

4 October 2010

Press Release

Ukraine Operations Update

Kulczyk Oil Ventures Inc. (“**Kulczyk Oil**”, “**KOV**” or the “**Company**”) is pleased to provide an update on operations undertaken in the Ukraine since completing the acquisition of KUB-GAS LLC (“**KUB-Gas**”) in June 2010.

HIGHLIGHTS

- **New Development Well tests gas in Olgovskoye Field**
 - The O-7 development well flows 2.3 MMscf/d of natural gas plus condensate, and will also add reserves to the field
- **New Exploration well near the Makeyevskoye Field encounters potential gas bearing reservoir**
 - the M-19 exploration well reaches a depth of 1,504 metres encountering a potential new gas bearing reservoir approximately 18 metres thick. The M-19 well will continue drilling to a target depth of approximately 2,060 metres
- **First use of compressors in the Vergunskoye Field increases production from 2 wells by approximately 100%**
 - production increases of approximately 250 Mscf/d per well were realized after small compressors were installed on two wells in the Vergunskoye Field increasing production from each well by approximately 100%
- **New Potentially Hydrocarbon bearing horizons identified in the Olgovskoye and Makeyevskoye Fields**
 - Evaluations undertaken by the KOV team indicate at least 24 new potential gas bearing horizons



New Wells

The Olgovskoye field is currently producing from 3 wells (O-3, O-4 and O-5) with O-3 producing from the M6 horizon and O-4 and O-5 wells producing from the B 5/6 horizon. During the last quarter of 2009 the O-7 development well was drilled to a depth of 2,520 metres. The O-7 well penetrated down to the B9 horizon, a limestone formation that has never produced gas in any of the fields, and the logs indicated that the horizon contained hydrocarbons. The B9 was perforated and stimulated utilizing local technology in the first quarter of 2010 resulting in a non-commercial flow of natural gas and further work on the O-7 well was delayed pending the arrival of western-made stimulation equipment in the Ukraine. Due to continued delays in the importation of this equipment the B9 horizon was suspended and the B7 horizon, the primary target of the O-7 well, was perforated and tested in late September at a production rate of 2.3 MMscf/d of gas with condensate at a flowing tubing pressure of 1,040 psi. The successful completion and tie-in of this well to the production facilities will increase both the reserves allocated to, and the total production from, the Olgovskoye Field. The tie-in to the Olgovskoye production facilities is expected to occur in October 2010. It is however important to note that the Company still believes the B9 limestone horizon to be prospective although it will require an effective stimulation using the latest technology in order to produce gas economically.

On August 16, 2010, only two months after the closing of the acquisition by Kulczyk Oil, KUB-Gas started drilling the Makeyevskoye-19 exploration well with a projected total depth ("TD") of 2,060 metres. The M-19 well is located approximately 2 km from the Makeyevskoye Field, and was designed to evaluate 3 separate targets: (1) a Triassic target at a depth of approximately 700 metres; (2) a seismic anomaly at an approximate depth of 1,450 metres; and (3) the potential of a deeper reservoir series. To date the well has been drilled to a depth of 1,504 metres and logged with locally available logging tools. The logs indicate that while the Triassic target is was not hydrocarbon-bearing, the seismic anomaly is an approximately 18 metres thick sandstone unit that potentially contains hydrocarbons. Drilling has been temporarily suspended due to some minor operational issues, but will resume shortly. The Company expects that the well will reach TD within



the next 2 weeks at which time the well will be logged. If the logging results confirm the results of the previous work the well will be cased and tested.

For the remainder of 2010, Kulczyk Oil is planning to drill at least 1 more development well in the Olgovskoye field. The O-8 development well will be drilled to a total depth of approximately 2,800 metres.

Production

At the time of closing the acquisition of KUB-Gas in June, production from the four fields was approximately 4.5 MMscf/d of gas. Current average production is approximately 5 MMscf/d and 20 barrels per day of NGL, which is less than at this time last year (6.4 MMscf/d), however with the tie in of the O-7 well production in the 4th quarter should exceed production in the 4th quarter of 2009. During the month of September gas was sold at an average price of US\$ 7.60 Mscf, excluding VAT and the condensate was sold at an average price of US\$ 81.35 per barrel.

The reduction in production in the first half of 2010 was principally due to a general increase in the sales gas pipeline pressures during the summer months, which was exacerbated this year due to an increase in the amount of Russian gas exported to the Ukraine. If the sales gas pipeline pressure is greater than the flowing pressure of a well, the gas from that well is not able to enter the line. This seasonal effect impacted production because all of the KUB-Gas wells free flow gas into the sales pipeline without any of the compression commonly used in producing gas areas elsewhere in the world. Consequently, the first work implemented in the field on the advice of the Kulczyk Oil team was the installation of small compressors on two of the wells in the Vergunskoye license area. These compressors were brought online on August 19th, 2010 and resulted in an immediate increase in production of approximately 250 Mscf/d from each well, representing an increase of approximately 100% per well. Kulczyk Oil is currently evaluating the potential for a larger scale use of compression which will increase production from the currently producing horizons in the fields



and increase amount of recoverable reserves from those horizons as well as reduce future seasonal sales gas volume fluctuations.

Geology & Geophysical Work

The Competent Persons Report issue by RPS Energy ("**RPS**") in September 2009 (the "**RPS 2009 Report**") on the 4 producing fields owned by KUB-Gas stated that the proven, probable and possible reserves, net to the 70% interest of Kulczyk Oil, totaled 22 BCF and 122 thousand barrels of natural gas liquids ("**NGL**") or 4.4 million barrels of oil equivalent (**4.4 MMboe**). According to the RPS 2009 Report more than 40% of the reserves come from 3 horizons in the Olgovskoye Field and 12% of the reserves are from 3 horizons in the adjacent Makeyevskoye Field. Kulczyk Oil acquired an interest in KUB-Gas because it believes that there are more than 3 horizons within the fields that can be produced and the geological and geophysical evaluations carried out by Kulczyk Oil's technical team indicate that there are at least an additional 24 horizons within the Olgovskoye and Makeyevskoye Fields with hydrocarbon producing potential.

Since the beginning of the 2010, Kulczyk Oil has focused its technical efforts on procuring and digitizing all available seismic and well data in order to develop a geological and geophysical model to fully understand the potential of the Olgovskoye and Makeyevskoye Fields. This model is being used to prepare a comprehensive development plan for both fields that will include the drilling of new development, appraisal and exploration wells, and the recompletion of some of the existing wells in order to increase reserves and production. This work includes the re-interpretation of the existing seismic data and the digitizing of all of the available well logs. The goal was to identify the potential hydrocarbon-bearing horizons in every well and correlate each horizon from well to well across each field in order to create detailed reservoir maps for each field. These maps were then correlated to the historic well tests and production data. This work has identified more than 24 separate target horizons in addition to those already identified by RPS. The management of Kulczyk Oil believes that a majority of these additional horizons will contain reserves of natural gas and NGL. Once the geological and geophysical work is complete for the Olgovskoye and



Makeyevskoye Fields, the efforts of the Kulczyk Oil technical team will focus on evaluating the potential of the gas fields at Krutogorovskoye and Vergunskoye.

Kulczyk Oil is very pleased with the initial results of the work done to date in the Ukraine. In the coming months Kulczyk Oil will be finalizing the work program for 2011, which will principally target the comprehensive and efficient exploitation of the Olgovskoye and Makeyevskoye Fields with the drilling of new wells, the completion of new zones in existing wells, stimulation treatments using modern and technically advanced methods and the effective implementation of a compression strategy together with the complete geological and geophysical evaluation of the potential of the Krutogorovskoye and Vergunskoye Fields.

Assets of Kulczyk Oil

Kulczyk Oil is an international upstream oil and gas exploration company with a diversified portfolio of projects in Brunei, Syria and Ukraine and with a risk profile ranging from exploration in Brunei and Syria to production and development in Ukraine.

In Brunei, KOV owns working interests in two production sharing agreements which gives the Company the right to explore for and produce oil and natural gas from Block L and Block M. KOV owns a 40% working interest in Block L, a 2,220 square kilometre (550,000 acre) area covering onshore and offshore areas in northern Brunei and a 36% working interest in Block M, a 3,011 square kilometre (744,000 acre) area onshore in southern Brunei.

In Ukraine, KOV owns an effective 70% interest in KUB-Gas LLC. The gas producing assets of KUB-Gas consist of 100% interests in four licenses near to the City of Lugansk in the northeast part of Ukraine.

In Syria, KOV holds a direct 75% interest in a production sharing agreement that gives it the right to explore for and produce oil and natural gas from Block 9, a 10,032 square kilometre area in northwest Syria. An agreement was announced on September 6, 2010 which will reduce the direct interest of KOV to 45% subject to fulfilment of certain conditions.

The main shareholder of the Company, Kulczyk Investments S.A., increased its holdings in the Company through participation in the initial public offering of the Company on the Warsaw Stock Exchange in May 2010 and the conversion of a debenture and owns almost 50% of the issued common shares. Kulczyk Investments S.A. is an international investment house founded by Polish businessman Dr. Jan Kulczyk.

For further information, please refer to the Kulczyk Oil website (www.kulczykoilventures.com) or contact the following:



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Translation: This news release has been translated into Polish from the English original.

Forward-looking Statements This release contains forward-looking statements made as of the date of this announcement with respect to future activities of KUB-Gas and related to its four license areas (Vergunskoye, Krutogoroskoye, Makeyevskoye and Olgovskoye) in Ukraine that are not historical facts. Although the Company believes that its expectations reflected in the forward-looking statements are reasonable as of the date hereof, any potential results suggested by such statements involve risk and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Various factors that could impair or prevent the Company from completing the expected activities on its projects include that the Company's projects experience technical and mechanical problems, there are changes in product prices, failure to obtain regulatory approvals, the state of the national or international monetary, oil and gas, financial, political and economic markets in the jurisdictions where the Company operates and other risks not anticipated by the Company or disclosed in the Company's published material. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties and actual results may vary materially from those expressed in the forward-looking statement. The Company undertakes no obligation to revise or update any forward-looking statements in this announcement to reflect events or circumstances after the date of this announcement, unless required by law.

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