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Press Release

SILURIAN HALLWOOD ACQUIRED OVER PLN 66 MILLION FROM NEW INVESTORS

On 7 November 2011, Silurian Hallwood, a company of Petroinvest Group, completed the process of issuing shares under a private placement directed to foreign investors. In that way, Silurian Hallwood acquired over PLN 66 million.

Silurian Hallwood is a joint-venture company established in July 2011, the largest shareholding in which was taken by Petroinvest S.A. and Hallwood Energy Group (currently Hallwood Resources Poland, Inc.). Through its subsidiary, Silurian Energy Services Sp. z o.o., Silurian Hallwood owns four oil and gas (especially shale gas) exploration licences in Poland. The licences are located in north-eastern Poland and encompass the "Lidzbark Warmiński", "Kętrzyn", "Węgorzewo" and "Gołdap" blocks covering the total area of 2,333.56 km². The areas covered by the licences of Silurian Hallwood are located alongside the border between Poland and the Kaliningrad Oblast, where commercial production of crude oil is carried out in areas with a similar geological profile.

The main objective of Silurian Hallwood is to quickly start the exploration and production of hydrocarbons in those areas, with the use of unique competences of Hallwood Energy Group with respect to hydraulic fracturing necessary for the production of gas and oil from shale. Hallwood Energy Group is one of the pioneers of that production technology and during the 10 years of its application, the company focused on improving its effectiveness and environmental safety.

One of the primary objectives of Silurian Hallwood was to acquire capital by carrying out a private placement directed to foreign investors.

"The process of increasing the capital of Silurian Hallwood has just finished. By means of issuing shares, the company acquired over PLN 66 million, which results in its valuation exceeding the amount of PLN 250 million. The success of that private placement confirms the proper business model adopted for Silurian Hallwood and promises a very good future stock exchange debut of Silurian Hallwood," said Wiesław Skrobowski, member of the Board of Directors of Silurian Hallwood.

"The entire process of Silurian Hallwood acquiring new capital was conducted in a very difficult time for global capital markets. Among investors, caution can be observed, but also strong interest in investments in Polish shale gas. Foreign investors know to what extent shale gas has affected the market of the United States and treat their engagement in Silurian Hallwood as a long-term, very good investment," said Bertrand Le Guern, President of Petroinvest.

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“Acquiring financing by Silurian Hallwood with such an advantageous valuation of that company should be considered a great success. After the issue of new shares, the capitalisation of Silurian Hallwood amounts to PLN 250 million, so 36.26% of shares held by Petrolinvest are worth approx. PLN 100 million,” he added.

The strategy adopted by the Management Board of Petrolinvest assumes Company's growth in the area of exploration and production assets that are of strategic importance to the Company in Kazakhstan (Koblandy, Shyrak, Emba), as well as development in the field of shale gas production in Poland through Silurian Hallwood and Silurian Sp. z o.o.

The successful private placement of Silurian Hallwood is another step in the strategy of Petrolinvest aiming at building the value of new and possibly liquid assets (apart from contracts in Kazakhstan) which will provide the Company with a possibility of long-term financing of its operations, primarily in Kazakhstan. That was the reason for the decision on increasing the engagement of Petrolinvest both in Silurian Hallwood and in Silurian, as well as the decision to purchase wind farms the development and sale of which are to serve the same purpose.

“The increase of the capital of Silurian Hallwood means that one of the first stages within our strategy has been achieved. From now on, we will concentrate on quickly achieving positive results of first drillings carried out by Silurian Hallwood in areas covered by its licences in Poland and on the preparations of that company for its IPO in 2012,” said Bertrand Le Guern. *“A similar development path is planned for Silurian Sp. z o.o. We are not ruling out further acquisitions in the field of shale gas in Poland. We want the Petrolinvest Group to become one of the leading entities in the shale gas segment on our market,”* he added.

In addition to shares in Silurian Hallwood, Petrolinvest also holds 90% of shares in Silurian Sp. z o.o. The company holds five licences for the exploration of oil and gas fields, covering a total area of 4,082.10 km².

Strong interest of global companies in shale gas in Poland, which potentially owns some of the largest fields in Europe, is understandable, especially taking into consideration the changes which occurred on the American market in a short time. Within ten years, the share of shale gas in gas-powered energy production increased from zero to 30%. The shale gas sector created over 200 thousand new jobs and the decrease of the price of that resource allowed industries depending on gas supply in the United States to resume rapid development. Shale gas created new fortunes. Chesapeake Energy, a company engaged in producing natural gas, is a good example — whereas at the end of the 1990s, it was valued at approx. USD 70 million, now it is worth 250 times more — USD 18 billion — as a result of commencing shale gas exploration and production.

The European and especially Polish history of shale gas can proceed much faster — the technology is being improved and investors are aware of the significance and potential of the new industry. This year's (June 2011) successful debut of a small exploration company — 3Legs Resources — on the AIM in London showed that 9 Polish exploration licences are valued by investors at approx. PLN 1 billion. According to the arithmetic valuation of experts of the BRE Bank Investment House, the value of 15 licences of PGNiG is estimated at between USD 1.4 billion and USD 5.5 billion, whereas the value of 7 licences of PKN Orlen is estimated at between USD 0.4 billion and USD 1.9 billion.

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A detailed description of the risks associated with investing in securities of the Company can be found in the Company's annual report for 2010 published on the Internet at the Company's website at <http://www.petrolinvest.pl/pl/raporty-okresowe.html>.

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