and results of operations. Of great significance to the raising of funds by the Company is the aforementioned agreement with Prokom Investments S.A. which is being performed on an ongoing basis, as a result of which the Company is being provided with a steady inflow of funds by Prokom Investments S.A and by indicated entities by way of capital increase. Moreover, the Company and the entities of PETROLINVEST Group may take a number of steps and decisions in order to minimise any negative effects of limited access to external financing. Those steps and decisions may involve focusing on less capital-intensive projects, reducing the scale of the Company's operations, slowing down the pace of exploration works, selling selected assets, securing alternative sources of finance, renegotiation of debt repayment schedules, etc.
3. As at 31 December 2010, the Group's overall indebtedness ratio was 0.54 and the debt to equity ratio was 1.18. Management believes that the levels of those ratios are appropriate at the current stage of development of the Project, and they do not pose a threat to the Group's going concern in the period of at least 12 months from 31 December 2010.
4. As at the date of approval of these financial statements, the Group is using a credit facility secured on assets made available by Prokom Investments S.A. Hence, Management is of the opinion that the Company's ability to manage its liabilities has been and continues to be unthreatened. Moreover, the Company has secured the support and participation in the financing of the Company's business in the future from Prokom Investments S.A. granted in connection with the credit facility and specified under a relevant agreement, as well as a declaration regarding the subordination of loans extended by Prokom Investments S.A. to the above-mentioned credit facility.

The Management Board of PETROLINVEST S.A. declares continuity of investments for 12 consecutive months from 31 December 2010 based on the following facts and circumstances:

1. On 29 March 2010, the Company concluded a Loan Agreement with the European Bank for Reconstruction and Development ("EBRD", "Loan Agreement"), under which EBRD extended a loan facility to the Company in the maximum amount of USD 50 million designated for the purpose of financing exploration and production-related investments of OTG and EmbajugNieft. The availability of financing under the agreement is conditional on a number of requirements to be met by the Company and by third parties, as described in respective current reports. The Management expects that all conditions precedent contained in the agreement will be fulfilled.
2. On 16 March 2010, the Company and OTG concluded a farm-out agreement with an entity of TOTAL Group. The Company expects that all conditions precedent contained in the agreement will be fulfilled. The involvement of TOTAL Group in the most capital intensive project of Petrolinvest Group will provide finance for the necessary work on the OTG Contract for at least 12 months from the date of the financial statements.
3. On 20 March 2009, the Company signed an agreement with Prokom Investments, whereby Prokom undertook to take appropriate actions to obtain financing for the Company's operations in the amount of PLN 150 million. On 31 December 2010, an annex to the agreement was concluded. Pursuant to the Annex, the parties agreed on extending the period for conducting activities by Prokom aimed at seeking financing for the Company's operations by 18 months, i.e. until 30 June 2012. Simultaneously, Prokom undertook to seek financing in the period of the aforementioned 18 subsequent months up to the amount of PLN 200 million. On 18 April 2011 the Company and Prokom concluded another annex to the aforementioned agreement. Considering the capital requirements of Petrolinvest connected with the implementation of the new development strategy and prospective business projects, as well as the intent to increase the share of Prokom Investments S.A in the shareholding structure of the Company and the intent of Prokom and other financing entities 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 financing is continually provided on the basis of loan agreements or other agreements of similar nature, on an arm's length basis, or as a direct equity investment into Petrolinvest shares, with the reservation that the loans or similar agreements are uncollateralised and subordinated to the Company's bank debt, unless otherwise agreed by the parties.
4. In order to provide financing for its investment programme, the Company also concluded an agreement with GEM Global Yield Fund on 29 April 2009 providing the Company with a financing of up to PLN 200 million available in tranches to be drawn at the Company's discretion over the period of 3 years from the date of the agreement and regarding an issue of subscription warrants convertible into a total of 1.3 million Petrolinvest shares at PLN 60 per share. By the date of approval of these financial statements, the Company had issued 1,270,800 shares to GEM Global Yield Fund under the agreement, with the amount of PLN 150 million still being available.

4. PETROLINVEST GROUP FINANCIAL SITUATION

4.1. REVIEW OF BASIC FINANCIAL AND ECONOMIC DATA DISCLOSED IN THE ANNUAL FINANCIAL STATEMENTS

4.1.1. Income statement with an assessment of factors and non-recurring events that have had an impact on the financial result

Selected data from the income statement	PLN '000		
	31 December 2010	31 December 2009	Change %
Continuing operations			
Revenue	149,957	75,740	198%
- Sale of goods	149,231	75,066	199%
- Rendering of services	726	674	108%
Operating expenses	199,745	198,534	101%
- Value of goods and materials sold	133,314	59,816	223%
- Materials and energy	2,334	2,225	105%
- Employee benefits	16,429	100,217	16%
- Depreciation and amortisation	4,125	4,036	102%
- External services	38,898	24,967	156%
- Taxes and charges	2,856	5,773	49%
- Other expenses	1,789	1,500	119%
Profit (loss) from sales	(49,788)	(122,794)	41%
<i>Profitability from sales</i>	-33.2%	-162.1%	
Other operating income	2,550	4,670	55%
Other operating expenses	43,494	87,117	50%
Profit (loss) from operations	(90,732)	(205,241)	44%
<i>Profitability from operations</i>	-59.5%	-255.2%	
Finance income	1,784	10,130	18%
Finance costs	70,971	162,804	44%
Impairment of investments	(187)	89,834	
Profit (loss) before tax	(159,732)	(447,749)	36%
<i>Profitability from operations gross</i>	-103.4%	-494.5%	
Profit/ (loss) for the period from continuing operations	(155,749)	(438,873)	35%
<i>Profitability from operations gross</i>	-100.8%	-484.7%	
Profit/ (loss) from discontinued operations	0	(8,391)	
Profit/ (loss) for the period	(155,749)	(447,264)	35%
<i>Profitability from operations net</i>	-100.8%	-494.0%	

In 2010, PETROLINVEST Group achieved total revenues of PLN 154.3 million, which means a 170% increase in relation to the previous year's results. A vast proportion of PETROLINVEST Group's revenue (97%) is generated by the parent company PETROLINVEST S.A. as part of its activities connected with LPG trade.

The significant, twofold increase in sales revenue was the effect of activities undertaken by PETROLINVEST S.A. as part of restructuring its operations connected with LPG trade. The strategy of LPG revenue maximisation using the Company's infrastructure and its active trade efforts, implemented in 2010, enabled an increase of LPG sales volume by 57% as compared to the previous year.

Other operating income of PETROLINVEST Group for 2010 amounted to PLN 2.6 million (a decrease of 45%) and comprised primarily release of provisions for liabilities in the amount of PLN 1.6 million. The amount of finance income, which comprised chiefly interest on loans granted by the Company, also decreased.

In 2010 PETROLINVEST Group closed its operations with a negative financial result of PLN 155.7 million compared with the loss of PLN 447.3 million incurred in the previous year.

The particular level of loss recorded in 2010 was determined by the following events which did not entail any cash outflows and stem from PETROLINVEST Group's conservative approach to presenting financial results:

- commissions 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 extended to PETROLINVEST S.A. parent company by PKO Bank Polski S.A. and Bank Gospodarstwa Krajowego. The discounted commission charged for 12 months of 2010 amounted to PLN 35.6 million, of which PLN 26 million were posted as other operating expenses and PLN 9.6 million — as financial expenses incurred by the Group. The commission-related liabilities are convertible to equity. By 31 December 2010, the commission charged for the 12 months of 2010 amounting to PLN 28 million was converted into the Company's equity, while the remaining part of the commission was subject to conversion after the reporting period.

As a result of the aforementioned, the costs of service of the agreement concerned did not entail a cash outflow (as in the case of the commission charged for previous reporting periods),

- under the agreement concluded on 18 March 2010 with Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and GEM Global Yield Fund Limited (concerning the provision of a credit line up to the amount of PLN 127.5 million for PETROLINVEST S.A. parent company) — performing the assessment of the fair value, in accordance with IFRS, of the derivative resulting from the entitlement of the Investors to demand that the Company issue bonds or prepaid subscription

warrants from the other tranches. The cost of the derivative calculated using the Black-Scholes model was PLN 9 million as of 31 December 2010 and was recognised in the Group's financial expenses as a lump sum.

During the period covered by the Report, the Capital Group registered a decrease in the unprofitability of its activities at all the subsequent stages of generating its financial result, beginning with the result from sales.

The loss from sales recorded by the Group in 2010 amounted to PLN 49.8 million compared to the loss of PLN 122.8 million in the previous year. The significantly negative sales result of 2009 was a consequence of a one-off event, namely the measurement to fair value, in compliance with the requirements of IFRS 2, of the issues of series K, M and N shares carried out by PETROLINVEST S.A. in 2009 in connection with the share incentive plan for employees and associates of the Group.

The loss incurred by the Group at the level of sales results are largely caused by the costs of exploration and production activities which are not generating income as yet.

PETROLINVEST Group incurred a loss on other operations totalling PLN 40.9 million, chiefly as a result of a fee arising on the agreement for credit facility collateral in the amount of PLN 26 million concluded by PETROLINVEST S.A. parent company in 2009 (as discussed above) and the creation of a provision for liabilities amounting to PLN 6.4 million, as well as the creation of an allowance for liabilities amounting to PLN 4.9 million. As a result, the loss from operations amounted to PLN 90.7 million compared to the loss of PLN 205.2 million in the previous year.

The financial costs incurred by the Group, which comprised mainly the discount of liabilities related to credit facility collateral in the amount of PLN 9.6 million (as described above), the discount of liabilities related to concessions in the amount of PLN 28.6 million, interest on bank loans and overdrafts in the amount of PLN 15.7 and the measured value of the derivative in the amount of PLN 9 (as described above), brought the level of gross profit to PLN 155.7 million.

The table below presents the events that impacted the 2010 financial result of the Group that did not entail any cash outflows and stem from PETROLINVEST Group's conservative approach to presenting financial results.

	Individual statements PLN '000,000
REPORTED NET LOSS	(155.7)
The commission charged by Prokom Investments and Osiedle Wilanowskie for making their assets available for the purposes of bank loan security	(35.6)
Valuation of the derivative (performance of the agreement concluded with the funds)	(9.0)
Valuation (discounting) of concession liabilities	(28.6)
Total of selected non-cash events	(73.2)
NET RESULT ADJUSTED BY SELECTED NON-CASH EVENTS	(82.5)
Foreign exchange differences	(4.4)
NET RESULT ADJUSTED BY SELECTED NON-CASH EVENTS AND FOREIGN EXCHANGE DIFFERENCES	(78.1)

4.1.2. Balance Sheet

Assets

Below is presented the structure and dynamics of the Group's assets in the period covered by this Report.

ASSETS	31 December 2010 PLN '000	Structure %	31 December 2009 PLN '000	Structure %	Change %
Non-current assets (long-term)	1,052,763	88.84%	959,088	96.14%	109.77%
Exploration and production licenses	350,887	29.61%	329,409	33.02%	106.52%
Goodwill	75	0.01%	0	0.00%	-
Intangible assets	84	0.01%	195	0.02%	43.08%
Property, plant and equipment	48,672	4.11%	53,498	5.36%	90.98%
Expenditure on exploration and evaluation of mineral resources	522,603	44.10%	469,135	47.03%	111.40%
Investment property	2,567	0.22%	2,567	0.26%	100.00%
Other financial assets	98,759	8.33%	75,664	7.58%	130.52%
Non-current receivables	22,297	1.88%	22,204	2.23%	100.42%
Long-term deposits	40	0.00%	88	0.01%	45.45%
Deferred tax	6,779	0.57%	6,328	0.63%	107.13%
Assets held for sale	13,773	1.16%	11,409	1.14%	120.72%
Current assets (short-term)	118,423	9.99%	27,090	2.72%	437.15%
Inventories	1,424	0.12%	1,315	0.13%	108.29%
Trade and other receivables	8,571	0.72%	4,967	0.50%	172.56%
Income tax overpayment	20.	0.00%	18	0.00%	111.11%
Prepayments and accruals	7,264	0.61%	7,611	0.76%	95.44%
Current investments	87,967	7.42%	40	0.00%	219917.50%
Cash and cash equivalents	13,177	1.11%	13,139	1.32%	100.29%
TOTAL ASSETS	1,184,959	100.00%	997,587	100.00%	118.78%

As at 31 December 2010, the Company's total assets amounted to PLN 1.185 billion, which represented a 19% increase compared to the end of the previous year.

The structure of PETROLINVEST Group's assets reflects the current nature of the parent company's business activities. The Group's assets were composed in 89% of non-current assets.

The largest item forming part of the Group's non-current assets as at 31 December 2010 were expenditures for exploration and evaluation of mineral resources totalling PLN 522.6 million (44%) which decreased by 9% during 2010. The item includes expenditures incurred as part of a project executed by companies holding concessions for exploration and production of petroleum and natural gas.

A significant item (30%) forming part of the Group's non-current assets as at 31 December 2010 were exploration and production licenses totalling PLN 350.9 million. The item represents a grossed-up (by the value of minority interest and deferred tax) excess of the price paid over the net fair value of the acquired assets of exploration and production companies. In the Consolidated Financial Statements of PETROLINVEST Group for 2010, pursuant to an independent auditor's opinion, the method of presenting the excess of the price paid over the net fair value of the acquired assets of exploration and production companies, which in the previous years was presented as goodwill, has been changed.

The increase of the value of exploration and production licenses by 6% compared to the end of 2009 resulted from exchange rate differences.

Non-current borrowings and payments under the financial assets purchase agreement, presented under other non-current financial assets, as at 31 December 2010, totalled PLN 98.8 million, thus representing 8% of the assets. During the period covered by the Report, the value of the item increased by 31%.

Property, plant and equipment, with a 4% share in the Group's assets as at the end of 2010, comprise chiefly assets related to the LPG segment.

Non-current assets held for sale, totalling PLN 13.8 million, comprise materials purchased by the Group for the purpose of constructing wells, whose execution schedule has been changed as a result of optimisation of the exploration and production project.

Current assets of PETROLINVEST Group, as at 31 December 2010, reached the level of PLN 118.4 million (10% of the assets), thus manifesting an over fourfold increase as compared to the previous year. A significant item among the current assets as the end of 2010 were the current investments, including short-term loans granted.

The remaining amount of current assets comprised primarily cash, trade and other receivables and prepayments and accruals, representing capital raising expenses. The growth dynamics of trade receivables was proportionate to the increase in the sales level.

EQUITY AND LIABILITIES

Presented below are the asset to equity ratio and the dynamics of the Group's equity and liabilities in the period covered by this Report

EQUITY AND LIABILITIES	PLN '000		PLN '000		Change %
	31 December 2010	Structure %	31 December 2009	Structure %	
Total equity	543,844	45.90%	249,147	24.97%	218.28%
Share capital	505,177	42.63%	215,266	21.58%	234.68%
Contributions towards the share capital	37,831	3.19%	0	0.00%	-
Exchange differences on translation of foreign operations	(27,271)	-2.30%	(53,578)	-5.37%	50.90%
Other reserve capital	900,228	75.97%	805,175	80.71%	111.81%
Retained earnings	(893,492)	-75.40%	(744,245)	-74.60%	120.05%
Minority interest	21,371	1.80%	26,529	2.66%	80.56%
Total liabilities	641,115	54.10%	748,440	75.03%	85.66%
Non-current liabilities	280,890	23.70%	469,733	47.09%	59.80%
Non-current provisions	9,643	0.81%	14,434	1.45%	66.81%
Interest-bearing loans and borrowings	73,448	6.20%	279,929	28.06%	26.24%
Finance lease liabilities	54	0.00%	27	0.00%	200.00%
Other non-current liabilities	197,745	16.69%	175,343	17.58%	112.78%
Current liabilities	360,225	30.40%	278,707	27.94%	129.25%
Current provisions	25,969	2.19%	18,946	1.90%	137.07%
Current portion of interest-bearing loans and borrowings	258,754	21.84%	167,603	16.80%	154.39%
Finance lease liabilities	46	0.00%	118	0.01%	38.98%
Trade and other payables	73,849	6.23%	89,546	8.98%	82.47%
Prepayments and accruals	1,607	0.14%	2,494	0.25%	64.43%
TOTAL EQUITY AND LIABILITIES	1,184,959	100.00%	997,587	100.00%	118.78%
Debt indicators	31 December 2010		31 December 2009		
asset to equity ratio	45.90%		24.97%		
debt to equity ratio	117.89%		300.40%		
debt to equity ratio with interest debt	61.08%		179.63%		

As at 31 December 2010, the Group's equity reached PLN 543.8 million, which meant an increase of 118% as compared to the previous year. Equity was impacted by the share issues carried out by PETROLINVEST S.A. in 2010, which led to a PLN 385 million increase in equity, foreign exchange losses on translation of foreign operations of PLN 53.6 million and the recorded loss of PLN 155.7 million. As at 31 December 2010, the proportion of equity on the balance sheet increased from 25% to 46%.

The total liabilities of the Group as at 31 December 2010 amounted to PLN 641.1 million against PLN 748,4 million as at the end of 2009, representing a drop of 14% and a 54% share in the liabilities of the Group.

The decrease in the balance of liabilities resulted mainly from the significant reduction of indebtedness under credit facilities and loans, which was carried out by PETROLINVEST S.A. parent company in 2010.

Non-current liabilities of the Group as at the end of 2010 amounted to PLN 280.9, representing a drop by 40% as compared to the end of the previous year. The reduction of non-current indebtedness was recorded by the Group under the items: bank loans and borrowings (down by 74%) and provisions (down by 33%). Other non-current liabilities, comprising chiefly concession and share option liabilities, increased by 13% in relation to 2009 year-end. The increase in this position resulted from the reversal of the discount from concession liabilities.

The current liabilities, which financed 30% of the Group's assets, as at 31 December 2010 amounted to PLN 360.2 million and had increased by 29% as compared to 2009 year-end. The largest item of current liabilities was the current portion of loans and borrowings totalling PLN 258.8 million, which increased by 54% compared to the end of 2009 on the back of the reclassification of some indebtedness from non-current to current and taking out a short-term loan.

As at 31 December 2010, all of the Group's indebtedness indicators had improved. The asset to equity ratio increased from 25% at the end of 2009 to 46%. PETROLINVEST Group's interest-bearing debt to equity ratio as at 31 December 2010 reached 61% compared to 180% recorded at the end of 2009. PETROLINVEST Group's debt constituted 118% of its equity, compared to 300% as at the end of 2009.

4.1.3. Cash flows

The cash balance as shown in the Company's cash flow statement as at 31 December 2010 was PLN 13.2 million, noting an increase on the opening balance of PLN 20 million.

Net cash flows from operating activities ended in 2010 with a negative balance of PLN 59.7 million. The level of cash generated at this stage of development was impacted by costs connected with managing exploration and production projects that at this stage of the project are financed with funds generated in other areas of activity.

Cash flows from investing activities in 2010 were negative, which is directly related to the nature of the Group's operations and its stage of development, and amounted to PLN 101.9 million. The negative balance of cash flows from investing activities was primarily attributable to expenditures on exploration and evaluation of mineral resources as well as the granting of loans.

The negative net cash flow from operations and investments were covered by cash flows from financial activities. The positive balance from financing activities was due to the increase in shareholder equity of PLN 181.6 million, 53% of which was allocated for the repayment of loans/borrowings.

Cash flows	<i>PLN '000</i>	
	12 months of 2010	12 months of 2009
Net cash flows from operating activities	-59,697	-51,528
Net cash flows from investing activities	- 101,859	- 52,737
Net cash flows from financing activities	181,550	95,617
Net cash flows	19,994	- 8,648

4.2. FINANCIAL RESOURCE MANAGEMENT

In 2010, the activities of PETROLINVEST Group were funded mainly from own cash generated through share issues. The Group did not take out any external debt to finance the exploration and production activities. As at 31 December 2010, the proportion of liabilities on the balance sheet of PETROLINVEST Group was 54%.

Current financial liquidity ratio as at 31 December 2010 was 0.33 compared to 0.10 as at 31 December 2009. Taking into account the level of finance obtained by PETROLINVEST S.A. to deliver the exploration and production project carried out by the Group, the level of the liquidity ratio is acceptable.

The Company's own cash raised from share issues allowed it to ensure continuity of investing activities insofar as was necessary to ensure proper performance of concession obligations imposed on the Group's companies in 2010.

At this stage of development of the Group's exploration and production activities, its ability to perform its obligations in the future depends on the results of exploration work carried out on Kazakhstan contract areas, the dates of achieving appropriate results, and also – on access to financing for ongoing operations in the exploration period, and later – achieving full production capacities on the contract areas owned by the companies of the Group.

As part of the efforts to obtain financing for investing activities, in March 2010 the Company finalised two projects securing finance for the Group's exploration and production activities in the period of at least the next 12 months, i.e. concluded a farm-

out agreement with an entity of Total Group and an agreement with a group of international investment funds, providing the company – once the conditions precedent have been fulfilled – with financing in the form of convertible bonds and subscription warrants totalling PLN 127.5 million.

Moreover, in March 2010 the Company concluded an agreement with the European Bank for Reconstruction and Development for the provision of financial means convertible to share in the amount of USD 50 million designated for the purpose of financing exploration and production-related investments of OTG and Emba Jug Niefert. The availability of financing is conditional on a number of conditions precedent to be fulfilled by the Company and by third parties.

PETROLINVEST S.A. receives support from Prokom Investments S.A. In 2010, Prokom Investments S.A. made an early repayment of PLN 79.1 million towards the Company's credit facility to its financing banks and also provided direct financial support of PLN 30 million.

Moreover, under the agreement dated 20 March 2009, Prokom took steps aimed at raising finance for the Company's operations in the maximum amount of PLN 150 million. As part of performance of the agreement, in 2010 the Company received funds in the amount of PLN 68 million. On 31 December 2010 the parties concluded an annex to extend the term of the agreement until 30 June 2012 and specify the total amount of funds to be provided by Prokom during the following 18 months as PLN 200 million. On 18 April 2010, the parties concluded another annex, whereby – 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 Prokom's share in the shareholding structure of the Company and the intent of Prokom or other financing entities obtained by Prokom to support Petrolinvest's projects – the parties agreed to extend until the end of 2013 the cooperation consisting in Prokom obtaining financing for the Company'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. As at the date of approval of the Report, 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 the amount of PLN 124 million, and only in 2011 this amounted to over PLN 56 million.

With respect to financing investing activities, the Company has at its disposal the agreement with GEM Global Yield Fund concluded on 29 April 2009. The agreement provides the Company with financing of up to PLN 200 million. As at the date of approval of this Report, the Company has obtained funds in excess of 44.6 million.

4.3. INFORMATION ABOUT CREDITS AND LOANS TAKEN AND TERMINATED AGREEMENTS

During the period covered herein, the entities of PETROLINVEST Group did not take out new bank loans. They did, however, execute loan agreements for a total amount of PLN 61.8 million, of which PLN 19.8 million had been repaid as at the end of the reporting period.

The list of loan agreements concluded in 2010 to provide funds for the entities of PETROLINVEST Group:

Date of agreement	Creditor's name	Debtor's name	Amount PLN '000	Currency	Final repayment date	Interest rate p.a.
29 January 2010	C.Ulrich założone w 1805 roku w Warszawie S.A.	PETROLINVEST S.A.	2,500	PLN	Perpetual ¹	7%
01 June 2010	MD Investments S.A.	SIGNA ENTERPRISES LIMITED	50,010	PLN	Perpetual ²	WIBOR 3M + 3,15%
28 July 2010	Osiedle Wilanowskie Sp. z o.o.	PETROLINVEST GAZ S.A.	9,299	PLN	Perpetual ³	WIBOR 3M + 3,00%

¹ / fully repaid on 15 September 2010

² / PLN 41,230 thousand repaid as at the end of 2010

³ / PLN 759 thousand repaid as at the end of 2010

In 2010, in connection with short-term overdraft facility agreements dedicated to the financing of LPG operations nearing expiry, the Company fully repaid its debt thereunder. As at the end of 2010, the entities of PETROLINVEST Group had not been using short-term overdraft facilities.

No loan or credit facility agreements were terminated in PETROLINVEST Group in 2010.

Detail information on loans and borrowings taken out by PETROLINVEST Group has been provided in note 30 to the Consolidated Financial Statements as well as in note 29 to the Financial Statements.

4.4. INFORMATION ABOUT LOANS PROVIDED

In 2010, PETROLINVEST S.A. concluded agreements that forwarded loans for a total value of USD 50,000 thousand, EUR 50 thousand and PLN 97 thousand. The whole financing was granted to entities of PETROLINVEST Group and the majority of the funds were allocated to carrying out exploration and production projects, which is in line with the nature of the Company's business and its strategy. In addition, with respect to loan agreements concluded by the Company with related parties in the previous periods, which matured in 2010, the Company concluded annexes extending the terms of the loans (for detailed information see note 35.1 to the Financial Statements).

Furthermore, in order to make the best use of the funds at their disposal, in 2010 entities of PETROLINVEST Group concluded mutual loan agreements totalling USD 2 million and KZT 1 million.

Agreements regarding loans provided by PETROLINVEST S.A. concluded in 2010:

PETROLINVEST GROUP
MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF THE ISSUER'S GROUP
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

Date of agreement	Debtor's name	Amount in '000		Final repayment date	Interest rate p.a.
14 January 2010	PETROLINVEST GAZ S.A.	22	PLN	Perpetual	5%
23 February 2010	PETROLINVEST GAZ S.A.	50	PLN	Perpetual	7%
15 March 2010	Occidental Resources, Inc.	20,000	USD	30 November 2011	18%
12 May 2010	PETROLINVEST GAZ S.A.	25	PLN	Perpetual	7%
12 July 2010	Occidental Resources, Inc.	10,000	USD	30 June 2010	18%
16 November 2010	UAB Petrolinvest Mockavos Perpyla	50	EUR	30 June 2011	LIBOR 1Y + 1,2%
24 November 2010	Occidental Resources, Inc.	20,000	USD	30 November 2011	18%

Agreements regarding loans provided by other entities of PETROLINVEST Group concluded in 2010:

Date of agreement	Creditor's name	Debtor's name	Amount PLN '000		Final repayment date	Interest rate p.a.
22 June 2010	SIGNA ENTERPRISES LIMITED	PETROLINVEST GAZ S.A.	2,000	USD	Perpetual ¹	LIBOR 3M + 3.15%
25 June 2010	SIGNA ENTERPRISES LIMITED	North Shipping & Trading Sp. z o.o.	41,000	PLN	Perpetual	WIBOR 3M + 3.15%
08 October 2010	TOO COMPANY PROFIT	TOO EMBA JUG NIEFT	1,000	KZT	08 October 2011	non-interest bearing
30 November 2010	PETROLINVEST GAZ S.A.	Prokom Investments S.A.	3,200	PLN	30 December 2010 ²	6%

¹/ the loan was repaid on 8 September 2010

²/ the loan was repaid on 3 December 2010

Detailed information on loans granted by PETROLINVEST Group has been provided in note 24 to the Consolidated Financial Statements as well as in note 23 to the Financial Statements.

4.5. INFORMATION ABOUT GUARANTEES PROVIDED AND RECEIVED

Guarantees provided and received by entities of PETROLINVEST Group in 2010:

- ✓ On 26 January 2010 PETROLINVEST GAZ S.A. granted a guarantee up to PLN 6,400 thousand to FORTIS BANK POLSKA S.A. securing the liabilities of PETROLINVEST S.A. under the overdraft facility agreement concluded between the Bank and PETROLINVEST S.A. on 20 June 2007. The guarantee expired upon the full repayment of the overdraft facility, i.e. on 15 June 2010.
- ✓ On 15 March 2010, TOO OilTechnoGroup provided a guarantee of USD 30,000 thousand to PETROLINVEST S.A. securing the loan of USD 20,000 thousand granted by PETROLINVEST S.A. to Occidental Resources, Inc. on the same day. The Guarantee remains in force until final repayment of the obligations resulting from the loan agreement which matures on 30 November 2011.
- ✓ On 12 July 2010, TOO OilTechnoGroup provided a guarantee of USD 15,000 thousand to PETROLINVEST S.A. serving as collateral for the loan of USD 10,000 thousand granted by PETROLINVEST S.A. to Occidental Resources, Inc. on the same day. The Guarantee remains in force until final repayment of the obligations resulting from the loan agreement which matures on 30 June 2011.
- ✓ On 1 June 2010, Prokom Investments S.A. provided a bill of exchange guarantee up to PLN 5,000 thousand serving as collateral for the accounts receivable by ORLEN GAZ Sp. z o.o. resulting from trade cooperation with PETROLINVEST S.A., in particular as regards collateral for the trade credit which has been extended. The guarantee covered transactions executed during the period ended on 30 June 2010.
- ✓ On 16 July 2010, Prokom Investments S.A. provided a bill of exchange guarantee up to PLN 5,000 thousand serving as collateral for the accounts receivable by ORLEN GAZ Sp. z o.o. resulting from trade cooperation with PETROLINVEST S.A., in particular as regards collateral for the trade credit which has been extended. The guarantee covered transactions executed during the period between 1 July 2010 and 31 January 2011.
- ✓ On 24 November 2010, TOO OilTechnoGroup provided a guarantee of USD 30,000 thousand to PETROLINVEST S.A. serving as collateral for the loan of USD 20,000 thousand granted by PETROLINVEST S.A. to Occidental Resources, Inc. on the same day. The Guarantee remains in force until final repayment of the obligations resulting from the loan agreement which matures on 30 November 2011.
- ✓ On 22 November 2010, the terms of two bank guarantees provided by AO HSBC Bank Kazakhstan totalling USD 3,885 thousand were extended to 31 December 2011. The guarantees are pledged as security for the performance by OilTechnoGroup of the agreement with Saipem S.p.A.

5. MANAGEMENT AND SUPERVISION AUTHORITIES OF PETROLINVEST GROUP

5.1. CHANGES IN THE RULES FOR MANAGING PETROLINVEST GROUP

During the reporting period, in connection with the expiry of the 3-year term of office of the Management Board and the Supervisory Board, changes were made in the membership of the managing body and the supervisory body as well as in the rules for managing the Company and PETROLINVEST Group.

In order to increase the efficiency of management over the Company and the Capital Group and define precisely the fields of competence and responsibility of particular members of the Management Board, the composition of the Management Board of the Company was increased from two to five persons who have been entrusted with strictly defined fields of activity.

On 9 September 2010, the number of members of the Management Board was set at five, including the President, Vice President and three Members of the Management Board. The function of President of the Management Board was entrusted to Mr Bertrand Le Guern, who had been a member of the Supervisory Board since 30 June 2010 and had been performing individual supervisory activities in the field of cooperation between PETROLINVEST S.A. and Total Group since 8 July 2010. The individual Member of the Management Board were assigned areas of competence in the following manner:

- Mr Roman Niewiadomski – Member of the Management Board responsible for the Company's trading activities in the segment of marketing petroleum products and fuels,
- Mr Franciszek Krok – Member of the Management Board responsible for the Company's operating activities in the exploration and production segment in Kazakhstan,
- Mr Maciej Wantke – Member of the Management Board responsible for the development of new business projects.

The function of Vice President of the Management Board responsible for the Company's financial matters was entrusted on 30 June 2010 to Mr Marek Pietruszewski (previously a Member of the Management Board responsible for the same area of operation since 9 June 2010).

In order to improve the efficiency of management over the Company and PETROLINVEST Group, certain changes were also introduced in the scope of activities performed by the Supervisory Board.

During the meeting held on 8 July 2010, the Supervisory Board of the Company, aiming to enhance the effectiveness and accelerate the work on the performance of strategic agreements ensuring financing and implementation of exploration and production projects, resolved to grant its members individual supervisory powers over the key areas of Company operations.

The Supervisory Board has delegated:

- Mr Ryszard Krauze, Chairman of the Supervisory Board, to individually perform acts of supervision in the entire area of Company operations, with particular emphasis placed on its strategic investments,
- Mr Andre Spark, Deputy Chairman of the Supervisory Board, to individually perform acts of supervision in the area of co-operation with the European Bank of Reconstruction and Development,
- Mr Bertrand Le Guern to individually perform acts of supervision in the area of co-operation between Petrolinvest S.A. and the Total Group with regard to, among others, the agreement providing the rules of joint continuation of work in the area of the OTG contract in Kazakhstan,
- Mr Rafał Juszcak to individually perform acts of supervision in the area of the relations between Petrolinvest S.A. and financial institutions.

Detailed information concerning the changes in the composition of the Management Board and the Supervisory Board has been provided in item 8.8 hereof.

5.2. TOTAL NUMBER AND NOMINAL VALUE OF ALL SHARES IN PETROLINVEST S.A. AS WELL AS SHAREHOLDINGS HELD BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS

As at 31 December 2010, in accordance with information available to the Company, the amounts of PETROLINVEST S.A. shares held by members of the Management and Supervisory Board are as follows:

Shareholder	As at 31 December 2010	
	Number of shares	Nominal value
Supervisory Board		
Ryszard Krauze	3,586	3,586
Andre Spark	0	0
Tomasz Buzuk	0	0
Marcin Dukaczewski	0	0
Maciej Grelowski	31,321	31,321
Bartosz Jałowiecki	10	10
Rafał Juszczak	0	0
Andrzej Osiadacz	0	0
Krzysztof Wilski	30,000	30,000
Management Board		
Bertrand Le Guern	0	0
Marek Pietruszewski	0	0
Franciszek Krok	4,000	4,000
Roman Niewiadomski	0	0
Maciej Wantke	1,100	1,100
Entities controlled by managing or supervisory persons		
Prokom Investments S.A., Osiedle Wilanowskie Sp. z o.o., (Ryszard Krauze)	13,710,716	13,710,716

In accordance with information available to the Company, Management and Supervisory Board Members did not own as at 31 December 2010 any shares in PETROLINVEST Group companies.

5.3. CONTROL SYSTEM FOR EMPLOYEE SHARE PROGRAMS

During the reporting period, the Company's Incentive Programme for members of the management board of PETROLINVEST S.A. was in place, as provided in the Rules and Regulations of the Programme, the approval of which by the Company Supervisory Board was announced in current report no. 40/2008 dated 19 June 2008. The terms and conditions of the Incentive Programme specified in the Rules and Regulations are compliant with the assumptions adopted by the Extraordinary General Meeting of PETROLINVEST S.A. on 29 April 2008.

As provided for in the regulations, the Company has a specification for each multiple Warrant certificate so as to control the number of rights to shares that have been executed by a warrant holder to date and the date of execution as well as the number of Rights to Shares that such warrant holder is still eligible for.

In compliance with the requirements of IFRS, the Group was required to make an assessment of the fair value of the warrants as at the date of granting the rights thereto. The amount arrived at in this way will be charged to the Group's payroll costs in the third quarter of 2008 when the rights were granted. The cost of warrant issue of PLN 12m, calculated using the Black-Scholes model, will be taken to the Group's payroll costs in the third quarter of 2008. The cost did not have any impact on the Group's cash flows.

Pursuant to the Resolution of the Extraordinary General Meeting, the persons entitled to take up series E shares in the Company assigned to the warrants could exercise that right no later than on 30 April 2011.

5.4. AGREEMENTS CONCLUDED BETWEEN PETROLINVEST S.A. AND MANAGERS REGARDING COMPENSATION IN THE EVENT OF THEIR RESIGNATION OR DISMISSAL WITHOUT GOOD CAUSE

There are no agreements concluded between the Company and managers regarding compensation in the event of their resignation or dismissal without good cause.

5.5. VALUE OF REMUNERATION, AWARDS OR BENEFITS DUE OR POTENTIALLY DUE TO MEMBERS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The value of remuneration for managing and supervisory persons of PETROLINVEST S.A. were described in the note 35.3 to the Financial Statements.

6. PLANNED ISSUES AND USE OF PROCEEDS FROM ISSUES ALREADY COMPLETED

6.1. AGREEMENTS AS A RESULT OF WHICH CHANGES MAY OCCUR IN THE FUTURE IN THE PROPORTION OF SHARES OWNED BY CURRENT SHAREHOLDERS AND BOND HOLDERS

The Company concluded the following agreements that may result in changes to the proportion of shares held by current shareholders:

✓ On 13 January 2009, the Company concluded an agreement with Prokom Investments S.A. which provides that Prokom Investments S.A. has the right to demand that the Company transfer to Prokom (on one or many occasions) such a number of Company shares that is the quotient of the value of Prokom Investment S.A.'s accounts receivable (or a portion thereof) with accrued interest and the average closing price of one Company share at the WSE in the three months preceding the date on which Prokom makes the demand (Call Option). The Company is obliged to transfer to Prokom, or issue and offer to Prokom, the shares specified in such a demand within five days from the date of the request, however not later than within three years from 13 January 2009.

✓ On 20 March 2009, the Company concluded an agreement with Prokom Investments S.A. setting out terms and conditions for cooperation in seeking financing for the Company with an option of conversion to the Company's equity. Under the Agreement, amended by annexes dated 31 December 2010 and 18 April 2010, Prokom committed to take appropriate actions to obtain a PLN 300 million financing for the Company's operations during the period between 31 December 2010, when the annex was executed, and 31 December 2013.

The Financing specified above is provided to the Company by Prokom or another entity indicated by Prokom on the basis of loan agreements or other agreements of similar nature, on an arm's length basis, or as a direct equity investment into the Company's shares. The financing entities have the right to file a conversion request for an outstanding amount of the financing, with accrued interest and other costs resulting from the financing documents, to be converted, whether fully or partially, into the Company's equity.

Pursuant to the Agreement, the Company is obliged to take all actions necessary to increase the share capital through the issue of new Company shares within the time-frame specified in the request in exchange for a cash contribution, at an issue price per one Company share equal to an average close price of the Company's shares at the Warsaw Stock Exchange ("WSE") from 180 quoting days preceding the date of the request, or – if the financing entity shall decide so – at an issue price per share equal to the close price of the Company's shares at the WSE from the day preceding the date of the request, in each case reflecting the effects of possible distribution of the shares.

As at 31 December 2011, the balance of cash contributions towards a direct equity investment into the Company's shares amounted to PLN 37.8 million. After the end of the reporting period all of the payments had been settled through share issues.

✓ On 29 April 2009, the Company concluded an agreement with GEM Global Yield Fund Limited and GEM Investments Advisers, Inc. providing the Company with a financing of up to PLN 200 million through an equity line of credit available in tranches drawn at the Company's discretion over the period of 3 years from the date of the agreement and regarding an issue of subscription warrants convertible into a total of 1.3 million Company shares at the price of PLN 60 per share, totalling PLN 78 million.

Company shares issued under the Agreement are taken up in exchange for cash contributions. The issue price per share varies depending on the time when the Company chooses to use the equity line of credit and is determined using 90% of the average Company close price quoted on 15 consecutive quoting days preceding the day on which subscription warrants conferring the right to subscribe for shares are taken up.

As at 31 December 2010, PLN 44.6 million of the committed equity line of credit had been used.

✓ On 14 May 2009, the Company and Prokom Investments S.A., Osiedle Wilanowskie Sp. z o.o. and Agro Jazowa S.A. signed agreements regulating the terms and conditions on which those entities have made their assets available to collateralise the repayment of the Company's credit facility extended under the agreement dated 21 March 2007 by the consortium of PKO Bank Polska S.A. and Bank Gospodarstwa Krajowego. The average value of the assets encumbered as collateral for the credit facility in the period from the encumbrance date to the date of signing of the agreements amounted to PLN 642.67 million (PLN 860 million as maximum in the period). The agreements provide that in exchange for their services, the entities listed above are entitled to a fee that may be prepaid through share issues.

As provided in the agreements, the entities providing collateral have the right to demand that the Company transfer to them (on one or many occasions) such a number of Company shares that is the quotient of the value of their accounts receivable associated with the fee (or a portion thereof) and the average closing price of one Company share at the WSE in the three months preceding the date on which a given entity makes the demand.

As at 31 December 2010, the balance of outstanding receivables under the fee for credit facility collateral provided for in the aforementioned agreement amounted to PLN 8.9 million.

✓ On 19 October 2009, the Company received a confirmation that the subscription option agreement giving four open investment funds incorporated in Poland (the "Funds") the option to subscribe for shares in the Company had been concluded. The Company agreed under the Agreement that at the request of any one of the Funds it will issue on aggregate 182,000 subscription warrants free of charge where each warrant will entitle its holder to acquire one Company share at an issue price of PLN 50 per share. Each of the Funds has the right to file the request for a warrant and share issue at any point falling no later than within 2 years from the date of signing the Agreement.

- ✓ On 2 November 2009, the Company entered into a subscription option agreement with the brokerage house Dom Maklerski IDM S.A. The Company agreed under the Agreement that at the request of DM IDM S.A. it will carry out a single issue of 65,000 transferable subscription warrants free of charge where each warrant will entitle its holder to acquire one Company bearer share at an issue price of PLN 50 per share. DM IDM S.A. has the right to request a warrant and share issue at any point falling no later than within 2 years from the date of signing the Agreement.
- ✓ On 29 March 2010, the Company concluded a Loan Agreement with the European Bank for Reconstruction and Development ("EBRD") ("Loan Agreement"), under which EBRD extended a loan facility to the Company in the maximum amount of USD 50,000,000.

As provided in the Loan Agreement, the EBRD will have the right to convert the Loan to Company shares, either fully or partially. The right of conversion may be exercised at the EBRD's sole discretion at any point, starting from the date of the first disbursement and until 30 days before the third anniversary of the conclusion of the Loan Agreement. The conversion price shall be PLN 27.50 per share. Moreover, if the market price of the Company's shares over 30 consecutive calendar days is PLN 50 or more, and the EBRD decides not to convert any part of the Loan, the Company shall have the right (but not the obligation) to repay the outstanding balance of the Loan, either in full or in part. In such a case, the conversion right shall expire upon repayment.

- ✓ On 9 September 2010, the Company and Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. and Prokom Investments S.A. executed an agreement (the "Transfer Agreement"), whose provisions include: The Company's commitment to issue free of charge, to the benefit of Kingsbrook Opportunities Master Fund LP, Iroquois Master Fund Ltd. 2,400,000 subscription warrants for 2,400,000 shares in the Company at an issue price of PLN 16.50 per share, and, additionally, 1,800,000 subscription warrants for 1,800,000 shares in the Company at an issue price of PLN 20 per share ("Additional Warrants"). The parties agreed that the Additional Warrants would be issued following the adoption at the General Meeting of the Company of a resolution regarding their issuing as well as the conditional increase of the Company's share capital, registration of the resolution by the registry court and adoption by KDPW S.A. (National Depository for Securities) and GPW S.A. (Warsaw Stock Exchange) of relevant resolutions concerning the registration of shares with the National Depository for Securities (KDPW) as well as admittance and introduction of the shares at the GPW S. A. At the same time it was agreed that 1,800,000 Additional Warrants would be issued instead of 1,800,000 New Warrants which were to be issued under the provisions of the Assumption Agreement of 28 May 2010.
- ✓ On 23 February 2011, the Company and Gem Investments Advisers, Inc. ("GEMIA") concluded an agreement, whereby the Company committed to issue to GEMIA free-of-charge subscription warrants in order to settle the fee for GEMIA'S service which consisted in organising financing from foreign investments funds (the agreement of 18 March 2010). The fee, which totals PLN 2,375 thousand is payable in 6 equal monthly instalments starting from March 2011. The number of warrants to be issued to the benefit of GEMIA is the product of the fee instalment (unless it has been paid within the deadline) and the price of a Company share at the WSE as at the date when GEMIA requested the warrants.

6.2. DESCRIPTION OF THE USE OF PROCEEDS FROM SHARE ISSUES DURING THE REPORTING PERIOD

The private share issues, carried out in 2010, provided the Company with proceeds of PLN 274 million. The proceeds generated on the share issues were allocated to financing scheduled investments connected with the delivery of the exploration and production project, reducing credit-related debit and, to a lesser extent, financing expenditures connected with ongoing operations. Also in the reporting period, the Company carried out issues paid for by netting mutual accounts receivable/payable (debt convertible to equity) totalling PLN 118.8 million.

Proceeds from the issues of ordinary shares carried out in 2010 as of the day of this Report have been used as follows:

Purpose of use	<i>PLN '000</i>
Value	
Financing of exploration and production projects (loans)	
TOO EMBA JUG NIEFT	6,300.2
TOO COMPANY PROFIT	871.0
Occidental Resources, Inc.	98,273.8
Credit debt repayment	102,372.6
Borrowing costs connected with exploration and production projects	7,605.2
Costs incurred in connection with involvement in exploration and production projects (legal, advisory services, etc.)	5,111.6
Costs incurred in connection with ongoing operations, including repayment of short-term loans	39,542.7
Transaction costs	13,922.7
Funds used total	273,999.8

7. OTHER INFORMATION

7.1. MATERIAL TRANSACTIONS OF THE PARENT OR SUBSIDIARY WITH RELATED ENTITIES ON TERMS OTHER THAN AT ARM'S LENGTH

In 2010, no material transactions were concluded by the parent or subsidiary with related entities 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 35 to the Financial Statements.

7.2. DESCRIPTION OF OFF-BALANCE SHEET ITEMS IN SUBJECTIVE, OBJECTIVE AND VALUE TERMS

As at 31 December 2010, PETROLINVEST Group possessed the following significant conditional liabilities:

Entity	Subject	Value
PETROLINVEST S.A.	blank bills of exchange submitted in the Customs Office in Gdynia as excise security for transferring goods in excise duty suspension procedure.	PLN 2,850,000
TOO OilTechnoGroup	two bank guarantees provided by AO HSBC Bank Kazakhstan, constituting a guarantee for the performance of an agreement between OilTechnoGroup and Saipem S.p.A. The guarantees are valid until 31 December 2011. The company established a conditional deposit as security for eventual liabilities to the bank.	USD 3,885,000
Occidental Resources, Inc.	a guarantee provided to secure the repayment by TOO OilTechnoGroup of liabilities due to Tenaris Global Services S.A. under agreements for the purchase of well construction materials. The guarantee covers liabilities resulting from one agreement already concluded for USD 2.9 million and any future agreements that may be concluded between TOO OilTechnoGroup and Tenaris Global Services S.A. The guarantee was issued for an indefinite period, provided however that it may be terminated upon written notice delivered by Occidental Resources Inc. to Tenaris Group Services S.A. As of the day of receipt of the notice by Tenaris Global Services S.A the guarantee will remain in force until all payments, resulting from agreements concluded before the notice was delivered, are settled.	USD 1,411,717 ⁽¹⁾
TOO EMBA JUG NIEFT	a guarantee securing the repayment of obligations of TOO OilTechnoGroup to Bank CenterCredit JSC resulting from a USD 37,800 thousand line of credit provided by the bank. The guarantee remains in force until the final repayment of the liabilities resulting from the credit line which matures on 5 April 2012. The guarantee does not provide for any charges to be paid for its granting. The guarantee specifies a contractual penalty – in case of non-payment of the amount due – equal to 0.1 per cent of such amount for each day of delay and a contractual penalty of 0.1 per cent of the total amount of the guarantee for other breaches of the guarantee.	UDS 37,800,000 ⁽²⁾
Occidental Resources, Inc.	a guarantee securing the repayment of obligations of TOO OilTechnoGroup to Bank CenterCredit JSC resulting from a USD 37,800 thousand line of credit provided by the bank. The guarantee remains in force until the final repayment of the liabilities resulting from the credit line which matures on 5 April 2012. The guarantee does not provide for any charges to be paid for its granting. The guarantee specifies a contractual penalty – in case of non-payment of the amount due – equal to 0.1 per cent of such amount for each day of delay and a contractual penalty of 0.1 per cent of the total amount of the guarantee for other breaches of the guarantee.	UDS 37,800,000 ⁽²⁾

⁽¹⁾ The value of the guarantee not specified, the value presented above is as at 31 December 2010

⁽²⁾ The value of the guarantee comprises the principal amount of the credit line and covers other fees payable to Bank CenterCredit JSD under the credit facility agreement. Total indebtedness under the line of credit as at 31 December 2010 was USD 31,866 thousand in principal and USD 4,868 thousand in accrued interest.

On 25 June 2009, the Company signed agreements committing the Company to dispose of shares and stocks in companies headquartered in the Russian Federation. The agreement provides that if C1 or C2 hydrocarbons are discovered on the Yermalovskye or the Yuzhno-Nyertsovskye Contract Areas and are entered in the national registry of resources while the acquirers hold shares in the acquired companies, each of the acquirers is obliged to pay additional consideration to the Company. The total amount of such additional consideration may come at a maximum of USD 42 million.

7.3. EXPLANATIONS REGARDING THE DIFFERENCE BETWEEN FINANCIAL RESULTS AND FORECASTS OF 2010 RESULTS PUBLISHED EARLIER

PETROLINVEST Group did not publish forecasts regarding 2010 results.

7.4. 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

As at 31 December 2010, there were no proceedings pending before court, competent arbitration body or any public administration authority, concerning the liabilities or claims of PETROLINVEST S.A. Group whose value, either separately or jointly, represented 10% or more of the Company's equity. Information about other proceedings is provided in note 33.1 to the Financial Statements.

7.5. INFORMATION ABOUT THE ENTITY AUTHORISED TO REVIEW FINANCIAL REPORTS

Audit of the financial statements of PETROLINVEST S.A. and the consolidated financial statements of PETROLINVEST Group for 2009 was carried out by BDO Spółka z o.o. on the basis of the agreement concluded on 26 July 2010.

The total amount of remuneration resulting from agreements with the entity authorised to review financial reports either due or paid for the review of financial reports and for other services is presented below.

Title	<i>(PLN '000)</i>	
	2010	2009*
Audit of full year standalone and consolidated financial statements	650	700
Other certification services, including review of financial statements	250	275
Tax advisory services	0	0
Other services	0	32
TOTAL	900	1,007

*/Audit of the financial statements of PETROLINVEST S.A. and the consolidated financial statements of PETROLINVEST Group for 2009 was carried out by Ernst & Young Audit Spółka z o.o.

8. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE

8.1. CORPORATE GOVERNANCE RULES APPLIED BY PETROLINVEST S.A.

The Management Board of PETROLINVEST S.A. (the "Company") attaches great importance to applying corporate governance rules – understood as a set of rules of conduct necessary to maintain proper relations among the interests of all entities and natural persons engaged in the Company's business. The Management Board of PETROLINVEST S.A. shares the ideas and assumptions behind the individual corporate governance rules. The rules are to a large extent an exemplary code of conduct and ethical standards and an embodiment of good practice.

In 2008, the Company declared compliance with corporate governance rules adopted by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) compiled in "Best Practices of WSE Listed Companies" (appendix to Resolution No. 12/1170/2007 of the Supervisory Board of the Warsaw Stock Exchange dated 4 July 2007). The key goal of adopting corporate governance as the Company's business standard is to build transparent relations among all bodies and entities involved in the operation of the Company and to guarantee that the Company is managed properly, thoroughly and loyally towards all shareholders.

The "Best Practices of WSE Listed Companies" are available on the website of the Warsaw Stock Exchange www.corp.gov.pl

In 2010, the Company did not publish any releases regarding non-compliance with the rules contained in "Best Practices of WSE Listed Companies".

The Management Board announces that it does not comply, either permanently, temporarily or to a limited extent, with the following corporate governance rules defined in the "Best Practices of WSE Listed Companies":

- rule III.2 which states that a member of the supervisory board should provide information on his/her relationship (financial, family, and other relationships which may affect the position of the member of the supervisory board on issues decided by the supervisory board) with a shareholder who holds shares representing not less than 5% of all votes at the general meeting – the Company's position is that it could not guarantee procedures that would enable it to be informed on "other relationships" as the term is ambiguous. The Company believes that the absence of such disclosure does not negatively impact the Company's transparency as the Company has declared its willingness to comply with the corporate governance rule stating that a member of the supervisory board should notify any conflicts of interest which have arisen or may arise to the Supervisory Board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest. The Company's standpoint on this rule determines limited application of rule II 1.11 which states that statements regarding relationships should be published on the corporate website. Information about relationships by virtue of the functions performed are published on the Company's website to the extent determined by the Members of the Supervisory Board.
- rule III.6 which states that at least two members of the supervisory board should meet the criteria of being independent from the company and entities with significant connections with the company – the Company agrees that participation of independent members in the Supervisory Board is a good corporate practice. It will be possible to apply the aforementioned rule once information has been received regarding the appointment or recognition of at least two Members of the Supervisory Board as independent members pursuant to Annex II to the Commission Recommendation of 15 February 2005.
- rule III.8 regarding compliance with the European Commission's recommendations concerning the tasks and the operation of committees forming part of the Supervisory Board – the Company recognises that compliance with the recommendations concerning committees working as part of the supervisory body is a justified practice. The appointment by the Supervisory Board on 7 July 2010 of the Audit Committee has enabled the Company to comply with the said rule to a limited extent.
- rule IV.1 which states that presence of representatives of the media should be allowed at general meetings – the Company acknowledges the assumptions underlying this rule in principle and considers it a good corporate practice. The Company continually strives to have good relations with the media and to have an effective information policy. There is no assurance, however, that a situation does not occur in which the Company will not allow representatives of the media to be present at a general meeting to ensure that the meeting progresses effectively.
- rule IV.2 regarding the rules of general meetings – the Company's practice to date, as well as the practice of many public companies, does not support the need to lay down the rules of general meetings. The Company believes, therefore, that relevant regulations of the Commercial Companies Code provide a sufficient basis to ensure effective progress of the Company's general meeting, including voting in separate groups.

In order to pursue a clear and effective information policy which guarantees quick and safe access to information to shareholders, analysts and investors, the Company, pursuant to recommendation I.1 of the "Best Practices of WSE Listed Companies", has a corporate website in place. The Company has not yet decided to broadcast a general meeting, which is recommended, although it does not rule out the possibility of carrying out direct broadcasts in the future.

Pursuant to recommendation I.9, the Company has made it possible for an equal proportion of women and men to become members of the Management Board and the Supervisory Board. At present, however, there are no women among the members of those bodies.

The Company Management Board would like to reiterate that the reservations stipulated above with respect to some of the rules of corporate governance do not have an adverse effect on the clarity of supervision and management principles of PETROLINVEST S.A. nor do they adversely affect the implementation of best practices, and so they do not lead to any infringement of the assumptions underlying corporate governance. The Management Board of PETROLINVEST S.A. will continue to assess the management and supervision principles implemented in the Company on an ongoing basis and will also analyse investors' expectations regarding the Company's perspective on the best practices not complied with, and if any alteration is required and possible, a decision will be made to adopt such best practices as proposed by the Warsaw Stock Exchange. If compliance with any such rules requires a decision of another Company body, the Management Board will apply to it to make an appropriate decision.

8.2. DESCRIPTION OF BASIC FEATURES OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS (STANALONE AND CONSOLIDATED)

The Company's internal control system guarantees that the Company's operations are secure and that financial information provided in financial statements (both standalone and consolidated) is adequate and accurate.

Internal control is exercised by a Team of Financial Controllers who monitor the correctness, efficiency, and security of the process of preparing financial statements and are responsible for identifying and managing risks.

The Management Board is responsible for proper and effective operation of the internal control system and risk management in the process of preparing financial statements.

The Supervisory Board oversees the operation of the internal control system and evaluates how adequate and efficient the system is. As part of its supervisory activities, the Supervisory Board together with the Management Board and the certified auditor verifies the truthfulness of the financial statements.

The Company has appropriate procedures in place for preparing financial statements which ensure that disclosure of economic events in a given period is complete and correct.

The Company keeps its books of account using a software system. Access to the database is restricted and requires appropriate authorisation from selected personnel; there is also access control throughout the process of preparing financial statements.

The process of preparing financial statements is based on well-organized co-operation in all aspects of the process, including a well-defined scope of financial reporting and a clear division of duties among the participants of the process. Preparation of data in source systems is subject to formalised rules of procedure and approval.

The Company's operations, and the effectiveness of the risk control mechanisms that have been implemented, are under permanent supervision in terms of compliance with the law and internal regulations, in particular through functional internal control at every stage of preparing financial statements by each employee, his/her direct superior and persons cooperating with the superior, as well as by managers of organizational units.

The Company has a daily reporting system, which is the source of information for management.

In the case of subsidiaries and jointly-controlled companies of the Group, their results are monitored by the parent entity on a monthly basis based on the existing reporting system.

After closing the books each calendar month, the Management Board performs an in-depth analysis of the financial results of the Company and the individual Oil Exploration and Production Companies in connection with the Company's holding operations.

In the process of preparing the Company's financial statements, one of the key elements of control is the verification of the financial statements by an independent certified auditor. The Company commissions in particular: a review of half-year financial statements and a preliminary and detailed audit of full-year financial statements.

Certified auditors are selected by the Supervisory Board through a bid process, with particular attention being given to the guarantee of high standards of the service and the required independence of the auditor.

Each time, the Management Board acquaints itself with the problems identified in the mechanisms of the control process. All post-audit recommendations from the auditor and comments from the Company's internal units which arose during the audit of financial statements are gradually implemented.

8.3. SHAREHOLDERS HOLDING MATERIAL BLOCKS OF SHARES, WHETHER DIRECTLY OR INDIRECTLY

The Company's shareholders who had at least 5% of votes at the General Meeting as at 31 December 2010 were:

Shareholder	Number of shares	Proportion of share capital	Number of votes	Share in the number of votes at AGM
Ryszard Krauze*	3,586	0.01%	3,586	0.01%
Prokom Investments S.A.	11,366,001	22.50%	11,366,001	22.50%
Osiedle Wilanowskie Sp. z o.o.**	2,344,715	4.64%	2,344,715	4.64%
Other shareholders	36,803,354	72.85%	36,803,354	72.85%
TOTAL	50,517,656	100.00%	50,517,656	100.00%

(*) Mr Ryszard Krauze is the dominant entity of Prokom Investments S.A.

(**) Osiedle Wilanowskie Sp. z o.o. is a subsidiary of Prokom Investments S.A.

8.4. HOLDERS OF SECURITIES THAT GIVE SPECIAL CONTROLLING RIGHTS

As provided in the Company's Statutes, Prokom Investments S.A. and Mr Ryszard Krauze have personal rights to determine the number of Management Board members, to appoint and dismiss the President of the Management Board, the Vice President of the Management Board and members of the Supervisory Board (for details see item 8.8 hereof).

8.5. RESTRICTIONS CONCERNING THE EXERCISE OF VOTING RIGHTS AND RESTRICTIONS OF THE TRANSFERABILITY OF THE ISSUER'S SECURITIES

The Statutes of PETROLINVEST S.A. lay down restrictions on the shareholders' voting rights described in detail in item 8.7 herein.

8.6. PRINCIPLES OF AMENDING STATUTES OR ARTICLES OF ASSOCIATION

Any amendment of the Statutes requires a resolution of the General Meeting (in the form of a notary deed) and entry into the National Court Register. The resolution should be taken by a majority of 3/4 of the votes present. The resolution on any material change of the Company's scope of activities requires a 2/3 majority.

The dismissal or suspension of any individual member or all members of the Management Board in compliance with Article 368 § 4 of the Commercial Companies Code by the General Meeting requires a majority of 4/5 of the votes cast.

8.7. DESCRIPTION OF THE MANNER IN WHICH THE GENERAL MEETING OPERATES AND ITS PRINCIPAL POWERS AND RIGHTS OF SHAREHOLDERS, AND THE MANNER OF PERFORMING THEREOF

The General Shareholders' Meeting is the Company's highest authority. The General Shareholders' Meeting operates in accordance with generally binding laws and regulations, including in particular the Commercial Companies Code and the Statutes of the Company. The Statutes are available on the Company's website. The GSM is convened by way of an announcement in the official court journal Monitor Sądowy i Gospodarczy.

In accordance with the Statutes, resolutions of the General Shareholders' Meeting shall be adopted by an absolute majority of validly cast votes, unless the Statute or the applicable laws provide for stricter majority rules. Resolutions of the General Shareholders' Meeting regarding the matters referred to below shall require a qualified majority of three-quarters of votes cast in favour of the resolution:

1. redemption of shares in the case referred to in Article 415 § 4 of the Commercial Companies Code;
2. acquisition of own shares in the case referred to in Article 362 § 1.2 of the Commercial Companies Code;
3. merger of the Company with another company in the case referred to in Article 506 § 2 of the Commercial Companies Code.

Resolutions of the General Shareholders' Meeting concerning the dismissal or suspension of any individual member or all members of the Management Board in compliance with Article 368 § 4 of the Commercial Companies Code by the General Shareholders' Meeting shall require a majority of four-fifths of the votes cast.

The shareholders' voting rights have been restricted in such a way that none of the shareholders may exercise more than 20% of the overall number of votes at the General Shareholders' Meeting, although it is assumed that the restriction shall not apply for the purposes of determining the obligations of purchasers of large blocks of shares as provided for in the act dated July 29th 2005 on public offering, conditions governing the introduction of financial instruments to organised trading, and public companies ("Act on Public Offering"). The restriction of the voting rights shall not apply to:

1. Prokom Investments S.A.;
2. any shareholders which, on the date of the registration of the Company's transformation in the Register of Business Entities, held shares constituting at least 10% of the share capital;
3. any shareholder who, following the admission of shares to regulated trading (acting in its own name and on its own account), acquires and registers at the General Shareholders' Meeting shares constituting at least 85% of the overall number of votes in the Company's share capital, out of which all shares causing such shareholder to exceed the threshold of 10% of the overall number of votes in the Company were acquired by such shareholder:

- in result of a public tender for the sale of all shares of the Company announced in compliance with the Act on Public Offering, from shareholders not related to such shareholder in any manner described in Article 87, sections 1.2–1.6 of the Act on Public Offering or who do not act in concert with such a shareholder in order to circumvent the restrictions provided for in the Statutes; or
- on the primary market (as defined in the Act on Public Offering).

The exercise of voting rights by a dependent company or a subsidiary shall be deemed as the exercise of voting rights by the dominant company or a parent entity, respectively.

Parties related as described in Art 87, sections 1.2–1.6 of the Act on Public Offerings or otherwise acting in concert for the purposes of circumventing the restrictions provided for in the Statutes, shall be considered as one shareholder.

The consent of the General Shareholders' Meeting is not required for any acquisition or sale of ownership rights to real estate, the right of perpetual usufruct or any share of those rights, regardless of the value of the rights acquired or sold, and the Company's purchase of its own shares for the purposes of redemption, subject to Article 393.6 of the Commercial Companies Code.

Redemption of the Company's shares requires the consent of the General Meeting, subject to Article 363 § 5 of the Commercial Companies Code.

8.8. THE MANAGING BODY AND THE SUPERVISORY BODY

THE MANAGEMENT BOARD

The Management Board is the Company's executive body and manages all aspects of the Company's operations. The Management Board operates in accordance with the Commercial Companies Code, the Statutes of the Company and the By-Laws of the Management Board.

According to the Company's Statutes, the Management Board shall consist of two, or three, or five members; the number of members is determined by Prokom Investments S.A. If the Management Board consists of two or three members, Prokom Investments S.A. shall have a personal right to appoint and dismiss the President of the Management Board, while Ryszard Krauze shall have a personal right to appoint and dismiss the Vice-President of the Management Board. If the Management Board consists of five members, Prokom Investments S.A. shall have a personal right to appoint and dismiss two members of the Management Board, including the President of the Management Board, while Ryszard Krauze shall have a personal right to appoint and dismiss the Vice-President of the Management Board. The other Members of the Management Board, if any, shall be appointed and dismissed by the Supervisory Board. The power to dismiss or suspend members of the Management Board in compliance with Article 368 § 4 of the Commercial Companies Code is given to the General Meeting.

As at 31 December 2010, the Management Board of the Company consisted of:

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

The following changes took place in 2010 with regard to the management authorities:

1. On 9 June 2010, Mr Paweł Gricuk, President of the Management Board, and Mr Marcin Balicki, Vice President of the Management Board, decided not to seek re-election to the Management Board upon the expiry of their term that fell on the day of the Ordinary General Meeting of Shareholders approving the financial statements for the year 2009, i.e. on 30 June 2010.
2. On 9 June 2010, in accordance with its personal powers, Prokom Investments S.A. specified that the Management Board of the Company would consist of three members. On the same day, the Company's Supervisory Board appointed Mr Marek Pietruszewski as Member of the Management Board of PETROLINVEST S.A. responsible for financial affairs.
3. On 30 June 2010, pursuant to his personal powers, Mr Ryszard Krauze appointed Mr Marek Pietruszewski as Vice President of the Management Board for the term of three years.
4. On 8 July 2010 Prokom Investments S.A., exercising its personal powers, set the number of Management Board members at two and, having obtained a positive opinion of the Supervisory Board of the Company, entrusted the performance of the duties of Company President during this term of office to Mr Roman Niewiadomski, who performed this function until the conclusion of interviews with the candidates for the post of President of the Management Board.
5. On 9 September 2010, pursuant to § 14 item 2 of the Company Statute, in exercise of its personal rights and having obtained a positive opinion of the Supervisory Board of the Company, Prokom Investments S.A.:
 - set the number of members of the Management Board at five, including the President, Vice President and three members of the Management Board,
 - appointed Mr Bertrand Le Guern to the Management Board of the Company and entrusted him with the responsibilities of President of the Management Board (his previous function was that of a member of the Supervisory Board). Pursuant to the resolution of the Company Supervisory Board dated 9 September 2010, providing opinion on the changes mentioned above, Mr Bertrand Le Guern shall hold the post of the President of the Management Board of the Company for a year following the date of his appointment),

- dismissed Mr Roman Niewiadomski as President of the Management Board (Mr Niewiadomski had been appointed to that position on 8 July 2010 for the period when talks with the candidates to the post of president of the Company's Management Board were being held) and appointed him to the Management Board of the Company as a Member of the Management Board responsible for the Company's trading activities in the segment of marketing petroleum products and fuels.
5. On 9 September, pursuant to § 14 section 3 of the Company Statutes, the Supervisory Board of the Company appointed the following persons to the Management Board of the Company:
- Mr Franciszek Krok, appointing him a Member of the Management Board responsible for the Company's operating activities in the exploration and production segment in Kazakhstan,
 - Mr Maciej Wantke, appointed as a Member of the Management Board responsible for the development of new business projects.

Members of the Management Board are appointed for three year terms of office.

The Management Board manages the Company's affairs and represents the Company vis-a-vis third parties. The Management Board sets forth the Company's development strategy, goals and objectives, and the manner of achieving them, which are subject to approval by the Supervisory Board.

All matters that are not expressly reserved for the General Shareholders' Meeting or the Supervisory Board fall within the powers of the Management Board. The Company's Statutes provide specifically that the Management Board is authorised to increase the Company's share capital through the issuance of new shares through a single or several share capital increases within the limits of authorised capital. The authorisation of the Management Board to increase the share capital and to issue new shares within the scope of the authorised capital shall expire on the third anniversary of the date on which the transformation of the Company into a joint-stock company was entered in the Register of Business Entities.

With the consent of the Supervisory Board, the Management Board may remove shareholders' subscription rights in part or in whole as regards shares issued within the limits of target capital.

Provided that the Commercial Companies Code does not provide otherwise, the Management Board decides on all matters related to the share capital increase within the scope of the authorised capital and the Management Board is authorised to take the following actions, without limitation:

- concluding agreements for investment underwriting or service underwriting or underwriting services that secure the success of a share issue, and also concluding agreements on the strength of which deposit receipts would be issued outside the Republic of Poland in connection with the shares,
- passing resolutions and other activities regarding the dematerialisation of shares and concluding agreements with the National Depository for Securities for the registration of shares,
- adopt resolutions and take other actions relating to the issuance of shares in a public offering or applying for the admission of the shares to trading on the regulated market, as the case may be;

The Management Board's resolutions regarding the establishment of the issue price within the scope of the authorised capital or the delivery of shares in exchange for non-cash (in-kind) contributions require the consent of the Chairman of the Supervisory Board.

Subject to agreement from the Chairman of the Supervisory Board, the Management Board as part of its authority to raise share capital may issue subscription warrants with an execution date not later than the expiry date of the Management Board's authority to raise share capital.

In accordance with the Company's Statutes, the Management Board shall adopt resolutions by a simple majority of votes, and if the vote is tied, the President of the Management Board shall have the casting vote. The following persons are authorised to make representations on behalf of the Company: President of the Management Board jointly with another Management Board member or a registered proxy, or the Vice-President of the Management Board jointly with another Management Board member or a registered proxy.

THE SUPERVISORY BOARD

The Supervisory Board provides general supervision over the activities of the Company. The Supervisory Board operates in accordance with the Commercial Companies Code, the Statutes of the Company, and the By-Laws of the Supervisory Board available on the Company's website. The term of office of individual members of the Supervisory Board is three years.

The Supervisory Board consists of five to thirteen members. Members of the Supervisory Board are appointed and dismissed by the General Meeting; however, according to the Statutes, two members of the Supervisory Board (including the chairman and the deputy chairman) are appointed and dismissed by Prokom Investments S.A. and one member of the Supervisory Board is appointed and dismissed by Mr Ryszard Krauze.

As at 31 December 2010, the Supervisory Board of the Company consisted of:

- Ryszard Krauze — Chairman of the Supervisory Board,
- Andre Spark — Deputy Chairman of the Supervisory Board,
- Tomasz Buzuk — Member of the Supervisory Board,
- Marcin Dukaczewski — Member of the Supervisory Board,
- Maciej Grelowski — Member of the Supervisory Board,

- Bartosz Jałowicki — Member of the Supervisory Board,
- Rafał Juszczyk — Member of the Supervisory Board,
- Andrzej Osiadacz — Member of the Supervisory Board,
- Maciej Wantke — Member of the Supervisory Board.

During the period covered by the Report, the following changes in the composition of the Management Board of the Company took place:

1. As at 31 December 2010, the Supervisory Board of the Company consisted of: Mr Ryszard Krauze – Chairman, Mr Maciej Grelowski, Mr Krzysztof Wiłski, Mr Marek Modecki and Mr Tomasz Buzuk.
2. In view of the expiry of the current term of office, the Ordinary General Meeting of the Company held on 30 June 2010, acting pursuant to § 17 section 4 of the Company's Statutes, set the number of members of the Supervisory Board at eight and appointed the following persons to the Supervisory Board for a term of three years: Mr Tomasz Buzuk, Mr Maciej Grelowski, Mr Bartosz Jałowicki, Mr Rafał Juszczyk, Mr Krzysztof Wiłski. The remaining members of the Supervisory Board were appointed in the exercise of personal rights – Prokom Investments S.A., acting pursuant to § 17 section 2 item 1) of the Company's Statutes, appointed Mr Ryszard Krauze as the Chairman of the Supervisory Board and Mr Andre Spark as the Deputy Chairman of the Supervisory Board. Also, on the same day, Mr Ryszard Krauze, acting pursuant to § 17 section 2 item 2) of the Company's Statute, appointed Mr Bertrand Le Guern as member of the Supervisory Board.
1. On 8 July 2011, the Supervisory Board delegated:
 - Mr Ryszard Krauze, Chairman of the Supervisory Board, to individually perform acts of supervision in the entire area of Company operations, with particular emphasis placed on its strategic investments,
 - Mr Andre Spark, Deputy Chairman of the Supervisory Board, to individually perform acts of supervision in the area of co-operation with the European Bank of Reconstruction and Development,
 - Mr Bertrand Le Guern to individually perform acts of supervision in the area of co-operation between Petrolinvest S.A. and the Total Group with regard to, among others, the agreement providing the rules of joint continuation of work in the area of the OTG contract area in Kazakhstan,
 - Mr Rafał Juszczyk to individually perform acts of supervision in the area of relations between Petrolinvest S.A. and financial institutions.
2. On 9 September 2010, in connection with the resignation of Mr Bertrand Le Guern from the post of a member of the Supervisory Board and his appointment as President of the Management Board, acting pursuant to § 17 section 2 item) 2 of the Company Statute, exercising his personal rights, Mr Ryszard Krauze appointed Mr Marcin Dukaczewski to the Supervisory Board of the Company.
3. On 30 October 2010, the Extraordinary General Meeting, pursuant to § 17 item 4 of the Statutes of the Company, set the number of members of the Supervisory Board at nine and simultaneously appointed Mr Andrzej Osiadacz to the Supervisory Board for the current term.

The Company's Statutes do not regulate the obligation of independence of Supervisory Board members; however, as provided for in the communication regarding the Company's compliance with the "Best Practices of WSE Listed Companies" published in current report no. 1/2008 on 2 January 2008, the Company will consider compliance with the rule of independence of at least two members of the Board in the future.

The duties of the Supervisory Board involve ongoing supervision over the activities of the Company in all areas of its operation. Besides the matters defined in the Commercial Companies Code, the competencies of the Supervisory Board include in particular:

- to designate an entity for the purposes of auditing or reviewing the consolidated and stand-alone financial statements of the Company and grant consent to the execution of appropriate agreements with such entity,
- to grant consent – in matters reserved by the Statutes – to the Company's related parties to enter into agreements with the Company or to take any other actions in favour of the Company's related parties,
- to appoint and dismiss Members of the Management Board, subject to the personal rights of Prokom Investments S.A. and Ryszard Krauze, and to establish the remuneration of Management Board Members,
- to grant consent to establish the issue price of shares issued within the scope of the authorised capital or delivered in exchange for non-cash (in-kind) contributions,
- to grant consent to the issue of subscription warrants – within the Management Board's authorisation to increase the share capital (subject to the consent of the Chairman of the Supervisory Board),
- to grant consent to the Company's purchase of its own shares for the purposes of redemption, subject to Article 393.6 of the Commercial Companies Code,
- to grant consent to the Management Board to deprive some or all of the shareholders of their pre-emptive rights to shares issued within the scope of the authorised capital.

As of 7 July 2010, an Audit Committee functions within the Supervisory Board. The Committee's composition is the following:

- Maciej Grelowski — Chairman
- Rafał Juszczyk — Deputy Chairman
- Bartosz Jałowicki.

The member of the Audit Committee who meets the independence requirements set forth in the Act on Statutory Auditors of 7 May 2009 and is a qualified accountancy specialist and financial auditor is Mr Rafał Juszczyk.

The Committee has the status of an advisory, consultative body to the Supervisory Board and has been appointed in order to increase the effectiveness of the Supervisory Board's activities in the field of examining the correctness of the Company's financial reporting, its financial results, effectiveness of the internal control system including internal audit and risk management system. Within the scope of the Committee's responsibilities are advisory and consultancy tasks connected with the Supervisory Board's areas of competence in relation to the Company's fields of operation specified below, as well as those of the Company's capital group – to the extent permitted by the law:

- Financial reporting;
- Annual and quarterly financial planning;
- Implementation of financial plans submitted to the Supervisory Board;
- Review of financial statements by a statutory auditor
- Internal and external quality control system, including internal audit;
- Risk management system.

Unless the Statutes provide specified exception, resolutions of the Supervisory Board are adopted by an absolute majority of votes cast. Resolutions of the Supervisory Board may be adopted if at least half of the Members are present at the meeting, including the Chairman or Deputy Chairman. If the vote is tied, the Chairman has the casting vote. According to the By-Laws of the Supervisory Board, Board meetings are held at least quarterly. The Chairman also convenes Supervisory Board meetings when requested by the Company's Management Board member or a Supervisory Board member.

9. ADDITIONAL REPRESENTATIONS OF THE MANAGEMENT BOARD

The Management Board of PETROLINVEST S.A. represents that to the best of its knowledge the consolidated financial statements for the year ended 31 December 2010 and comparable data were prepared in accordance with current accounting regulations, give a true, reliable and clear view of the material and financial standing of PETROLINVEST Group and its financial results and represents that the management board report for the year ended 31 December 2010 contains a true picture of the development and achievements as well as the situation of 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 audited the consolidated financial statements of PETROLINVEST Group for the year ended 31 December 2010 was selected in accordance with the provisions of law and that that entity and the auditors performing the audit fulfilled the conditions to issue an impartial and independent report from the audit in accordance with appropriate provisions of domestic law.

Bertrand Le Guern
President

Marek Pietruszewski
Vice-president

Franciszek Krok
Member of the
Management Board

Roman Niewiadomski
Member of the Management Board

Maciej Wantke
Member of the Management Board

Gdynia, 29 April 2011