Quarterly information - ITR

Petro Rio S.A.

September 30, 2015
Independent Auditors' Review Report on Quarterly Information

Petro Rio S.A.

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Independent auditors' review report on quarterly information

To the Board of Directors and Shareholders of
Petro Rio S.A.
Rio de Janeiro - RJ

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of Petro Rio S.A. ("Company" previously HRT Participações em Petróleo S.A.) identified as individual and consolidates, respectively, included in the Interim Financial Information (ITRs), for the quarter and period ended September 30, 2015, which comprises the balance sheet as of September 30, 2015, and the related income statement, statement of comprehensive income for the three and six-month periods then ended and the, statement of changes in equity and statement of cash flows for the six-month period then ended, including the explanatory notes.

The Company´s Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncements CPC 21 (R1) - Interim Financial Reporting and in accordance with IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Interim Financial Information (ITRs). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Brazilian and International standards on review of interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the ITRs referred to above are not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Interim Financial Information (ITRs), and presented in accordance with the standards issued by CVM.

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Emphasis of matter

Without qualifying our opinion, we draw attention to Note 10, which indicates that the Company and subsidiaries have significant balance of non-current assets held for sale as of September 30, 2015, the recoverability of which depends on the success of future sales operations. These conditions indicate the existence of uncertainty to the realization of these non-current assets. The financial statements do not include any adjustments that would be required if any of the investments is not realized at their expected values, which is contingent upon the success of the negotiations currently in progress. The Company's management plans with respect to these activities are described in Note 10.

Other matters

Statements of Value Added (DVA)

We have also reviewed the condensed individual and consolidated statements of value added for the nine-month period ended September 30, 2015, prepared under the responsibility of the Company's management, the presentation of which in the interim financial information is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR), and as supplementary information for IFRS, under which there is no requirement to present a statement of value added. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they were not presented, in all material respects, in relation to the overall interim condensed individual and interim financial information.

Audited financial statements and interim financial statements reviewed by other independent auditor

The information and balances, individual and consolidated, related to the balance sheet as of December 31, 2014 and the interim financial statements related to the statement of changes in shareholders´ equity for the nine months ended September 30, 2014, presented for comparison purposes, were adjusted and are being restated for the reasons disclosed in the footnote 2(f). These information and balances were, respectively, audited and reviewed by other independent auditors who reissued their audit and review reports dated August 20, 2015, without modifications but with emphasis paragraphs related (i) in both cases disclosing that such information and balances were changed in relation to the previous ones presented and (ii) the existence of significant uncertainty regarding the realization of certain assets held for sale as of December 31, 2014 and related to going concern for the period ended September 30, 2014.

The accompanying financial information has been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, November 06, 2015

BKR - Lopes, Machado Auditores
CRC-RJ-2026-0

Independent Member of BKR International

Mário Vieira Lopes
Contador - RJ - 060611/O

Petro Rio S.A.

Balance sheets (financial position)
September 30, 2015 and December 31, 2014
The financial information as of September 30, 2015, was reviewed by independent auditors to the extent described in the report of November 06, 2015.
(In thousands of reais)

		Parent company		Consolidated	
	Note	09/30/2015	12/31/2014	09/30/2015	12/31/2014
			(Restated)		(Restated)
Assets					
Current assets					
Cash and cash equivalents	3	**185**	49	**167,194**	350,634
Marketable Securities	4	**44,353**	87,924	**250,106**	98,312
Accounts receivable	5	**-**	36	**86,044**	1,835
Accounts receivable - Rosneft	6	**-**	-	**158,916**	-
Recoverable taxes	7	**2,393**	9,937	**25,940**	30,843
Advances to suppliers	8	**115**	194	**31,471**	23,957
Advances to partners	9	**-**	-	**-**	7,214
Prepaid expenses		**394**	-	**3,393**	3,486
Oil inventories	23	**-**	-	**9,269**	8,784
Other receivables		**-**	53	**3,944**	3,495
		47,440	98,193	**736,277**	528,560
Non-current assets available for sale	10	**-**	-	**154,870**	258,158
		47,440	**98,193**	**891,147**	786,718
Non-current assets					
Long-term assets					
Advances to suppliers	8	**-**	-	**12,596**	12,596
Deposits and guarantees		**4,397**	4,440	**11,091**	10,664
Recoverable taxes	7	**7,808**	-	**7,808**	-
Deferred taxes		**-**	-	**1,615**	-
Related parties	21	**2,701**	4,871	**-**	-
Investments	11	**745,990**	620,413	**-**	-
Property, plant and equipment	12	**498**	609	**60,659**	72,925
Intangible assets	13	**36**	65	**109,837**	176,951
Advance payment for acquisition of non-current assets	1	**-**	-	**139,052**	-
		761,430	630,398	**342,658**	273,136
Total assets		**808,870**	728,591	**1,233,805**	1,059,854

	Note	Parent company		Consolidated	
		09/30/2015	12/31/2014	09/30/2015	12/31/2014
			(Restated)		(Restated)
Liabilities and shareholders' equity					
Current liabilities					
Suppliers	14	**2,554**	5,133	**63,789**	50,507
Labor obligations		**2,283**	2,411	**5,501**	7,439
Taxes and social contributions	15	**4,832**	4,890	**14,774**	8,518
Debentures	16	**4,466**	-	**4,466**	-
Related parties	21	**2,629**	6,856	**-**	-
Advances from partners	9	**-**	-	**96,245**	62,495
Advances for disposal of fixed assets	10	**-**	-	**-**	25,368
Other liabilities		**-**	-	**928**	-
		16,764	19,290	**185,703**	154,327
Non-current liabilities					
Suppliers	14	**-**	-	**12,710**	12,710
Debentures	16	**87,192**	87,568	**87,192**	87,568
Provision for abandonment (ARO)	19	**-**	-	**209,414**	138,039
Provision for contingencies	29	**-**	-	**50,388**	33,838
Deferred income and social contributions taxes	18	**-**	-	**5,960**	9,487
Investment déficit	11	**1,842**	-	**-**	-
Other liabilities		**-**	-	**3,574**	2,152
		89,034	87,568	**369,238**	283,794
Minority interest		**-**	-	**(24,208)**	-
Shareholders' equity	20				
Realized capital stock		**3,209,454**	3,821,206	**3,209,454**	3,821,206
Capital reserves		**101,720**	518,631	**101,720**	518,631
Accumulated translation adjustment		**412,309**	261,233	**412,309**	261,233
Accumulated losses		**(2,950,672)**	(2,976,264)	**(2,950,672)**	(2,976,264)
Income (loss) for the period		**(69,739)**	(1,003,073)	**(69,739)**	(1,003,073)
		703,072	621,733	**703,072**	621,733
Total liabilities and shareholders' equity		**808,870**	728,591	**1,233,805**	1,059,854

The accompanying notes are an integral part of this quarterly information.

Petro Rio S.A.

Statements of income
Nine-month period ended September 30, 2015 and 2014
The financial information as of September 30, 2015, was reviewed by independent auditors to the extent described in the report of November 06, 2015.
(In thousands of reais, except earnings/losses per share)

		Parent company		Consolidated	
	Note	01/01/2015 to 09/30/2015	01/01/2014 to 09/30/2014	01/01/2015 to 09/30/2015	01/01/2014 to 09/30/2014
Net income	22	**-**	**-**	**229,602**	405,122
Costs of products/services	23	**-**	-	**(277,087)**	(300,619)
Gross Income		**-**	**-**	**(47,485)**	104,502
Operating income (expenses)					
Geology and geophysics expenses		**-**	-	**(1,310)**	(5,025)
Personnel expenses		**(4,134)**	(4,588)	**(17,121)**	(26,193)
General and administrative expenses		**(3,367)**	(3,433)	**(10,668)**	(25,187)
Expenses with Outsourced Services		**(2,765)**	(6,792)	**(22,367)**	(46,256)
Taxes and rates		**(232)**	(84)	**(2,342)**	(3,338)
Depreciation and amortization expenses		**(122)**	(141)	**(2,482)**	(7,608)
Equity in income of subsidiaries		**(63,912)**	26,625	**-**	-
Financial expenses	24	**(10,046)**	(142)	**(276,706)**	(39,951)
Financial income	24	**14,290**	1,295	**277,886**	52,062
Income (loss) from sale of ownership interest		**-**	3,156	**-**	3,156
Other operating income (expenses), net		**549**	5,082	**27,531**	24,234
Income before income and social contribution taxes		**(69,739)**	20,978	**(75,064)**	30,396
Income and social contribution taxes					
Current		**-**	-	**(22)**	(5,107)
Deferred assets	18	**-**	-	**5,333**	-
Income (loss) from continuing operations		**(69,739)**	20,978	**(69,753)**	25,289
Income from discontinued operation		-	-	-	(4,311)
Consolidated Income (loss) for the period		**(69,739)**	**20,978**	**(69,753)**	**20,978**
Loss attributed to the Parent company's share holders		**(69,739)**	20,978	**(69,739)**	20,978
Loss attributed to non-controlling share holders		**-**	**-**	**(14)**	**-**
Earnings (loss) per share - basic and diluted					
Basic		**(2,344)**	*0,705*	***(2,344)***	*0,705*
Diluted		***(2,344)***	*0,705*	***(2,344)***	*0,705*

The accompanying notes are an integral part of this quarterly information.

Petro Rio S.A.

Statements of income
Three-month period ended September 30, 2015 and 2014
The financial statements as of September 30, 2015, were reviewed by independent auditors to the extent described in the report of November 06, 2015.
(In thousands of reais, except earnings/losses per share)

	Note	Parent company		Consolidated	
		07/01/2015 to 09/30/2015	07/01/2014 to 09/30/2014	07/01/2015 to 09/30/2015	07/01/2014 to 09/30/2014
Net income	22	**-**	-	**127,941**	124,216
Costs of products/services	23	**-**	-	**(156,809)**	(98,168)
Gross Income		**-**	-	**(28,868)**	26,048
Operating income (expenses)					
Geology and geophysics expenses		**-**	-	**(1,064)**	(1,305)
Personnel expenses		**(1,369)**	1,235	**(4,513)**	(5,649)
General and administrative expenses		**(1,074)**	(1,202)	**(1,683)**	(8,229)
Expenses with Outsourced Services		**44**	(1,444)	**(7,000)**	(15,756)
Taxes and rates		**(70)**	(228)	**(916)**	(358)
Depreciation and amortization expenses		**(41)**	(47)	**(811)**	(2,132)
Reversal of impairment in non-current assets held for sale		**-**	-	**(18,416)**	-
Equity in income of subsidiaries		**(4,517)**	3,036	**-**	-
Financial expenses	24	**(3,369)**	(119)	**(133,699)**	(8,376)
Financial income	24	**10,042**	68	**162,810**	29,234
Income (loss) from sale of ownership interest		**-**	3,156	**-**	3,156
Other operating income (expenses), net		**389**	5,081	**31,491**	1,278
Income before income and social contribution taxes		**35**	9,536	**(2,669)**	17,911
Income and social contribution taxes					
Current		**-**	-	**(6)**	(3,604)
Deferred assets	18	**-**	-	**2,696**	(460)
Income (loss) from continuing operations		**35**	9,536	**21**	13,847
Income from discontinued operation		**-**	-	**-**	(4,311)
Consolidated Income (loss) for the period		**35**	9,536	**21**	9,536
Loss attributed to the Parent company's share holders		**35**	9,536	**35**	9,536
Loss attributed to non-controlling share holders		**-**	-	**(14)**	-
Earnings (loss) per share - basic and diluted					
Basic		***0,001***	*0,321*	***0,001***	*0,321*
Diluted		***0,001***	*0,321*	***0,001***	*0,321*

The accompanying notes are an integral part of this quarterly information.

Petro Rio S.A.

Statements of comprehensive income
Nine-month period ended September 30, 2015 and 2014
The financial statements as of September 30, 2015, were reviewed by independent auditors to the extent described in the report of November 06, 2015.
(In thousands of reais)

	Consolidated	
	01/01/2015 to 09/30/2015	**01/01/2014 to 09/30/2014**
Retained earnings (loss)	**(69,753)**	20,978
Other comprehensive income		
Translation adjustment on investment abroad, net of taxes	**151,076**	39,141
Other comprehensive income for the year, net of taxes	**151,076**	39,141
Total comprehensive income for the year net of taxes	**81,323**	60,119
Attributable to parent company's shareholders	**81,337**	60,119
Attributable to non-controlling shareholders	**(14)**	-

The accompanying notes are an integral part of this quarterly information.

Petro Rio S.A.

Statements of comprehensive income
Three-month period ended September 30, 2015 and 2014
The financial statements as of September 30, 2015, were reviewed by independent auditors to the extent described in the report of November 06, 2015.
(In thousands of reais)

	Consolidated	
	07/01/2015 to 09/30/2015	**07/01/2014 to 09/30/2014**
Retained earnings (loss)	**21**	9,536
Other comprehensive income	**-**	-
Translation adjustment on investment abroad, net of taxes	**96,903**	34,398
Other comprehensive income for the year, net of taxes	**96,903**	34,398
Total comprehensive income for the year net of taxes	**96,924**	43,934
Attributable to parent company's shareholders	**96,938**	43,934
Attributable to non-controlling shareholders	**(14)**	-

The accompanying notes are an integral part of this quarterly information.

Petro Rio S.A.

Statements of changes in shareholders' equity
Nine-month period ended September 30, 2015 and 2014
The financial statements as of September 30, 2015, were reviewed by independent auditors to the extent described in the report of November 06, 2015.
(In thousands of reais)

	Capital	Capital reserve	Cumulative translation adjustment	Accumulated loss	Total
Balances at January 1, 2014 – Restated	**3,821,205**	**519,308**	**90,349**	**(2,976,264)**	**1,454,598**
Stock option exercised	1	-	-	-	1
Translation adjustment on investment abroad	-	-	38,934	-	38,934
Share-based compensation	-	675	-	-	675
Loss for the period	-	-	-	20,978	20,978
Balances at September 30, 2014 – Restated	**3,821,206**	**519,983**	**129,283**	**(2,955,286)**	**1,515,186**
Balances at January 1, 2015 – Restated	**3,821,206**	**518,631**	**261,233**	**(3,979,337)**	**621,733**
Translation adjustment on investment abroad	-	-	151,076	-	151,076
Share-based compensation	-	3	-	-	3
Offset of loss	(611,752)	(416,914)	-	1,028,666	(0)
Loss for the period	-	-	-	(69,739)	(69,739)
Balances at September 30, 2015	**3,209,454**	**101,720**	**412,309**	**(3,020,411)**	**703,072**

The accompanying notes are an integral part of this quarterly information.

Petro Rio S.A.

Statements of cash flows
Nine-month period ended September 30, 2015 and 2014
The financial statements as of September 30, 2015, were reviewed by independent auditors to the extent described in the report of November 06, 2015.
(In thousands of reais)

	Parent company		Consolidated	
	09/30/2015	09/30/2014	09/30/2015	09/30/2014
Cash flows from operating activities				
Income (loss) for the period (before taxes)	**(69,739)**	**20,978**	**(75,064)**	**30,396**
Depreciation and amortization	**122**	141	**103,804**	76,844
Financial income	**(6,003)**	(1,295)	**(162,003)**	(52,063)
Financial expenses	**8,627**	142	**222,413**	39,951
Share-based compensation	**3**	468	**3**	468
Equity in income/loss of subsidiaries	**63,912**	(26,625)	**-**	-
Loss/Write-off of non-current assets	**(6)**	-	**6,656**	-
Provision for contingencies/losses	**-**	-	**3,022**	16,230
Cash flow from discontinued operations	**-**	-	**-**	(4,248)
	(3,084)	**(6,191)**	**98,831**	**107,578**
(Increase) decrease in assets				
Accounts receivable	**36**	-	**(267,017)**	(18,605)
Recoverable taxes	**546**	(987)	**(1,610)**	(4,506)
Prepaid expenses	**(394)**	943	**93**	(3,087)
Advances to suppliers	**79**	(77)	**120**	(31,476)
Inventory	**-**	-	**(4,197)**	(5,851)
Advance to partners in oil and gas operations	**-**	-	**7,214**	-
Other receivables	**53**	(4,937)	**(3,354)**	528
Increase (decrease) in liabilities				
Suppliers	**(2,582)**	(937)	**12,071**	46,266
Labor obligations	**(128)**	(5,961)	**(1,938)**	(8,760)
Income and social contributions taxes	**(83)**	2,340	**3,031**	22,011
Related parties	**(1,166)**	7,350	**-**	-
Advances from partners in oil and gas operations	**-**	-	**30,766**	(1,118)
Other liabilities	**-**	-	**2,350**	4,622
Net cash (invested in) from operating activities	**(6,723)**	**(8,457)**	**(123,640)**	**107,602**
Cash flows from investment activities				
(Investment in) redemption of securities	**46,523**	16,835	**(132,656)**	166,808
Deposits and guarantees	**43**	(48)	**(427)**	272,613
Non-current assets held for sale	**-**	-	**180,908**	17,949
Advance for sale of fixed assets	**-**	-	**-**	44,118
(Purchase) sale of fixed assets	**24**	(8)	**(292)**	(9,896)
(Purchase) sale of intangible assets	**-**	-	**(45)**	(537)
(Purchase) of non-current assets	**-**	-	**(96,109)**	(133,490)
Capital contribution in subsidiary	**(36,571)**	(12,385)	**-**	-
Sale of ownership interest	**-**	4,068	**-**	-
Net cash (invested in) from investment activities	**10,019**	**8,462**	**(48,621)**	**357,565**
Cash flows from financing activities				
Loans and financing	**-**	-	**-**	(89,899)
Debentures	**(3,160)**	-	**(3,160)**	-
Derivative transactions	**-**	-	**-**	(11,163)
Paid-up capital	**-**	1	**-**	1
Net cash (invested in) from financing activities	**(3,160)**	**1**	**(3,160)**	**(101,061)**
Translation adjustment	**-**	-	**(8,019)**	-
Net increase (decrease) in cash and cash equivalents	**136**	**6**	**(183,440)**	**364,106**
Cash and cash equivalents at the beginning of the year	**49**	18	**350,634**	33,582
Cash and cash equivalents at the end of the year	**185**	24	**167,194**	397,688
Net increase in cash and cash equivalents	**136**	**6**	**(183,440)**	**364,106**

The accompanying notes are an integral part of this quarterly information.

Petro Rio S.A.

Statements of value added (supplementary information for IFRS purposes)

Nine-month period ended September 30, 2015 and 2014
The financial statements as of September 30, 2015, were reviewed by independent auditors to the extent described in the report of November 06, 2015.
(In thousands of reais)

	Parent company		Consolidated	
	09/30/2015	**09/30/2014**	**09/30/2015**	**09/30/2014**
Income				
Sale of services	**-**	-	**229,602**	405,122
	-	**-**	**229,602**	405,122
Supplies and services				
Third party's services and other	**(2,765)**	(6,792)	**(22,367)**	(46,257)
Geology and geophysics expenses	**-**	-	**(1,310)**	(5,026)
Costs of services	**-**	-	**(154,353)**	(194,308)
Gross added value	**(2,765)**	(6,792)	**51,572**	159,531
Retentions				
Depreciation and amortization	**(122)**	(141)	**(103,804)**	(76,844)
Net added value	**(2,887)**	(6,933)	**(52,232)**	82,687
Transferred value added				
Net financial income (loss)	**4,244**	1,153	**1,180**	12,112
Equity in income of subsidiaries	**(63,912)**	26,625	**-**	-
Deferred taxes	**-**	-	**5,333**	-
Write down of property, plant and equipment	**-**	-	**(3,128)**	-
Loss from discontinued operations	**-**	-	**-**	(4,311)
Rents, royalties and other	**(2,818)**	4,805	**(1,421)**	(34,872)
Added value payable	**(65,373)**	25,650	**(50,268)**	55,616
Distribution of added value				
Personnel	**4,134**	4,588	**17,121**	26,193
Taxes	**232**	84	**2,364**	8,445
Interest attributable to Group's shareholders	**(69,739)**	20,978	**(69,739)**	20,978
Minority interest	**-**	-	**(14)**	-
Distributed added value	**(65,373)**	25,650	**(50,268)**	55,616

The accompanying notes are an integral part of this quarterly information.

1. Operations

Petro Rio S.A. (PetroRio), former HRT Participações em Petróleo S.A., was established on July 17, 2009. Its head office is in the city of Rio de Janeiro, Rio de Janeiro State (RJ), Brazil, and is engaged in: (1) holding interests in other companies as partner or shareholder in Brazil or abroad, regardless of their type of business, and (2) (i) providing consulting services and research projects for environmental, oil, natural gas and mining, providing professional consulting services to companies in the areas of collection, chemical analyses (organic and inorganic) and interpreting data from geological, geochemical, geophysical surveys, and remote sensing for these data as well as consultant services for foreign trade; (ii) exploration, development and production of oil and natural gas; (iii) importing, exporting, refining, marketing and distributing oil, natural gas, fuels and petroleum products, and (iv) generating, marketing and distributing electricity. Its activities are the production of oil and natural gas, operating in Campos Basin, Rio de Janeiro State.

For the purpose of this report, Petro Rio S.A. (PetroRio) and its subsidiaries are denominated, individually or jointly, as Company.

In 2014, subsidiary HRT O&G Exploração e Produção de Petróleo Ltda. (“HRTOG”) completed the commercial transaction for acquisition of 60% of concession contract with BP Energy do Brasil Ltda. (“BP”), and became the operator of Polvo Field, whose partner is Maersk Energia Ltda. (“Maersk”).

In addition, in 2014, the Company entered into a purchase and sale agreement with Maersk Energia Ltda. ("Maersk") to acquire 40% stake in Polvo field. The completion of this transaction is subject to certain conditions, among which the final approval of the National Agency of Petroleum, Natural Gas and Biofuels (ANP).

HRTOG has plans to life extension of that field by increasing production from proved undeveloped reserves (1P) and probable reserves (2P).

The Polvo field is located in the southern portion of the Campos Basin (offshore) some 100 km east of the city of Cabo Frio in the state of Rio de Janeiro. Average daily production (2015) is approximately 8,600 barrels, with 20.3º API. The license covers an area of approximately 134 km² with several prospects for future exploration.

On January 20, 2015, the Company announced a purchase and sale agreement to acquire 80% interest of the rights and obligations of the concession contracts of Bijupirá and Salema (“BJSA”) fields with Shell Brasil Petróleo Ltda. (“Shell”). In the same operation, the FPSO Fluminense vessel, used in the production of both fields, with storage capacity of 1.3 million barrels of oil, was acquired, among other assets.

The total purchase price was US$ 150 million, subject to final price adjustments. PetroRio has already disbursed US$ 30 million (R$ 119,187 on September 30, 2015), representing 20% of total transaction, and used funds resulting from first issuance of debentures convertible into shares of the Company, completed in December 2014.

The remaining 80% shall be due on the date of the transaction by the means of the compliance or waiving of all contractual conditions set for the closing and may be financed by existing standby credit facility provided by Glencore Ltd., a wholly owned subsidiary of Glencore PLC.

On July 1, 2015, PetroRio announced it had entered into a purchase agreement with Petrobras to acquire the remaining 20% share in the rights and obligations of the concession agreements for the Bijupirá and Salema fields (BJSA) with Petróleo Brasileiro S.A. - Petrobras.

This transaction totaled US$ 25 million, subject to final price adjustments. On August 10, 2015, US$ 5 million (R$ 19,865 on September 30, 2015) were paid, representing 20% of transaction total, and remaining 80% shall be paid on transaction completion date through structured financing transaction. The acquisition also includes all equipment involved in operating the fields.

The Bijupirá and Salema fields, located in water depths of 480-850 m, are located in the Pre-Salt polygon, only 80 km towards the northeast of Polvo field, the first PetroRio production asset, generating important synergy gains among their operations. The licenses cover an area of 40 million m^2 and average daily production totals 22,000 barrels of light oil and 325 thousand m^3 of associated gas, equivalent to 24,000 boe/day. The oil extracted from the fields is light from 28º to 31º API.

Conclusion of transactions for the purchase and sale of rights and obligations of concession agreements for BJSA fields is subject to certain preceding conditions, including approval for assignment of rights by ANP. PetroRio will hold 100% of interest and will be the operator of said fields, with effective operation date going back to January 1, 2015.

In May 2015, the Company executed definitive agreements for the sale and transfer of the total participation and the respective rights and obligations in the Concession Agreements of the oil and gas blocks located in the Solimões Sedimentary Basin in the State of Amazonas to Rosneft Brasil E&P Ltda, (a subsidiary of the Rosneft Oil Company). In July 2015, the Company received ANP's confirmation for approval of this assignment of rights and, in October 2015, received the first installment related to transaction, in the amount of R$148 million (US$ 38 million) and refunded R$ 69,331 (US$ 18 million), as described in notes 6 and 30.1

Besides, the Company holds a 10% interest in two exploration blocks in onshore basins, located in the Recôncavo Basin (BA) and Espírito Santo Basin (ES).

2. Preparation basis and presentation of quarterly information

a) Statement of conformity regarding the IFRS and BR GAAP Standard

The individual and consolidated quarterly information for three- and nine-month periods ended September 30, 2015, is presented as follows:

Consolidated quarterly information

The consolidated quarterly information were prepared and are presented in accordance with accounting practices adopted in Brazil, which include the provisions of Brazilian Corporation Law as well as the accounting standards and procedures issued by the Brazilian Securities Commission ("CVM") and Accounting Pronouncements Committee ("CPC"), which are in conformity with international accounting standards issued by *International Accounting Standards Board - IASB.*

The statements of value added are presented as supplementary information for IFRS purposes.

Individual quarterly information

The Parent company's individual interim financial information was prepared and is presented in accordance with the Accounting Pronouncement Committee (CPC) - CPC 21 (R1) and is disclosed jointly with the consolidated interim financial information.

Up to December 31, 2013, the accounting practices adopted in Brazil differed from the IFRS - applicable to the separate financial statements - solely with respect to the measurement of investments in subsidiaries, associated companies and jointly-controlled subsidiaries under the equity method, while such investments would be measured at cost or fair value for IFRS purposes. Upon the issuance of pronouncement IAS 27 (Separate Financial Statements) reviewed by the IASB in 2014, the separate financial statements in accordance with IFRS now allow the use of the equity method for valuation of investments in subsidiaries, associated companies and jointly-controlled subsidiaries. In December 2014, technical pronouncements CPC 18, CPC 35 and CPC 37 were approved, accepting the aforementioned revision of IAS 27. Accordingly, the Parent company's interim financial information came to be in accordance with IFRS as of that date.

This intermediate quarterly information does not include all the information and disclosures required in the annual financial statements, and therefore must be read together with the Company's financial statements of December 31, 2014, which were prepared according the accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB.

In response to CVM Official Circular Letter 003/2011, dated April 28, 2011, we give below the notes included in the most recent annual financial statements (for the year ended December 31, 2014) which, in the absence of material changes during this period, are not included in their full form in this quarterly information.

b) Basis of presentation

The individual and consolidated quarterly information were prepared based on historical cost, except for items measured at fair value, when indicated.

c) Functional and presentation currency

This individual and consolidated quarterly information is presented in Real, functional currency of the Company. The Company defined that its functional currency is the Brazilian Real and the functional currency of its overseas subsidiaries is the United States dollar, on account of its prior business plan and particularly as a result of its incurred costs of operation. All financial information presented in Brazilian Real have been rounded to the nearest thousands, except otherwise indicated.

d) Use of estimates and judgments

The preparation of individual and consolidated quarterly information according to IFRS and CPC standards requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, income and expenses and accompanying notes. Actual results may differ from those estimates.

Estimates and assumptions are reviewed in a continuous manner. Reviews in relation to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Information on assumptions and estimates that may result in adjustments within the next financial year are included in the following notes:

- Note 6 – Non-current assets held for sale
- Note 11 – Intangible assets, primarily those relating to written-off, amortization and impaired oil & gas assets.
- Note 13 – Debentures, concerning the estimated fair value of debt-to-equity swap option.
- Note 16 - Current and deferred income and social contribution taxes.
- Note 18 - Shareholders' equity / Share-based compensation plan.
- Note 25 - Objectives and policies for financial risk management.
- Note 27 - Contingencies.

e) New standards, amendments and interpretations

- Standards, amendments and interpretations of existing standards not yet in force and effect and not adopted by the Company:
  The Company has decided against early adoption of the following new and revised pronouncements and interpretations that have been already issued but have not come into force and effect:

Pronouncement or interpretation	Description	Application to the business years/periods to be initiated on or after
IFRS 9 / CPC 14	Financial instruments – measurement and classification	January 1, 2018
IFRS 11	Accounting for the acquisition of interests in jointly-controlled operations	January 1, 2016
IFRS 14	Regulatory deferral accounts	January 1, 2016
IFRS 15	Income from contracts with clients	January 1, 2018
IAS 16 / IAS 38	Clarification on acceptable methods of depreciation and amortization	January 1, 2016

  The Company's Management is evaluating these new pronouncements not yet effective and believes that its effects are not material considering their current operations.

- Standards, amendments and interpretations of existing standards initially adopted as of January 1, 2015:

  The standards listed below were published and are mandatory for the accounting periods commencing as of January 1, 2015 or in subsequent periods:

Pronouncement or interpretation	Description	Application for periods starting on or after
IAS 19 / CPC 33 (R1)	Employee benefits	January 1, 2015

  This standard is not applicable to the Company.

f) Effects of adopting CPC 23 - Accounting policies, estimate changes and error correction.

The effects on the balance sheet and on the statement of changes in shareholder's equity due to reclassifications made by the Management in the balances as of December 31, 2014 and or the nine-month period ended financial statements as of September 30, 2014, respectively, as follow:

Assets:

- Taxes recoverable are stated at net liabilities for income and social contribution taxes in the amount of R$ 8,498;
- Advances to suppliers reclassified to non-current assets between advances to suppliers (R$ 12,596) and deposits and guarantees (R$ 5,638);
- Advances to partners reclassified from current liabilities, where they were presented by their net value, amounts to R$ 7,214;
- Inclusion of "Non-current assets available for sale" group in the "Current assets".

Liabilities:

- Balance of suppliers partially transferred to non-current liabilities in the amount of R$ 12,710;
- Income and social contribution taxes presented by net value in current assets in the amount of R$ 8,498;
- Advances from partners reclassified to current assets in the amount of R$ 7,214 and to advances for sale of fixed assets in current liabilities in the amount of R$ 22,444.

Shareholders' equity:

- Balance of stock options reclassified from equity valuation adjustment to capital reserves in the amount of R$ 77,665;
- Balance of capital operation reclassified from equity valuation adjustment to capital reserves in the amount of R$ 24,052;
- Balance of exchange rate variation adjustments in the translation of the financial statements reclassified from equity valuation adjustment to cumulative translation adjustment in the amount of R$ 261,233;
- Balance of equity valuation adjustment reclassified to capital reserves (R$ 101,717), cumulative translation adjustments (R$ 261,233) and accumulated loss (R$ 1,788);
- Balance of derivative instruments reclassified from equity valuation adjustment to accumulated losses in amount of R$ 1,788.

Balance sheet:

	Original Consolidated 12/31/2014	Reclassification	Restated Consolidated 12/31/2014
Assets			
Current assets			
Recoverable taxes	39,341	(8,498)	30,843
Advances to suppliers	42,191	(18,234)	23,957
Advances to partners	-	7,214	7,214
Other current not affected	724,704	-	724,704
	806,236	**(19,518)**	**786,718**
Non-current assets			
Advances to suppliers	-	12,596	12,596
Deposits and guarantees	5,026	5,638	10,664
Other non-current not affected	249,876	-	249,876
	254,902	**18,234**	**273,136**
Total assets	**1,061,138**	**(1,284)**	**1,059,854**
Liabilities and shareholders' equity			
Current liabilities			
Suppliers	63,217	(12,710)	50,507
Income and social contribution taxes	8,498	(8,498)	-
Advance from partners	32,837	29,658	62,495
Advances for sale of fixed assets	47,812	(22,444)	25,368
Other current not affected	15,957	-	15,957
	168,321	**(13,994)**	**154,327**
Non-current liabilities			
Suppliers	-	12,710	12,710
Other non-current not affected	271,084	-	271,084
	271,084	**12,710**	**283,794**
Shareholders' equity			
Capital reserves	416,914	101,717	518,631
Cumulative translation adjustment	-	261,233	261,233
Equity valuation adjustments	361,162	(361,162)	-
Accumulated losses	(2,974,476)	(1,788)	(2,976,264)
Other shareholders' equity items not affected	2,818,133	-	2,818,133
	621,733	**-**	**621,733**
Total liabilities and shareholders' equity	**1,061,138**	**(1,284)**	**1,059,854**

	Parent Company Original 12/31/2014	Reclassification	Parent Company Restated 12/31/2014
Shareholders' equity			
Capital reserves	416,914	101,717	518,631
Cumulative translation adjustment	-	261,233	261,233
Equity valuation adjustments	361,162	(361,162)	-
Accumulated losses	(2,974,476)	(1,788)	(2,976,264)
Other shareholders' equity items not affected	2,818,133	-	2,818,133
Total shareholders' equity	**621,733**	**-**	**621,733**

	Parent Company and Consolidated Original 09/30/2014	Reclassification	Parent Company and Consolidated Restated 09/30/2014
Shareholders' equity			
Capital reserves	416,914	103,069	519,983
Cumulative translation adjustment	-	129,283	129,283
Equity valuation adjustments	230,564	(230,564)	-
Accumulated losses	(2,953,498)	(1,788)	(2,955,286)
Other shareholders' equity items not affected	3,821,206	-	3,821,206
Total shareholders' equity	1,515,186	-	1,515,186

Changes in shareholders' equity for the nine-month period ended September 30, 2014:

	Capital	Capital reserve	Equity valuation adjustment	Accumulated loss	Total
Balances at January 1, 2014 – Original	**3,821,205**	**416,914**	**190,955**	**(2,974,476)**	**1,454,598**
Stock option exercised	1	-	-	-	1
Foreign exchange variation of foreign investment	-	-	39,141	-	39,141
Share-based compensation	-	-	468	-	468
Income for the period	-	-	-	20,978	20,978
Balances at September 30, 2014 - Original	**3,821,206**	**416,914**	**230,564**	**(2,953,498)**	**1,515,186**

	Capital	Capital reserve	Cumulative translation adjustment	Accumulated loss	Total
Balances at January 1, 2014 – Restated	**3,821,205**	**519,308**	**90,349**	**(2,976,264)**	**1,454,598**
Stock option exercised	1	-	-	-	1
Foreign exchange variation of foreign investment	-	-	38,934	-	38,934
Share-based compensation	-	675	-	-	675
Income for the period	-	-	-	20,978	20,978
Balances at September 30, 2014 – Restated	**3,821,206**	**519,983**	**129,283**	**(2,955,286)**	**1,515,186**

g) Completion of quarterly information

The Company's management authorized the conclusion of this quarterly information on November 06, 2015.

3. Cash and cash equivalents

	Parent company		Consolidated	
	09/30/2015	**12/31/2014**	**09/30/2015**	**12/31/2014**
Cash	**-**	1	**1**	1
Banks	**185**	48	**167,193**	350,633
	185	49	**167,194**	350,634
National	**13**	49	**23,252**	202
Abroad	**172**	-	**143,942**	350,432

The balance of cash and cash equivalents consists primarily of (i) remunerated accounts abroad, mostly in U.S. dollars and (ii) investment fund in U.S. dollars backed by American Treasury securities (Treasury Liquidity Fund), managed by JP Morgan, with immediate liquidity and insignificant risk of loss in value. The resources substantially originates from oil exports made by HRTOG subsidiary.

4. Marketable securities

		Parent company		Consolidated	
Bank	**Remuneration**	**09/30/2015**	**12/31/2014**	**09/30/2015**	**12/31/2014**
Itaú BBA	CDI	**11,820**	87,924	**12,255**	94,370
JP Morgan	0.52%	**32,533**	-	**32,533**	-
Santander	1.80%	**-**	-	**72,035**	-
Itaú	0.45%	**-**	-	**51,366**	-
Bradesco	0.95%	**-**	-	**81,917**	-
Votorantim		**-**	-	**-**	3,942
Total investments for trading		**44,353**	87,924	**250,106**	98,312

Financial investments carried out in JP Morgan are assigned in US dollars in Global Short Duration Bond Fund, focused on government and non-government securities rated as AAA. Other investments were carried out in Time Deposits (TD), investment in fixed-term deposit in foreign currency with fixed remuneration pegged to US dollar variation. In addition, the Company made investments in repurchase and resale agreements backed by debentures in domestic currency pegged to CDI (interbank deposit certificate) remuneration (14.13% on September 30, 2015).

5. Accounts receivable

On September 22, 2015, sale of approximately 595 thousand oil barrels was completed, generating revenue of R$ 95,402. Of this amount, R$ 10,068 was received in the quarter. The balance receivable on September 30, 2015 is R$ 86,044 considering foreign exchange rate in the period.

6. Accounts receivable - Rosneft

In March 2014, HRTOG and Rosneft Brasil E&P Ltda ("Rosneft", subsidiary of Rosneft Oil Company) signed an "FOA" (Farm-Out Agreement) to transfer the operation and a 6%-interest in Concession Agreements of the gas and oil blocks located in the Solimões Sedimentary Basin, and a purchase and sale agreement of 4 onshore drilling rigs in the total amount US$ 36 million, of which US$ 18 million were paid in advance to the Company on the agreement signing date. In July 2014, ANP approved the transfer of 6% of the exploration rights and the transfer of Solimões operations to Rosneft.

FOA terms were changed and, on May 18, 2015, the Company signed definitive contracts related to sale and transfer of total interest and respective rights and obligations in Solimões to Rosneft. Total transaction value was US$ 58 million (R$ 230 million) receivable and US$ 18 million (R$ 72 million) to refund referring to advance for acquisition of drilling rigs that were not included in new contracts.

These new contracts, which transfer 100% of interest and respective rights and obligations, were approved by ANP on July 1, 2015 through Official Letters no. 560/2015/SEP and 561/2015/SEP.

7. Recoverable taxes

	Parent company		**Consolidated**	
	09/30/2015	**12/31/2014**	**09/30/2015**	**12/31/2014**
Income and social contribution taxes	**9,761**	9,937	**13,162**	21,323
PIS and COFINS	**4**	-	**25,184**	13,599
VAT	**-**	-	**6,249**	4,273
Others	**436**	-	**919**	146
Subtotal	**10,201**	9,937	**45,514**	39,341
IRPJ and CSLL payable	-	-	**(11,766)**	(8,498)
Total	**10,201**	9,937	**33,748**	30,843
Current assets	**2,393**	9,937	**25,940**	30,843
Non-current assets	**7,808**	-	**7,808**	-

8. Advances to suppliers

	Parent company		Consolidated	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
				(Restated)
Queiroz Galvão Óleo & Gás (i)	**-**	-	**38,878**	25,993
Geoquasar Energy (ii)	**-**	-	**12,596**	12,596
BW (Prosafe) guarantee (iii)	**-**	-	**26,247**	18,613
Others	**115**	194	**5,224**	5,344
Subtotal	**115**	194	**82,945**	62,546
Provision for non-realization of assets	**-**	-	**(38,878)**	(25,993)
Total	**115**	194	**44,067**	36,553
Total current assets	**115**	194	**31,471**	23,957
Total non-current assets	**-**	-	**12,596**	12,596

(i) The amount paid in advance to Queiroz Galvão refers to clause 24.2 of the agreements of Rigs QG-VIII and QG-IX, which started to be discounted from the monthly billing of said rigs as from October 2012.

(ii) The advances to Geoquasar refer basically to operating costs assumed by HRTOG and contractual payments in advance.

(iii) The advances to BW Offshore (Prosafe) refer to contractual commitments and are held as a financial collateral from lease agreements and operation of FPSO Polvo (Note 17).

9. Advances to/from partners in oil and gas operations

	Consolidated	
Operated blocks	09/30/2015	12/31/2014
		(Restated)
Maersk - BM-C-8 - Polvo	**88,561**	62,495
GALP - Namíbia - Petroleum Exploration Licences 23	**7,594**	(7,198)
Total operated blocks	**96,155**	55,297
Non-operated blocks (Cowan - ES)	**90**	(16)
Total advances to/from partners	**96,245**	55,281
Total current assets	**-**	7,214
Total current liabilities	**96,245**	62,495

10. Non-current assets available for sale

On 2013, the Company began the process of divesting of non-core assets. This process includes the sale of the subsidiaries Air Amazonia Serviços Aéreos Ltda. ("AA") and Integrated Petroleum Expertise Company - Serviços em Petróleo Ltda. - ("IPEX"), which were completed in the third quarter of 2014, respectively, besides the sale of the remaining fleet of helicopters, and helitransportable drilling rigs.

The Company started 2015 with 7 aircraft and 4 rigs, as well as Solimões exploratory blocks, classified as non-current assets held for sale. Of these assets, four aircrafts were sold in the first nine months of 2015 for the amount of R$ 17,490, and Solimões exploration blocks were sold for the net amount of R$ 158,916.

The table below shows the non-current assets held for sale:

	Consolidated	
	09/30/2015	**12/31/2014**
Aircrafts		
Cost of aircrafts	**151,639**	**151,639**
Accumulated depreciation of aircrafts	**(31,858)**	**(31,858)**
Write-off of aircrafts sold	**(93,572)**	**(75,520)**
Loss on reduction to market value	**(42,304)**	**(42,304)**
Translation adjustment	**30,801**	**24,870**
Fair value of aircrafts	**14,706**	**26,828**
Rigs		
Cost of rigs	**126,860**	**126,860**
Loss on reduction to market value	**(59,994)**	**(59,994)**
Provision for commission on sale (2%)	**(2,444)**	**-**
Translation adjustment	**75,742**	**28,757**
Fair value of rigs	**140,164**	**95,623**
Solimões		
Subscription bonus	**135,707**	**135,707**
Inventory of spare parts*	**18,416**	**-**
Advances to partner company Rosneft, net	**(30,498)**	**-**
Transfer to Rosneft accounts receivable	**55,847**	
Cost written-off on sale to Rosneft	**(179,472)**	**-**
Fair value Solimões	**-**	**135,707**
Total	**154,870**	**258,158**

(*) Reversal of impairment of R$ 18,416 recorded on June 30, 2015 due to the sale to Rosneft Brazil E&P Ltda as described below.

Assets held for sale are recorded at fair value. The sale of assets held for sale is considered highly likely and the Company maintains an active search for buyers. In addition, Management has been making the necessary efforts to successfully sell such assets by amounts equal or higher than those recorded. Changes in economic conditions or in transactions currently under discussion may result in the recognition of further losses to those already recognized.

11. Investments

At September 30, 2015 and December 31, 2014, the Company presented the following main interest held in subsidiaries:

- **HRT America Inc ("HRTA")**

  On March 4, 2011, HRT America Inc. was established (HRTA) was incorporated according to the Delaware laws and head office in Houston, in the United States. The subsidiary was incorporated primarily to provide geological and geophysical services to the associated companies, mainly to HRTAF and its subsidiaries.

- **HRT O&G Exploração e Produção de Petróleo Ltda. ("HRTOG")**

  The subsidiary was created on July 20, 2009, with headquarters in Rio de Janeiro, and engages in: (i) exploration, development and production of oil and natural gas; (ii) import, export, refining, sale and distribution of oil, natural gas, fuel and oil by-products; (iii) generation, sale and distribution of electric power; and (iv) equity interest holding in other companies.

  HRTOG holds, since January 8, 2014, a 60%-interest in the Polvo Field, located in the southern portion of the Campos Basin, in the state of Rio de Janeiro and 12.98% for HRTAF interest in capital.

  In 2011, the subsidiary was qualified by ANP as a "B Operator", i.e., it is authorized to operate in both onshore ("C" Operator) and offshore blocks, in this case, up to 400 meters deep.

- **HRT Africa Petróleo S.A. ("HRTAF")**

  The subsidiary with head office in Rio de Janeiro, initially named Labrea Petróleo S.A. had the new corporate name to HRT Africa Petróleo S.A., approved on March 30, 2011 and its corporate purposes are: (i) exploration, development and production of oil and natural gas; (ii) import, export, refining, sale and distribution of oil, natural gas, fuel and oil by-products; (iii) generation, sale and distribution of electric power; and (iv) equity interest holding in other companies.

  All Group's companies located outside of Brazil, except for HRT America, are consolidated under a single corporate structure having HRTAF as head office in Brazil.

  Currently, main companies below that company are HRT Lux Energy S.à.r.l. and HRT Netherlands BV, companies that have large assets in operation or held for sale.
  HRT Lux Energy S.à.r.l. (prior BP Energy América LLC) was part of the acquisition of Polvo field and of a 3,000 HP drilling rig, which is the equipment needed for operations in this field.

Also under this corporate structure are subsidiaries located in Luxembourg and the Republic of Namibia, where exploration assets are recorded, in addition to a HRTAF branch, also in the Republic of Namibia.

HRTAF has interest in a block in the Recôncavo Basin and one Block in Espírito Santo Basin, where is non-operator (note 13).

Portfolio of concessions

At September 30, 2015, the Group's subsidiaries were part in the following concessions in Brazilian basins and had the following Petroleum Exploration Licenses (PEL) in Namibian basins:

Country	Basin	Block	Operator	% HRT	Status
Brazil	Fields	BM-C-8	HRTOG	60%	Operator
Brazil	Espírito Santo	ES-T-400	HRTAF	10%	Non-operator
Brazil	Recôncavo	REC-T-158	HRTAF	10%	Non-operator
Namíbia (*)	Orange	PEL028	HRT Luderitz	77.20%	Impairment
Namíbia (*)	Orange	PEL024	Kunene	86%	Impairment
Namíbia (*)	Orange	PEL022	Orange	100%	Impairment
Namíbia (*)	Walvis	PEL023	HRT Walvis	86%	Impairment

(*) The terms of the exploration period are detailed in Note 25.

a) Breakdown of investments

	Parent company	
	09/30/2015	**12/31/2014**
HRTOG	**389,001**	361,979
HRTA	**(1,842)**	379
HRTAF	**356,989**	258,055
	744,148	620,413
Total permanent assets	**745,990**	620,413
Total provisions for losses on subsidiaries investments	**(1,842)**	-

b) Changes in investment

	HRTOG	IPEX	HRTAF	HRTA	Total
Balance at January 01, 2014	1,063,217	(4,048)	420,353	12,174	1,491,696
Capital increase	-	11,888	497	-	12,385
Equity in income of subsidiaries	(707,257)	(3,772)	(273,812)	(12,459)	(997,300)
Sale of ownership interest	-	(4,068)	-	-	(4,068)
Conversion adjustments	19,751	-	105,053	664	125,468
Impairment	-	-	(7,768)	-	(7,768)
Balance at December 31, 2014	375,711	-	244,323	379	620,413
Capital increase	36,571	-	-	-	36,571
Equity in income of subsidiaries	(47,229)	-	(14,715)	(1,968)	(63,912)
Conversion adjustments	23,948	-	127,381	(253)	151,076
Balance at September 30, 2015	389,001	-	356,989	(1,842)	744,148
Total permanent assets	389,001	-	356,989	-	745,990
Total provisions for losses on subsidiaries investments	-	-	-	(1,842)	(1,842)

c) Significant information on investees

	HRTOG	HRTAF	HRTA
Direct interest	100.0%	84.0%	100.0%
Indirect interest	0.0%	16.0%	0.0%
Shareholders' equity	389,001	424,851	(1,842)
Income (loss) for the period	(47,229)	(17,482)	(1,968)
Total assets	1,250,613	561,259	4,771

12. Property, plant and equipment (Consolidated)

a) Breakdown of the balance

	Depreciation rate %	Cost	Depreciation	Translation adjustment	Balance at 09/30/2015	Balance at 12/31/2014
In operation						
Polvo A platform and drilling rig	*UOP	101,439	(72,660)	27,392	56,171	63,493
Machinery and equipment	10	1,830	(835)	6	1,001	1,004
Furniture and fixtures	10	2,734	(1,357)	(604)	773	1,351
Communication equipment	20	218	(164)	-	54	86
Vehicles	20	462	(317)	(116)	29	228
IT equipment	20	5,967	(4,653)	(694)	620	2,053
Leasehold improvements	4	2,678	(970)	288	1,996	1,875
Facilities	10	16	(1)	-	15	2,832
In progress						
Material for use and consumption (wells)		-	-	-	-	3
Total		115,344	(80,957)	26,272	60,659	72,925

*UOP – Units of Production (Unit-of-production depreciation method)

b) Changes in balance

	Balance at 01/01/2015	Additions	Write-offs	Depreciation	Translation adjustment	Balance at 09/30/2015
In operation						
Polvo A platform and drilling rig	63,493	-	-	(30,677)	23,355	56,171
Machinery and equipment	1,004	133	(18)	(137)	16	1,001
Furniture and fixtures	1,351	159	(861)	(202)	229	773
Communication equipment	86	-	-	(33)	-	54
Vehicles	228	-	(158)	(62)	22	29
IT equipment	2,053	-	(848)	(857)	272	620
Leasehold improvements	1,875	-	(61)	(170)	352	1,996
Facilities	2,832	-	(3,274)	(6)	563	15
In progress						
Material for use and consumption (wells)	3	-	(3)	-	-	-
Total	72,925	292	(5,223)	(32,144)	24,809	60,659

	Balance at 01/01/2014	Additions	Write-offs	Depreciation	Impairment	Translation adjustment	Transfers	Balance at 12/31/2014
In operation								
Sculptures	26	-	(26)	-	-	-	-	-
Vessels	543	-	-	(81)	(462)	-	-	-
Polvo A platform and drilling rig	-	101,439	-	(41,983)	-	4,037	-	63,493
Machinery and equipment	8,677	98	(2,939)	(1,135)	(2,337)	(1)	(1,359)	1,004
Furniture and fixtures	4,158	-	(1,569)	(633)	(840)	204	31	1,351
Communication equipment	265	53	(27)	(102)	(103)	-	-	86
Vehicles	5,581	3,828	(265)	(1,841)	(6,853)	(222)	-	228
IT equipment	4,639	72	(327)	(1,585)	(183)	(563)	-	2,053
Leasehold improvements	57,534	1,197	(387)	(2,905)	(560)	294	(53,298)	1,875
Facilities	8,983	16	(3,571)	(572)	(1,997)	(499)	472	2,832
In progress								
Material for use and consumption (wells)	41,989	14,257	(31,657)	-	(24,941)	-	355	3
Advances for acquisition of cranes	6,729	-	-	-	-	(402)	(6,327)	-
Total	139,124	120,960	(40,768)	(50,837)	(38,276)	2,848	(60,126)	72,925

13. Intangible assets (consolidated)

a) Breakdown of the balance

	Amortization rate (%)	Consolidated	
		09/30/2015	12/31/2014
Oil & Gas assets			
Subscription bonus - Recôncavo - ES	(*)	**151**	151
Subscription bonus - Polvo	(*)	**304,977**	301,973
Exploration expenses	(*)	**170**	170
Software and others	20	**9,806**	9,533
		315,104	311,827
Accumulated amortization		**(205,267)**	(134,876)
Total		**109,837**	176,951

(*) Subscription bonuses and exploration expenses are amortized by the unit of production method, considering the production of each concession and the volume of reserves. If economically feasible hydrocarbon reserves are not identified, these costs will be posted to P&L.

b) Changes in balance

	Balance at 01/01/2015	Additions	Write-offs	Assets held for sale	Amortization	Foreign exchange	Translation adjustment	Balance at 09/30/2015
Subscription bonus - Recôncavo - ES	151	-	-	-	-	-	-	151
Subscription bonus - Polvo	170,140	-	(512)	-	(69,484)	-	-	100,144
Advance for acquisition - 40% - Polvo (Maersk)	4,430	-	-	-	-	3,516	-	7,946
Exploration expenses	170	-	-	-	-	-	-	170
Software and others	2,060	45	(277)	-	(907)	-	505	1,426
	176,951	45	(789)	-	(70,391)	3,516	505	109,837

	Balance at 01/01/2014	Additions	Write-offs	Assets held for sale	Amortization	Impairment	Translation adjustment	Balance at 12/31/2014
Subscription bonus - Solimões Basin	135,707	-	-	(135,707)	-	-	-	-
Subscription bonus - Walvis Basin	10,449	-	-	-	-	(10,449)	-	-
Subscription bonus - Orange Basin	349,335	-	-	-	-	(396,099)	46,764	-
Subscription bonus - Reconcavo - ES	151	-	-	-	-	-	-	151
Subscription bonus - Polvo	-	301,973	-	-	(127,403)	-	-	174,570
Exploration expenses	487,488	55,395	(542,713)	-	-	-	-	170
Software and others	5,185	1,464	(3,125)	-	(1,640)	-	176	2,060
	988,315	358,832	(545,838)	(135,707)	(129,043)	(406,548)	46,940	176,951

The subscription bonus for each block is presented below:

Blocks	12/31/2014	Write-off	Amortization	09/30/2015
Onshore				
ES-BT-400	100		-	**100**
REC-T-158	51		-	**51**
Total exploratory onshore bonus (non-operator)	151	-	-	**151**
Offshore				
BM-C-8	170,140	(512)	(69,484)	100,144
Total production offshore bonus (operator)	170,140	(512)	(69,484)	**100,144**

Business combinations

On January 8th, 2014, the Company completed the commercial transaction with BP for the transfer of the 60% interest in the Polvo Field, becoming the operator of said concession. In addition, the Company acquired 100% interest in BP Energy America, LLC (“BPEA”), which owns the fixed platform, "Polvo A" and a 3,000 HP drilling rig that operates in the field (Note 12).

It is important to point out that in accordance with the conditions of the agreement, the acquisition price was subject to review by the Company and was amended with regard to the provisional amounts, pursuant to the conclusion of the commercial transaction with BP on January 8, 2014.

	US$
Original transaction amount – base January 1, 2013	**135,000**
(-) Price adjustments	**(54,528)**
(+) Guarantees from agreements transferred	**7,356**
(+) Cash balance of the joint venture – on January 1, 2013	**4,351**
Consideration transferred at the end of the transaction (*)	**92,179**

(*) Pursuant to the price adjustments stipulated in the agreement and equivalent of R$ 219,192

The final acquisition price was concluded in October 2014, and the outright allocation of the price led to a breakdown of the oil and gas assets into their various elements.

The Company hired an independent specialist to assist in the validation process for allocating the acquisition price and determining the fair value of the net asset acquired, which was concluded in December 2014.

The allocations made in accordance with CPC 15 (R1) are shown below:

	In thousand of reais
Assets	
Current	
Cash and cash equivalents	50,499
Advances to suppliers	17,492
Oil inventories	52,228
Recoverable taxes	7,658
	127,877
Non-current	
Oil & Gas assets	
Concession contract	296,816
Production platform and drilling rig	99,416
	396,232
Total assets	**524,109**
Liabilities	
Current	
Deferred income and social contribution tax	15,701
Advance from partners	56,124
Taxes payable	29,567
	101,392
Non-current	
Provision for abandonment (ARO)	122,521
	122,521
Total liabilities	**223,913**
Final consideration transferred in Reais	**219,192**
Advantageous purchased recognized in business combinations	**81,004**

14. Suppliers

	Parent company		Consolidated	
	09/30/2015	12/31/2014	**09/30/2015**	12/31/2014
				(Restated)
Domestic suppliers	**2,505**	4,985	**50,403**	45,221
Suppliers aboard	**49**	148	**26,096**	17,996
	2,554	5,133	**76,499**	63,217
Total current liabilities	**2,554**	5,133	**63,789**	50,507
Total non-current liabilities	**-**	-	**12,710**	12,710

15. Taxes and social contributions

	Parent company		Consolidated	
	09/30/2015	**12/31/2014**	**09/30/2015**	**12/31/2014**
PIS and Cofins on service imports	**-**	-	**2**	62
Sales taxes	**-**	-	**97**	115
Withholding Income Taxes (IRRF) on services	**132**	102	**8,209**	960
Social contribution tax on services	**9**	15	**476**	419
INSS	**4,191**	4,246	**5,258**	5,559
FGTS	**500**	501	**456**	646
Others	**-**	26	**276**	757
	4,832	4,890	**14,774**	8,518

16. Debentures

The meeting of the Company's Board of Directors' held on October 27, 2014 approved the 1st issue of convertible debentures in a single series, subordinated and unsecured, of private placement, amounting to R$ 90 million.

On December 9, 2014, the placement was completed, with the subscription of a total of 4,359,624 debentures, totaling R$ 87,192.

The debentures may be converted into shares at the sole discretion of the debenture holders, as of October 24, 2015 until the date of maturity of the debentures. The number of shares to be delivered to the debenture holders on the date of conversion of the debentures will be the result of dividing the par value of the debentures by the lesser of: (i) the weighted average, based on the daily volume, of the closing price of the shares in the last 10 (ten) trading sessions on BM&FBOVESPA, preceding October 27, 2014, applying a 25% discount; or (ii) the weighted average, based on the daily volume, of the closing price of shares in the last 10 trading sessions on the BM&FBOVESPA, prior to receipt of the conversion request by applying a discount of 25%, thus giving a conversion price. The Company's management has assessed this conversion option on September 30, 2015, and in accordance with financial models has concluded that there is no attributable value at the present time.

The Company's management has assessed fair value of debentures based on Monte Carlo simulation with random variables and adopting the following premises: (i) expectation

of annual returns (drift) of -59.8% per year; (ii) volatility of 66.6% per year; (iii) closing price of share PRIO3 on September 30, 2015 (R$ 1.75); and (iv) risk-free rate of 14.25%.

It must be mentioned that for purposes of average and volatility calculation of PetroRio stocks, the Management has contemplated historical stock prices of share PRIO3 from January 1, 2015 to September 30, 2015 and adopted the exponentially weighted moving average and exponentially weighted moving volatility models. The historical return of PetroRio stocks does not necessarily reflect the future trend of share.

The debentures have a term of five (5) years, maturing in October 27, 2019, and bear interest corresponding to the accumulated variation of 90% of the average daily rates of the DI rate.

In accordance with the debentures issuance deed, early maturity clause nº 4.12, the debentures shall be reported as early overdue in the occurrence of any following hypothesis:

- Bankruptcy, judicial or extrajudicial recovery request of the issuing company;
- Protest of debt-claims for amounts greater than R$ 100,000;
- Merges, consolidations and split-ups without prior consent of debenture holders, in accordance with S.A. Law.

The full remuneration will be paid semiannually, with the first payment was made 6 (six) months after the date of issuance.

	Parent company and Consolidated	
	09/30/2015	**12/31/2014**
Principal	**87,192**	87,192
Interest	**4,466**	376
Total	**91,658**	87,568
Current	**4,466**	-
Non-current	**87,192**	87,568

17. Operational lease (lessee)

Prosafe Production B.V. (currently owned by BW Offshore - “BWO”)

The subsidiary HRTOG (lessee) has a lease agreement of a FPSO vessel with Prosafe (lessor) entered into on December 10, 2013, with one-year term, and may be renewed annually up to May 1, 2022. Amount recognized in the nine-month period ended September 30, 2015 amounts to R$ 34,630 (US$ 10,943), R$ 33,052 (US$ 14,139) in the period ended September 30, 2014.

18. Current and deferred income tax and social contribution

Companies	Tax loss and negative social contribution basis		Non – constituted tax credits	
	09/30/2015	12/31/2014	09/30/2015	12/31/2014
HRTP	**80,020**	65,980	**27,207**	22,433
HRTOG	**1,498,260**	592,531	**509,408**	201,461
HRTAF	**10,048**	17,343	**3,416**	5,897
	1,588,327	675,854	**540,031**	229,790

The Company has tax loss carry forwards and negative social contribution tax generated in Brazil, which may be offset against future taxable profit, limited to 30% every year. Management opted not to account for said tax credits, which will be recognized as the future taxable income is being generated.

The provision for deferred income and social contribution tax liabilities are as follows:

	Consolidated	
	09/30/2015	12/31/2014
Temporary differences on fair value recognized assets on in business combinations	**5,384**	9,102
Deferred income and social contribution taxes liabilities	**576**	385
	5,960	9,487

19. Provision for abandonment (ARO)

Changes in the provision for abandonment of wells in the Polvo field are shown below:

	Consolidated
On January 8, 2014 – Acquisition of the Polvo Field	**122,520**
Currency adjustment	14,488
Price-level restatement	1,031
December 31, 2014	**138,039**
Currency adjustment	68,961
Price-level restatement	2,414
September 30, 2015	**209,414**

The estimated abandonment costs were provisioned for the period ended September 30, 2015. This provision corresponds to PetroRio interest of 60%, and reflects the estimated present value discounted at the rate of 1.29% per annum and monetary restated at the rate of 1.33% per annum. In addition, amounts are adjusted by the variation of the U.S. dollar. These costs will be incurred in the abandonment of the Polvo field, including, but not limited to the plugging of wells, and the removal of production lines and equipment.

20. Shareholders' equity

20.1. Capital

On September 30, 2015, subscribed and paid-in capital in the amount of R$ 3,346,148 is represented by 29,748,449 common shares (after grouping approved by the Extraordinary Shareholders' Meeting held on June 24, 2014 and completed on August 4, 2014, at the proportion of 10 to 1), all of them nominative, registered and with no par value. This grouping also includes grouping of Global Depositary Shares ("GDSs") issued by the Company and outstanding, under negotiation at TSX Venture Exchange (TSX-V) in Toronto, Canada, maintaining the proportion of two GDS's for each common share prevailing until then.

The Company's authorized capital is R$ 10 billion.

Furthermore, the Company recorded R$ 136,694 referring to share issuance costs in a capital reducing account and which comprise the balance shown of R$ 3,209,454.

Shareholder	Number of common shares	% of Participation
SOCIETE MONDIALE DES ENERGIES FIA	5,920,600	19.90%
DEUTSCHE BANK TRUST COMPANY AMERICAS (GDS)	4,422,173	14.87%
AVENTTI STRATEGIC PARTNERS LLP	2,159,690	7.26%
MORGAN STANLEY URUGUAY LTDA	1,931,978	6.49%
OTHER SHAREHOLDERS	15,314,008	51.48%
Total	29,748,449	100.0%

20.2. Share-based compensation plan

The Board of Director, within the scope of its duties and in accordance with the stock option plan, approved the grant of preferred stock option to the strategic employees.

The fair value of the stock options was estimated at the stock option grant date using the Black-Scholes pricing model and amounts to R$ 2.51 for the 2014 Plan (SOP V), R$ 4.00 and R$ 38.10 for the 2013 Plans (SOP IV and SOP III, respectively), R$ 39.50 for the 2012 Plan (SOP II) and R$ 57.60 for the 2010 Plan (SOP I).

The dates of Board of Directors' meetings and the assumptions used in the pricing model are listed below:

	SOP V 04/01/2014	SOP IV 11/11/2013	SOP III 01/02/2013	SOP II 05/09/2012	SOP I 05/14/2010
Total stock options granted	22,497	175,000	541,458	662,295	492,600
Stock option strike price	R$ 8.00	R$ 7.90	R$ 20.60	R$ 22.20	R$ 0.20
Fair value on grant date	R$ 2.51	R$ 4.00	R$ 38.10	R$ 39.51	R$ 57.60
Estimated volatility of share price	76.79%	0.78%	74.22%	127.49%	37.47%
Risk-free rate of return	9.50%	9.50%	8.22%	8.74%	9.12%
Option validity (in years)	3	5	Immediate	3	5

The strike price range and the average maturity of outstanding options, as well the strike price range for the exercisable options for the period ended September 30, 2015, are summarized below:

	Options in circulation			Options exercised/ canceled	
Plan	Options outstanding on 09/30/2015	Average maturity in years	Exercise price	Options exercised up to 09/30/2015	Options canceled up to 09/30/2015
SOP V	22,497	3	R$ 8.00	-	-
SOP IV	175,000	5	R$ 7.90	-	39,167
SOP III	541,458	Immediate	R$ 20.60	98,087	93,931
SOP II	662,295	3	R$ 22.20	147,852	479,993
SOP I	492,600	Immediate	R$ 0.20	437,160	55,400

For the period ended September 30, 2015, the Company recognized in shareholders' equity a share-based compensation result amounting to R$ 77,665, including R$ 28,376 of the 2010 plan, R$ 27,839 of 2012 plan, R$ 20,660 of 2013 plan (SOP III), R$ 734 of 2013 plan (SOP IV) and R$ 56 of 2014 plan, with a contra entry in the respective income statement as personnel cost.

20.3. Earnings per share

Pursuant to CPC 41 (IAS 33), the Company presents some information on earnings per share for the fiscal periods ended September 30, 2015 and 2014. Basic earnings per share are calculated by dividing net income for the year attributed to the Company's common and preferred shareholders by the weighted average number of common and preferred shares available in the period.

Diluted earnings per share are calculated by dividing income/loss attributable to Company's common shareholders by the weighted average number of common shares available for the period, plus the weighted average number of common shares that would be issued on conversion of all potential diluted common shares into common shares.

The tables below show data of income and shares used in calculating basic and diluted earnings per share during the periods:

Basic and diluted earnings per share	07/01/2015 to 09/30/2015	07/01/2014 to 09/30/2014	09/01/2015 to 09/30/2015	09/01/2014 to 09/30/2014
Numerator (in thousand of reais)				
(Loss) Income for the year attributable to Group's shareholders	35	9,536	(69,739)	20,978
Denominator (in thousands of shares)				
Weighted average number of common shares adjusted by dilution effect	29,748	29,748	29,748	29,748
Basic earnings and diluted per share	0,001	0,321	(2,344)	0,705

21. Related party transactions

	Parent company	
	09/30/2015	12/31/2014
Reimbursement of administrative expenses PetroRio x HRTOG	**2,701**	4,871
Total non-current assets	**2,701**	4,871
Loan agreement - PetroRio x HRTOG	**-**	(3,134)
Loan agreement - PetroRio x HRTAF	**(155)**	(2,068)
Reimbursement of aircraft sale transaction PetroRio x HRTBV	**(2,474)**	(1,654)
Total current liabilities	**(2,629)**	(6,856)

Related party transactions

The asset balance of R$ 2,701 concerns the Parent company reimbursement of administrative costs, which are charged from, partners in oil exploration and production operations.

Balance of R$ 2,474 owed to HRTBV is a transfer remaining from sale of Air Amazônia in 2013, which also contemplated sale of aircrafts owned by HRTBV.

Related party loan

Loan contract between HRTAF (lender) and PetroRio (borrower), with balance of R$ 155 adjusted at CDI (interbank deposit certificate) rate. Accumulated effect recorded as Parent company's financial income in the period ended September 30, 2015 was R$ 276.

Management remuneration

The Company's management remuneration in the period ended September 30, 2015 was R$ 1,715 (R$ 3,929 on September 30, 2014).

Debentures

The Company for the period ending December 31, 2014, issued convertible debentures in a single series, subordinated and unsecured, of private placement, as detailed on Note 16. All debentures issued were subscribed by Company's shareholders.

22. Net income

The Company currently exports 100% of its production from the Polvo Field. There are no deduction from Gross Revenue, such as taxes on sales and cancellation, which means that Gross Revenue equals Net Revenue presented in the Statements of income.

23. Costs of products sold and services rendered

	Consolidated		Consolidated	
	07/01/2015 to 09/30/2015	**07/01/2014 to 09/30/2014**	**01/01/2015 to 09/30/2015**	**01/01/2014 to 09/30/2014**
FPSO	**(30,880)**	(15,251)	**(50,845)**	(49,923)
Logistics	**(12,738)**	(8,705)	**(22,233)**	(33,742)
Consumables	**(16,388)**	(10,201)	**(28,803)**	(23,192)
Operation and maintenance	**(14,615)**	(21,270)	**(26,392)**	(31,357)
Personnel	**(3,440)**	(2,109)	**(6,187)**	(6,800)
SMS	**(6,087)**	(3,483)	**(10,599)**	(8,878)
BP transferred oil	**-**	-	**-**	(35,349)
Other costs	**(6,371)**	1,948	**(9,294)**	(5,067)
Royalties	**(11,832)**	(12,962)	**(21,412)**	(37,075)
Depreciation and amortization	**(54,458)**	(26,135)	**(101,322)**	(69,236)
Total	**(156,809)**	(98,168)	**(277,087)**	(300,619)

On September 30, 2015, the oil inventory in the amount of R$ 9,269 is representative of 59,000 bbl – information not reviewed by the independent auditors (on September 30, 2014 the oil inventory in the amount of R$ 8,784 was representative of 57,000 bbl).

On September 30, 2015, a provision for losses in inventories resulting from adjustment to market value was recorded in the amount of R$ 2,443. Such effect is recorded under "Other operating income (expenses), net".

24. Financial income (loss)

	Parent company			
	07/01/2015 to 09/30/2015	**07/01/2014 to 09/30/2014**	**01/01/2015 to 09/30/2015**	**01/01/2014 to 09/30/2014**
Financial income	**10,042**	68	**14,290**	1,295
Income from interest earning bank deposits	461	7	3,986	1,150
Foreign exchange variation income	7,171	61	7,486	144
Other financial income	2,410	-	2,818	1
Financial expenses	**(3,369)**	(119)	**(10,046)**	(142)
Expense on exchange rate change	(555)	(2)	(2,383)	(6)
Interest on loans/debentures	(2,744)	(111)	(7,528)	(117)
Other financial expenses	(70)	(6)	(135)	(19)

	Consolidated			
	07/01/2015 to 09/30/2015	**07/01/2014 to 09/30/2014**	**01/01/2015 to 09/30/2015**	**01/01/2014 to 09/30/2014**
Financial income	**162,810**	29,234	**277,886**	52,062
Income from interest earning bank deposits	**2,895**	176	**6,751**	7,185
Foreign exchange variation income	**156,890**	28,929	**267,427**	45,095
Other financial income	**3,025**	130	**3,708**	(218)
Financial expenses	**(133,699)**	(8,376)	**(276,706)**	(39,951)
Expense on exchange rate change	**(109,789)**	(8,176)	**(231,182)**	(24,744)
Interest on loans/debentures	**(3,015)**	(128)	**(7,528)**	(14,662)
Other financial expenses	**(20,895)**	(72)	**(37,996)**	(545)

25. Guarantees and commitments

With regard to the minimum exploration program of the licenses in Namibia, the following commitments are assumed:

PEL	Exploration period	Conclusion at	Minimum Exploratory Program	Activity performed
022 (blocks 2815, 2816 and 2915)	2nd Period	09/22/2014	USD 3.1MM 1.500 Km seismic 2D or 400 Km^2 seismic 3D	Acquisition of 1.137 km^2 3D seismic
023 (blocks 2112B and 2212A)	2nd Period	06/05/2015	USD 2.0MM 200 Km^2 seismic 3D	Acquisition of 5.359 km^2 3D seismic and well Moosehead-1
024 (blocks 2713A and 2713B)	2nd Period	08/03/2014	USD 1.1MM 1,000 Km seismic 2D or 400 Km^2 seismic 3D	Acquisition of 1,424 km^2 3D seismic and wells Wingat-1 and Murombe-1
028 (blocks 2813A, 2814B and 2914A)	1st Period	05/14/2015	USD 8.5MM 2,000 Km seismic 2D or 500 Km^2 seismic 3D	Acquisition of 1,237 km^2 3D seismic

Under the terms of the Participation Agreement entered into with HRT Canada and Acarus on December 1, 2010, the Company is engaged to pay 50% of the evaluation and exploration transaction costs in PEL 28, located in Namibia's offshore.

The Company has applied to the Ministry of Mines and Energy of Namibia renewal of PEL 22 and 24 for extension of exploration period, expired in September and August 2014, respectively, and the extension of the term of the PEL 23 and 28, ending in May and June 2015.

Despite the history of renewals granted to PetroRio and the good relationship with the Government of Namibia, since there was no indication, the Company decided to form a provision for loss for the assets located in Africa at the close of the year ended December 31, 2014.

In the acquisition of 80% of the Bijupirá and Salema Fields, the Company paid 20% of the total amount with own funds, by way of an advance, and to ensure the remaining 80% to be financed, on January 20, 2015 the Company obtained from Glencore Ltd a letter of credit for US$ 120 million (equivalent to R$ 476,748 on September 30, 2015). This credit letter financial cost recorded as financial expenses in the period ended September 30, 2015 was R$ 26,056.

26. Segment information

Considering the Company's strategy of operating in the segment of hydrocarbon production in mature fields such as Polvo, Bijupirá and Salema, and minimization of exploration risk mainly through divestiture of Solimões concessions and non-performance of new investments in Namibia, Management performed revaluations in 2015, concluding that PetroRio operates in a single operating segment, that of exploration and production (E&P) of oil and gas in Brazil and abroad.

Geographical information for the exploration and production segment

	Consolidated
	09/30/2015
Current assets	
Brazil	457,464
Abroad	433,684
Non-current assets	
Brazil	134,828
Abroad	207,830
Income	
Brazil	213,501
Abroad	16,101
	12/31/2014
Current assets	
Brazil	426,625
Abroad	360,091
Non-current assets	
Brazil	198,940
Abroad	74,197
	09/30/2014
Income	
Brazil	405,122
Abroad	-

27. Objectives and policies for financial risk management

The main financial liabilities of PetroRio refer to trade accounts payable to suppliers for goods and services to be used in its hydrocarbon exploration and production operations, debentures, and the financial security agreements. On the other hand, cash and cash equivalents are recorded in assets, as described in Notes 3 and 4.

The Company is exposed to market (interest and exchange rates), credit and liquidity risks. The Management manages these risks by means of appropriate policies and procedures. It is the Company's policy not to participate in negotiation of derivatives for speculative purposes.

The Board of Directors reviews and sets management policies for each of these risks, which are summarized as follows.

Market risk

Market risk is the possibility of losses arising from the effect of the fluctuation of market values of financial instruments and commodities. The Company does not use derivative instruments for risk mitigation purposes.

Interest rate risk

Available funds are invested in securities issued by first-tier financial institutions at variable rates, mostly with daily liquidity, in compliance with prudential concentration limits. Company has interest-bearing debentures corresponding to the accumulated variation of 90% of CDI –Over Extra Group.

Interest rate sensitivity

The table below shows the sensitivity to a possible change in interest rates, income and Company's equity before taxation, where all other variables are kept constant.

Operation	Risk	Probable scenario	Scenario (I) 25%	Scenario (II) 50%
Impact on the securities	Decrease in CDI	34	(136)	(307)
Impact on debentures	Increase in CDI	(629)	(1,871)	(3,702)

For the earnings from financial investments and securities the CDI projections disclosed by BM&FBOVESPA for the period ending December 31, 2015 were taken into account under the probable scenario (CDI 14.18%), a 25% reduction in the projected CDI was taken into account under scenario I and a 50% reduction was taken into account under scenario II in relation to the probable scenario. A sensitivity analysis of securities invested in international fund with an annual average rate of return of 0.52% was carried out showing not significant impacts.

Exchange risk

Currency risk refers to the exposure to oscillations in the levels of commodity price or service contracted (future cash flows) in foreign currency. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities and net investments in foreign subsidiaries.

The table below shows the sensitivity to a variation that may occur in the exchange rate and the impact on the Company's income and equity, before taxation.

Operation	Risk	Probable scenario	Scenario (II) 25%	Scenario (III) 50%
Impact on financial investments	Decrease in US dollar	6,632	(64,307)	(128,614)
Provision for abandonment (ARO)	Dollar increase (USD)	(5,399)	(52,353)	(104,706)

For calculation of the amounts included in the above scenarios the average exchange rate projection disclosed by BM&FBOVESPA for the period ending December 31, 2015 (US$ 1/R$ 4.060). Under scenario I, this projection was increased by 25% and under scenario II, the curve was increased by 50% against the probable scenario.

Credit risk

Credit risk is the risk of a business counterpart not complying with obligations provided in a financial instrument or contract with the client, resulting in financial loss.

The Company is exposed to credit risk in its operating activities and bank and/or financial institution deposits, foreign exchange transactions and other financial instruments. In order to mitigate such risks, the Group adopts a conservative management by investing short-term funds with day-to-day liquidity and post –fixed rates in first-class banks, bearing in mind ratings by the key risk agencies and respecting prudential concentration limits.

Related to credit risk of its sales operations, the Company analyzes the financial condition of its client, in conjunction with the provider of marketing services (trader), which also operates as an intermediary in transactions for the sale of oil. In the nine-month period ended September 30, 2015, net sales were fully concentrated in a single client (89% for the nine-month period ended September 30, 2014).

Liquidity risk

Prudent management of risk implies maintaining cash consistent with the disbursement needs to cover its obligations, in accordance with the Company's business plan.

Consolidated

Year ended September 30, 2015	up to 12 months	1 to 5 years	Total
Liabilities			
Suppliers	(63,789)	(12,710)	**(76,499)**
Labor obligations	(5,501)	-	**(5,501)**
Taxes and social contributions	(14,774)	-	**(14,774)**
Advance from partners	(96,245)	-	**(96,245)**
Debentures	(4,466)	(87,192)	**(91,658)**
Provision for abandonment	-	(209,414)	**(209,414)**
Provision for contingencies	-	(50,388)	**(50,388)**
Other liabilities	(928)	(3,574)	**(4,502)**
	(185,703)	**(363,278)**	**(548,981)**

Year ended December 31, 2014 (Restated)	up to 12 months	1 to 5 years	Total
Liabilities			
Suppliers	(50,507)	(12,710)	**(63,217)**
Advances for disposal of fixed assets	(25,368)	-	**(25,368)**
Labor obligations	(7,439)	-	**(7,439)**
Taxes and social contributions	(8,518)	-	**(8,518)**
Advances to partners	(62,495)	-	**(62,495)**
Debentures	-	(87,568)	**(87,568)**
Provision for abandonment	-	(138,039)	**(138,039)**
Provision for contingencies	-	(33,838)	**(33,838)**
Other liabilities	-	(2,152)	**(2,152)**
	(154,327)	**(274,307)**	**(428,634)**

Parent company

Year ended September 30, 2015	up to 12 months	1 to 5 years	Total
Liabilities			
Suppliers and other	(2,554)	-	**(2,554)**
Labor obligations	(2,283)	-	**(2,283)**
Taxes and social contributions	(4,832)	-	**(4,832)**
Related parties	(2,629)	-	**(2,629)**
Debentures	(4,466)	(87,192)	**(91,658)**
	(16,764)	**(87,192)**	**(103,956)**

Year ended December 31, 2014	up to 12 months	1 to 5 years	Total
Liabilities			
Suppliers	(5,133)	-	**(5,133)**
Labor obligations	(2,411)	-	**(2,411)**
Taxes and social contributions	(4,890)	-	**(4,890)**
Related parties	(6,856)	-	**(6,856)**
Debentures	-	(87,568)	**(87,568)**
	(19,290)	**(87,568)**	**(106,858)**

Fair value of financial assets and liabilities

The "fair value" concept provides for the valuation of assets and liabilities based on market prices in the case of liquid assets, or based on mathematical pricing models otherwise. The level in the fair value hierarchy gives priority to unadjusted quoted prices in an active market. These financial instruments are grouped in levels from 1 to 3, based on the grade that their fair value is quoted:

a) Level 1: fair value measurement uses prices quoted (not corrected) in active markets, based on equal assets and liabilities.

b) Level 2: fair value measurement is derived from other inputs quoted included in Level 1, which are quoted through an asset or liability directly (i.e. as the prices) or indirectly (i.e. derivative of prices).

c) Level 3: fair value measurement is derived from valuation techniques that include and asset or liability that are not included in an active market.

	09/30/2015			
	Parent company		Consolidated	
	Book value	Fair value	Book value	Fair value
Financial assets				
Loans and receivables				
Accounts receivable (i)	-	-	244,960	244,960
Related parties	2,701	2,701	-	-
Assets available for sale (ii)	-	-	154,870	154,870
Fair value through profit or loss				
Cash and cash equivalents (ii)	185	185	167,194	167,194
Securities (ii)	44,353	44,353	250,106	250,106
Financial liabilities				
Amortized cost:				
Suppliers (i)	2,554	2,554	76,499	76,499
Related parties	2,629	2,629	-	-
Debentures (ii)	91,658	84,974	91,658	84,947

	12/31/2014			
	Parent company		Consolidated	
	Book value	Fair value	Book value	Fair value
Financial assets				
Loans and receivables				
Accounts receivable (i)	36	36	1,835	1,835
Related parties	4,871	4,871	-	-
Assets available for sale	-	-	258,158	258,158
Fair value through profit or loss				
Cash and cash equivalents (ii)	49	49	350,634	350,634
Securities (ii)	87,924	87,924	98,312	98,312
Financial liabilities				
Amortized cost:				
Suppliers (i)	5,113	5,113	63,217	63,217
Related parties	6,856	6,856	-	-
Debentures (ii)	87,568	81,547	87,568	81,547

Market values (“fair value”) estimated by management were determined by level 2 for those financial instruments:

(i) The amounts related to the balance of accounts receivable and suppliers does not have significant differences in the fair value due to receivable/payment turnover not exceed 60 days.
(ii) The fair value measurements are obtained by directly observable variables (as well as prices) or indirectly (derived from prices).

28. Insurance (Non-reviewed by independent auditors)

The Company has a policy of taking out insurance coverage for the items subject to risks.

The Company adopts insurance policies for assets under risk and, along with companies under the same group, is covered against major risks such as Energy Package, which includes Physical Damage over offshore assets, Operator's Extra Expenses (OEE), Offshore Liability (TPL) and Cargo/equipment coverage related to the Polvo field operations and D&O (Directors & Officers Liability) policy for directors and subordinates.

D&O, one of the main insurance policies hired by the company, is able to protect the company against losses due to third party complaints. Additionally, the company hires insurance for Operator’s Extras Expenses, which includes Well Control, Extra Expenses/re-drilling operations and infiltration and Pollution, Cleaning and Contamination.

The insurance policies in force at September 30, 2015 cover the amount of R$ 3,505,783. We set out below the main insurance types and insured amounts:

Insurance/Modality	Amount insured
Physical damages (Oil inventories)	**166,862**
Fixed Platform	**1,032,954**
Offshore property (Pipeline)	**79,458**
OEE production (Well control)	**595,935**
OEE development (Well control)	**397,290**
Offshore Civil Liability	**993,225**
Aircrafts (Physical damages)	**19,865**
Aircrafts (Civil liability)	**119,187**
Cargo (Polvo)	**3,500**
D&O	**20,000**
General liability	**5,000**
Patrimonial	**2,495**
Travel Insurance Travel Guard	**12**
Guarantee Solimões	**70,000**
Total insured	**3,505,783**

29. Contingencies

Management of the Company and its subsidiaries, based on the opinion of its legal advisors regarding the possibility of success in several lawsuits, believes that the provisions recorded in the balance sheet on September 30, 2015 and December 31, 2014 in the amounts of R$ 50,88 and R$ 33,838, respectively, are sufficient to cover losses considered probable and reasonably estimated.

Arbitration proceedings

The Company is part of two arbitration proceedings brought, described below:

1. Tuscany Perfurações Brasil Ltda. e Tuscany Rig Leasing S.A. filed a request for arbitration against HRT O&G, in the amounts of US$ 39,645 thousand (R$ 123,002). The sentence was handed down on February 5, 2015, condemning the Company to pay the amounts of R$ 1,484 and US$12,130 thousand (R$ 48,191 – PTAX of September 30, 2015). An applicable appeal was filed on March 9, 2015 and September 02, 2015. The Company was notified by the Court of Arbitration, which upheld the decision. As of October 7, 2014, the Company filed an annulment suit, aiming at dissolving the arbitral award, based on violation of full defense and the arbitration clause that forbade decision by equity.

2. On February 28, 2014, Energy Solutions Participações Ltda. requested for filing arbitration proceeding against HRTOG and allocated to arbitration the amount of R$ 67,292. Due to non-payment of the costs of arbitration proceeding by Geoquasar, the Court of Arbitration sent a letter stating that the arbitration proceeding will be filed.

Public Civil Action

The subsidiary HRTOG is a defendant in Civil Public Action filed by the Ministry of Labor, as a result of non-payment of severance pay by Geoquasar, outsourced company that provided services to HRTO&G, whose value is R$ 7,834. HRT is awaiting sentencing trial. According to the Legal Adviser of the case, it is possible the chance of loss.

Except for the thirteen labor claims totaling R$ 283, a civil claim for R$ 180 and a tax claim for R$ 250, under the probable risk, according to the Group's legal advisors, the risk of loss from other lawsuits is “possible” (R$ 158,443) or “remote”. Based on this evaluation, Management decided not to form a provision for contingencies, in accordance with accounting practices adopted in Brazil and IFRS.

30. Subsequent events

30.1. Completion of assets sale in Solimões

On October 9, 2015, as a result of completion of sale and transfer of total interest and respective rights and obligations in Concession Agreements of Solimões gas and oil blocks to Rosneft, the Company received the first installment related to this transaction, in the amount of R$ 148 million (US$ 38 million) and reimbursed R$ 69,331 (US$ 18 million) corresponding to advances for drilling rigs.

30.2. Debentures convertible into shares

As of October 24, the period to convert convertible debentures into common shares issued by the Company in the 4Q14 started. The debentures have term of five years and may be converted into shares at the sole discretion of the debenture holders, up to October 27, 2019, the maturity date.

On November 6, 2015, the Company's Board of Directors ratified the issuance of 34,309,321 common shares deriving from translation of 2,640,304 debentures and as a result, the approval of Company’s capital stock increase, which went from 29,748,449 common shares to 64,057,769 common shares. The Company's capital stock went from R$ 3,209,454 to R$ 3,262,260 and total non-converted nominal debentures had a decrease from R$ 87,192 to R$ 34,386.