Rio de Janeiro, November 14, 2016 – Petro Rio S.A. ("PetroRio" or "Company", BM&FBovespa: PRIO3 and TSX-V: PRJ) announces its results for the third quarter of 2016 ("3Q16"). The financial and operational information below, except if otherwise indicated, is presented on a consolidated basis and in Brazilian Reais (R$) according to the International Financial Reporting Standards (IFRS), including its direct subsidiaries: Petro Rio O&G Exploração e Produção de Petróleo Ltda. (former HRT O&G Exploração e Produção de Petróleo Ltda.), Petro Rio Internacional S.A., HRT América Inc. and their respective subsidiaries and branches.

3Q16 HIGHLIGHTS

- AWARD OF BEST E&P COMPANY IN LATIN AMERICA IN 2016
- PRODUCTION OF 771,563 BARRELS IN THE QUARTER, 13% HIGHER THAN 3Q15 AND IN LINE WITH 2Q16
- LIFTING COST (US$ 28.37/BBL) IN LINE WITH 2Q16 (HISTORIC LOW) AND 26% BELOW 3Q15
- ADJUSTED EBITDA OF R$ 15.0 MILLION AND NET INCOME OF R$ 71.5 MILLION
- HIGH OPERATIONAL EFFICIENCY (94.1%) DESPITE SCHEDULED MAINTENANCE STOPPAGE IN SEPTEMBER

MANAGEMENT REPORT

We are pleased to present one more quarter of positive results in an environment with highly volatile oil prices and Brent averaging less than US$ 50/bbl. PetroRio's EBITDA adjusted for non-cash expenses reached R$ 15.0 million, surpassing the previous quarter. This strong performance was driven by our continuous operational efficiency, which kept costs in line with its historic low levels, and our assertive commercial strategy. Additionally, we are proud to record another quarter with no accidents, extending the expressive milestone of 1,500 days without lost-time injuries reached on July 14, 2016.

Our success is essentially driven by our entrepreneurial team, made by dedicated and creative people. The commercial strategy used in the quarter is another successful example of our DNA that continuously pursues innovation to maximize returns. In order to obtain a better realized price and taking advantage of low maritime freight prices, PetroRio postponed the sale of two offtakes to September which were priced at the higher Brent average of October, thus enabling the Company to boost our gross selling price by US$ 4.2 per barrel.

Polvo Field's production was in line with our estimates. After the operational start-up of the three wells that underwent interventions, average daily production remained stable at 9,100 bbl for a period of approximately 30 days between July and August. As expected, Polvo's production showed in 3Q16 a natural monthly decline of around 100bd. However, average production in the quarter stood at only 8.4kbd mainly influenced by the scheduled maintenance stoppage in September, which reduced production by 44 thousand barrels, and the interventions carried out in July, when we operated with all wells that underwent interventions for only 18 days. During July and August, before the scheduled stoppage, operational efficiency reached an exceptional average of 99.3%, with few operational failures and improved efficiency of the boiler.

In the first nine months of the year, Polvo Field's production totaled 2.2 Mbbl. We estimate a total production in 2016 of three million barrels, in line with 2015 and 25% higher than the amount estimated in our last reserve certification report. This result shows PetroRio's excellence in the operation of mature fields, which normally show an annual production decline of around 10%, and it indicates potential for reserves addition. Total investments in Polvo Redevelopment Program came to US$ 17.9 million and we do not expect any additional expenditure with well interventions and workovers in 2016.

The Company executed three offtakes in the third quarter, with the sale of 1,056,756 barrels of oil, generating revenue of R$ 139.2 million. EBITDA, adjusted for non-cash expenses related to the write-down of receivables (R$ 15.6 million), was positive in R$ 15.0 million, while earnings totaled R$ 71.5 million, boosted by the return of our financial investments. Our consolidated cash position, including all financial investments, reached US$ 162 million at the end of September, increasing by US$ 37 million in 2016 and by US$ 25 million in the quarter. It is also worth highlighting that the US$ 16 million in receivables from oil sales in 3Q16 were fully received in November, further strengthening PetroRio's cash position. The Company's financial health has been enhanced in 2016 and PetroRio is increasingly prepared to make value acquisitions in a scenario that continues to offer ample opportunities both in Brazil and abroad.

We expect the high oil price volatility observed in the third quarter to continue in the coming months. However, in the medium and long term, we remain strongly confident on a structural price recovery to begin after the first signs of supply weakening following a long period of low investments. The beginning of the quarter was marked by the "perfect storm" for oil prices that began with international pessimism triggered by Brexit at the end of 2Q16, plus successive weeks of increasing rig counts data in the U.S. that fueled fears of an upturn in supply by marginal-cost U.S. oil producers. Also contributing to the price decline, there were successive releases confirming a widespread increase in production from OPEC countries, particularly Libya, which signaled with the possibility of tripling production.

In response to the sharp drop in prices (Brent of US$ 41/bbl in early August), OPEC indicated a possible agreement to freeze production, also including non OPEC members, particularly Russia, which expressed its interest in the maneuver to raise prices. The quarter ended with a strong price recovery and a clear indication of an agreement between the Arabs and Russia. Prices followed this upward trend in October peaking at US$ 53/bbl, but at the beginning of November we saw increasing lack of confidence on the effective announcement of this possible agreement bringing prices back to current levels of US$ 45/bbl.

Lastly, we highlight the important recognition of PetroRio as the best E&P Company in Latin America in 2016. This award reflects the significant results achieved in 2015 when we initiated our ambitious programme to reduce costs, optimize operations and increase reserves.

Polvo Field's success case involves key elements of our strategy and represents the first step in the construction of an even more solid company.

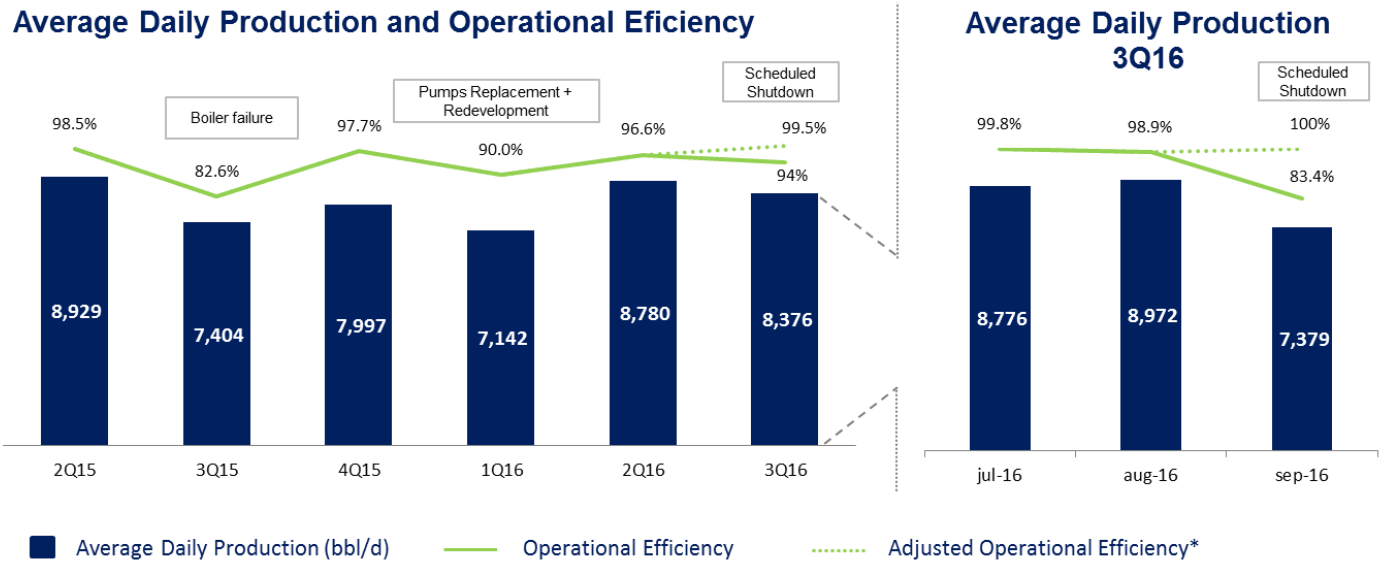
OPERATING PERFORMANCE

POLVO FIELD

Oil production was in line with our estimates remaining flat at 9.1kbd for a period of approximately 30 days between July and August, just after the conclusion of the interventions on the field. As expected, Polvo's production shows a monthly decline of around 100bd. July production, however, averaged 8.8 kbd as the three wells that underwent interventions operated for only 18 days, while production in September was affected in 44 thousand barrels due to the scheduled maintenance stoppage that interrupted our operation for five days.

Operational efficiency reached in July and August an exceptional average of 99.3% with few failures and an improved efficiency of the boiler. 3Q16 average would have been even greater than the high levels recorded in 1H15 if we excluded the effects of the maintenance stoppage in September that reduced our real efficiency to 94% in the quarter.

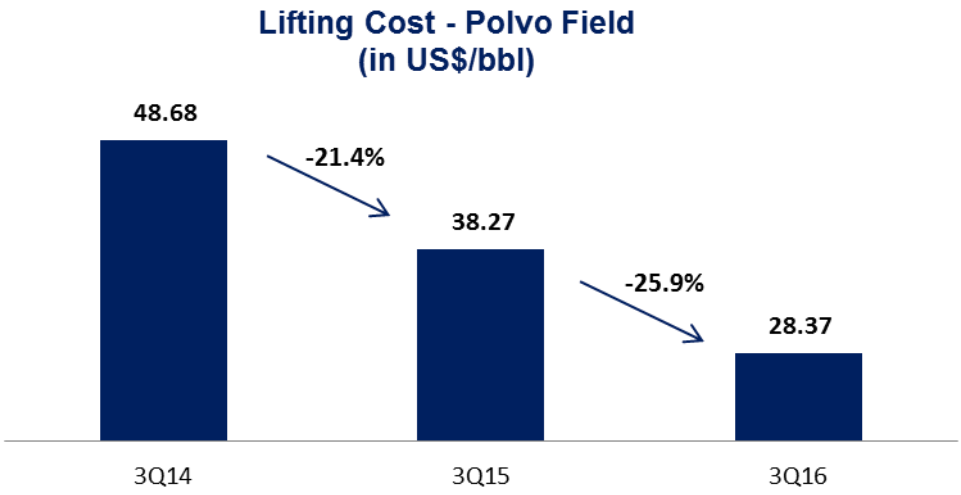
Oil production totaled 771,563 barrels in 3Q16, with daily production averaging 8,376 barrels, 13% higher than the 3Q15 average and slightly lower than in 2Q16 (-4.6%). PetroRio's average production since 2Q15 is presented below:



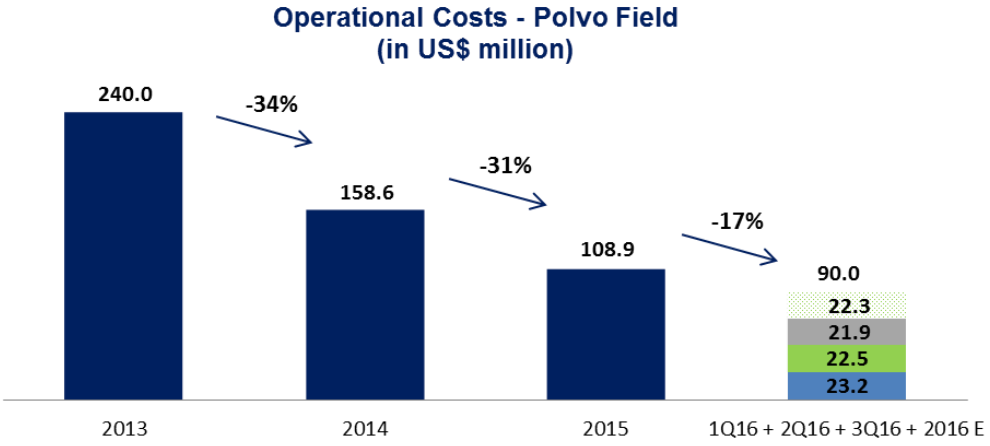
* Operational efficiency excluding the five days of scheduled production stoppage

Our focus on costs control remains as one of the highlights of our results. Lifting Cost stayed in line with the previous quarter (historic low level of US$ 28.17/bbl) despite the 4.6% reduction in our average production, a U.S. dollar slightly more depreciated and non-recurring costs related to the maintenance stoppage.

If we compare to previous years, our Lifting Cost fell significantly over 3Q15, -26%, and accumulates an expressive 42% reduction over 3Q14. This result is even more relevant if we consider that production in 3Q14 averaged 9.7kbd versus 8.4kbd in this quarter. In case we adjust our costs per barrel to the 2014 production levels, our Lifting Cost would have been lower than US$ 25/bbl, 50% below 3Q14. In addition, a significant share of our costs is denominated in local currency and, therefore, increased with the strong appreciation of the Brazilian Real against the U.S. dollar in 2016.



Polvo Field's operating costs in 3Q16 were US$ 21.9 million, totaling US$ 67.6 million in 2016. We expect operating costs to be lower than US$ 22.3 million in the fourth quarter which would enable PetroRio to meet the US$ 90 million goal established for 2016. This target represents a cut of 17% over 2015 and 43% if compared to 2014.



1Q16 + 2Q16 + 3Q16 + 2016E: costs of 9M16 + PetroRio estimates for the next quarter.

FINANCIAL PERFOMANCE

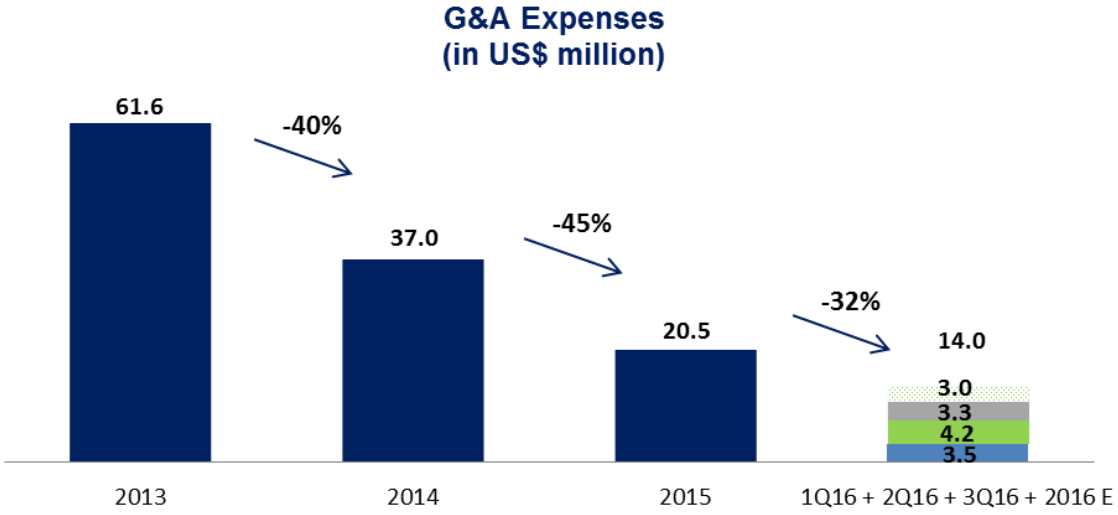
R$ million

Proforma Income Statement	**3Q15**	**2Q16**	**3Q16**	**9M16**
Offtakes (bbl)	773,424	766,734	1,056,756	2,203,745
Average selling price (US$/bbl)	50.82	45.41	49.98	46.03
Revenues	127.941	103.381	139.242	284.132
Costs of products/services	(90.519)	(84.843)	(96.048)	(231.267)
Royalties	(11.832)	(7.868)	(13.081)	(25.896)
Results of Operations	**25.590**	**10.670**	**30.113**	**26.969**
G&A, G&G and Project expenses	(15.176)	(15.017)	(14.438)	(44.700)
Other revenues/expenses	13.075	10.265	(16.333)	(8.236)
EBITDA	**23.489**	**5.918**	**(658)**	**(25.967)**
EBITDA margin	*18.4%*	*5.7%*	*-0.5%*	*-9.1%*
Depreciation and amortization	(55.269)	(21.399)	(15.448)	(48.428)
Financial income	29.111	(35.877)	109.994	51.898
Income and social contribution	2.690	336	(22.417)	(22.441)
Profit (loss)	**0.021**	**(51.022)**	**71.471**	**(44.938)**

The Company executed three offtakes in the quarter, with the sale of 1,056,756 barrels at the gross average price of US$ 49.98/bbl and ended the quarter with 271 thousand barrels in inventory, equivalent to R$33 million. In November, we executed another offtake totaling 299 thousand barrels.

EBITDA, adjusted for non-cash expenses related to the write-down of receivables (R$ 15.6 million), was positive by R$ 15.0 million and surpassed the previous quarter when we registered an Adjusted EBITDA of R$ 12.2 million (non-cash expenses of R$ 6.3 million). Despite the slight depreciation of the U.S. Dollar against the Brazilian Real in the third quarter, we counted with a significant improvement on our gross selling price (+US$ 4.2/bbl), accompanied by a reduction in COGS that fully reflected the lower Lifting Cost achieved and maintained since 2Q16.

General and administrative expenses (G&A) amounted to US$ 3.3 million in 3Q16, 14% less than the US$ 3.9 million in 3Q15 and 21% below 2Q16 levels despite the negative impact of the Brazilian Real appreciation against the US Dollar. Year-to-date G&A expenses totaled US$ 11 million, in line with our aggressive annual target of US$ 14 million, which reflects a reduction of more than 30% over last year.



1Q16 + 2Q16 + 3Q16 + 2016 E: expenses in 9M16 + PetroRio estimates for the next quarter.

Other operating expenses amounted R$ 16.3 million and were chiefly driven by the write-down of Rosneft receivables by R$ 15.6 million. We expect to receive the remaining balance of US$ 11 million before the end of the year. Net income in the quarter totaled R$ 71.5 million and was fueled by the high results of our financial investments.

TOTAL CASH, CASH EQUIVALENTS AND INVESTMENTS

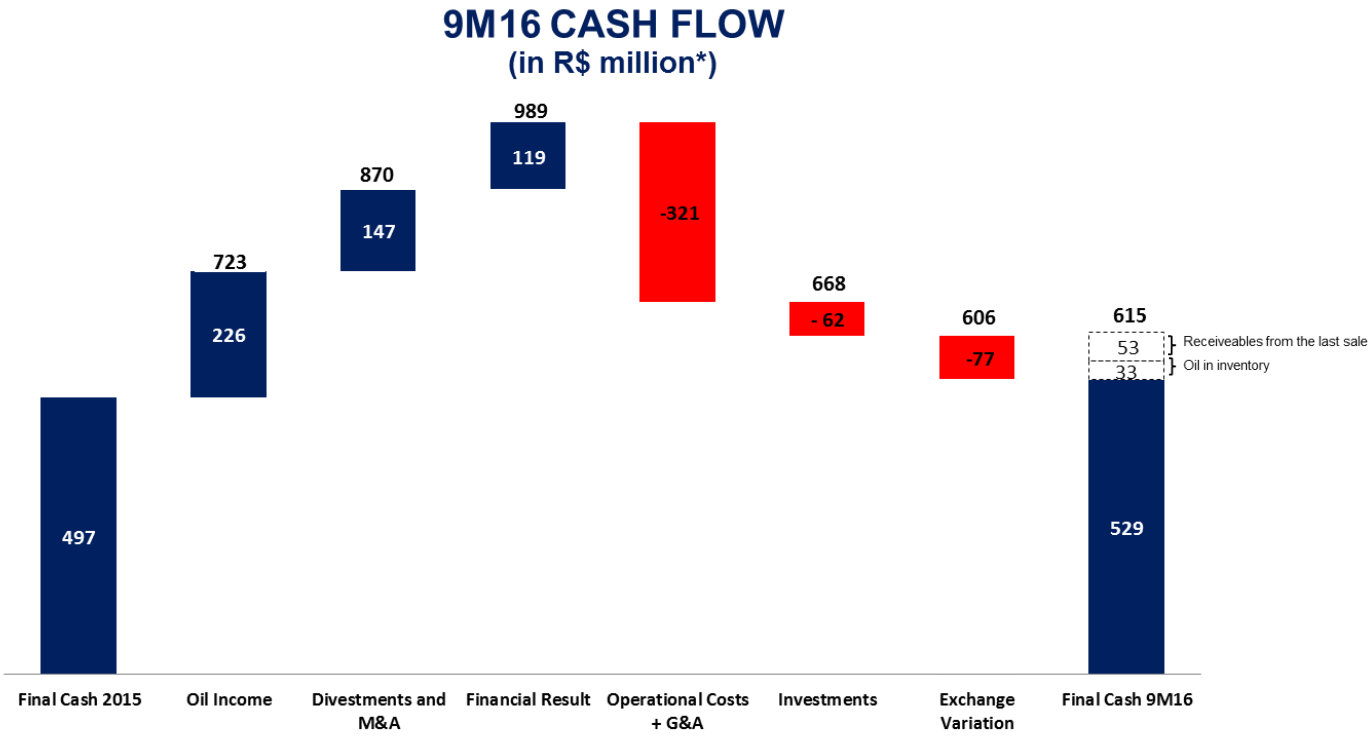
At the end of 3Q16, PetroRio's consolidated cash position, including cash equivalents and investments in marketable securities, was R$ 529 million, most of which allocated abroad and denominated in U.S. dollars. Our cash position increased by US$ 37 million in 2016 reaching US$ 162 million at the end of September.

In the third quarter, our operating cash flow came in slightly positive due to the increase in working capital with an addition in receivables of US$ 16 million (last offtake) despite the decline in inventories. Investments totaled US$ 4 million, of which US$ 1.3 million was

allocated to the acquisition of spare equipment while the remaining balance went to interventions and workovers in the Polvo Field. It is also worth mentioning the expressive appreciation of PetroRio's financial investments by US$ 25 million and the sale of an aircraft for US$ 1.3 million.

Our consolidated cash position varied in 2016 due to the following aspects:

- Inflow of R$ 226 million related to oil sales;
- Divestments/M&A of R$ 147 million with (a) the inflow of R$ 113 million related to the reimbursement of payments made in advance to Bijupirá and Salema fields, (b) R$ 15.4 million (US$ 5 million) from Rosneft related to the farm-out of the Solimões Basin, (c) R$ 3.5 million (US$ 1 million) related to the reimbursement for the non-utilization of the letter of credit acquired with Glencore, (d) R$ 3.8 million (US$ 1.3 million) related to the sale of an aircraft, and (e) inflow of R$ 11.2 million (US$ 3.5 million) paid by Maersk and related to Polvo transaction;
- Production costs, operating expenses, G&A and the payment of royalties totaling R$ 321 million;
- Disbursements related to investments of R$ 62 million;
- Negative impact of R$ 77 million from exchange variation;
- Financial result of R$ 119 million.



* USD/BRL FX Rate on September 30, 2016: R$ 3.25

BALANCE SHEET

(in thousands of R$)

ASSETS

Current assets	Sep 30, 2016	Dec 31, 2015
Cash and cash equivalents	13.273	283.951
Marketable securities	515.293	213.090
Accounts receivable	110.525	244.499
Taxes recoverable	24.373	26.801
Derivative financial instruments	6.165	-
Advances to suppliers	23.895	28.291
Prepaid expenses	4.304	722
Inventories	33.108	25.279
Other credits	3.308	3.546
Total Current assets	**734.244**	**826.179**
Non-current assets avaiable for sale	**50.056**	**73.644**
Non-current assets		
Long term assets		
Advances to suppliers	12.596	12.596
Deposits and pledges	12.368	11.594
Recoverable taxes	18.285	20.084
Deferred taxes	10.844	1.226
Property, plant and equipment	48.938	69.949
Intangible assets	199.804	161.766
Total fixed assets	**302.835**	**277.215**
Total assets	**1.087.135**	**1.177.038**

LIABILITIES

Current liability	Sep 30, 2016	Dec 31, 2015
Suppliers	32.836	52.469
Labor obligations	5.167	7.373
Taxes and social contribution	10.041	13.082
Debentures	1.706	664
Derivative financial instruments	1.040	-
Advances from partners	6.702	7.658
Other liabilities	854	4.177
Total Current liability	**58.346**	**85.423**
Non-current liability		
Suppliers	12.710	12.710
Debentures	31.431	31.461
Provision for abandonment (ARO)	46.787	68.033
Provision for contingencies	53.907	60.879
Deferred taxes and social contributions	36.146	4.087
Other liabilities	256	340
Total Noncurrent liability	**181.237**	**177.510**
Equity		
Capital	3.265.216	3.265.185
Capital reserves	101.720	101.720
Accumulated translation adjustment	365.804	387.451
Accumulated losses	(2.840.251)	(2.950.672)
Loss for the year	(44.938)	110.421
Total Equity	**847.551**	**914.106**
Total liabilities and equity	**1.087.135**	**1.177.038**

INCOME STATEMENT
(in thousands of R$)

	Quarter September 30, 2016	Quarter September 30, 2015
Net revenues	139,242	127,941
Cost of products/services	(96,048)	(90,519)
Depreciation and amortization	(15,485)	(54,459)
Royalties	(13,081)	(11,831)
Gross profit	**14,628**	**(28,868)**
Operating income (expenses)		
Geology and geophysics expenses	(210)	(1,064)
Personnel expenses	(5,179)	(4,513)
General and administrative expenses	(3,600)	(1,683)
Expenses with third party services	(4,949)	(7,000)
Taxes and fees	(500)	(916)
Depreciation and amortization expenses	37	(811)
Other operating income (expenses), net	(16,333)	31,491
Financial results	109,994	29,111
Income before income and social contribution taxes	93,888	15,747
Income and social contribution taxes		
Current	-	(6)
Deferred	(22,417)	2,696
	(22,417)	**2,690**
Income (loss) from continuing operations	71,471	**18,437**
Net income	**71,471**	**18,437**

STATEMENT OF CASH FLOW

(in thousands of R$)

	Sep 30, 2016*	Sep 30, 2015*
Earnings for the period (before tax)	**(22,497)**	**(75,064)**
Adjusts for		
Depreciation and amortization	48,428	103,804
Financial income	(283,788)	(162,003)
Financial expense	229,820	222,413
Share-based compensation	-	3
Loss/write-off of fixed assets	2	6,656
Provision for contingencies/losses	(1,801)	3,022
Provision for impairment	6,712	-
Subtotal	**(23,124)**	**98,831**
(Increase) decrease in assets		
Accounts receivable	81,282	(267,017)
Taxes recoverable	3,749	(1,610)
Prepaid expenses	(3,609)	93
Advances to suppliers	(3,870)	120
Advances to/from partners in oil & gas operation	-	7,214
Other credits	59	(3,354)
Subtotal	**85,668**	**(268,751)**
Increase (decrease) in liabilities		
Suppliers	(13,794)	12,071
Labor charges	(2,189)	(1,938)
Income and social contribution charges	(6,651)	3,031
Contingencies	(381)	-
Advances to/from partners in oil & gas operation	(833)	30,766
Other liabilities	(2,650)	2,350
Subtotal	**(26,498)**	**46,280**
Net cash generated by (used in) operating activities	**36,046**	**(123,640)**
Cash flows from investment activities		
(Investment in) Redemption of securities	(234,063)	(132,656)
Deposited in court/guarantees	(1,188)	(427)
Asset held for sale	3,789	180,908
(Purchase) sale of fixed assets	273	(292)
(Purchase) sale of intangible assets	(72,561)	(45)
(Purchase) of noncurrent assets	-	(96,109)
Net cash used in investing activities	**(303,750)**	**(48,621)**
Cash flows from financing activities		
Debentures and loans	(1,880)	(3,160)
Derivative transactions	(6,697)	-
Net cash flow from financing activities	**(8,577)**	**(3,160)**
Exchange variation	**5,603**	**(8,019)**
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents - beginning of period	283,951	350,634
Cash and cash equivalents - end of period	13,273	167,194
Net increase in cash and cash equivalents	**(270,678)**	**(183,440)**

*Period of 9 months ended in September 30, 2016 and September 30, 2015

Sedar Profile # 00031536

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

About PetroRio

PetroRio is one of the largest independent companies in the oil and gas production in Brazil. It is the operator of the Polvo Field, located in the Campos Basin, which has Brazil's seventh largest daily production of barrels of oil equivalent (boe). PetroRio is the owner of "Polvo A" fixed platform and a 3.000HP drilling rig, currently in operation in this Field, being the platform connected to the "Polvo FPSO" vessel, with capacity to segregate hydrocarbons and water treatment, oil storage and offloading. Polvo Field license covers an area of approximately 134km2, with several prospects with potential for further explorations. The Company´s corporate culture seeks to increase production through the acquisition of new production assets, the re-exploration of assets, increased operational efficiency and reduction of production costs and corporate expenses. PetroRio's main objective is to create value for its shareholders with growing financial discipline and preserving its liquidity, with full respect for safety and the environment. For further information, please visit the Company's website: www.petroriosa.com.br.

Disclaimer

This news release contains forward-looking statements. All statements other than statements of historical fact contained in this news release are forward-looking statements, including, without limitation, statements regarding our drilling and seismic plans, operating costs, acquisitions of equipment, expectations of finding oil, the quality of oil we expect to produce and our other plans and objectives. Readers can identify many of these statements by looking for words such as “expects”, “believe”, “hope” and “will” and similar words or the negative thereof. Although management believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. By their nature, forward-looking statements require us to make assumptions and, accordingly, forward-looking statements are subject to inherent risks and uncertainties. We caution readers of this news release not to place undue reliance on our forward-looking statements because a number of factors may cause actual future circumstances, results, conditions, actions or events to differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements and the assumptions underlying the forward-looking statements. The following risk factors could affect our operations, as well as our ability to complete the proposed acquisition: the contingent resource and prospective resource evaluation reports involving a significant degree of uncertainty and being based on projections that may not prove to be accurate; inherent risks to the exploration and production of oil and natural gas; limited operating history as an oil and natural gas exploration and production company; drilling and other operational hazards; breakdown or failure of equipment or processes; contractor or operator errors; non-performance by third party contractors; labor disputes, disruptions or declines in productivity; increases in materials or labor costs; inability to attract sufficient labor; requirements for significant capital investment and maintenance expenses which PetroRio may not be able to finance; cost overruns and delays; exposure to fluctuations in currency and commodity prices; political and economic conditions in Brazil; complex laws that can affect the cost, manner or feasibility of doing business; environmental, safety and health regulation which may become stricter in the future and lead to an increase in liabilities and capital expenditures, including indemnity and penalties for environmental damage; early termination, non-renewal and other similar provisions in concession contracts; and competition. We caution that this list of factors is not exhaustive and that, when relying on forward-looking statements to make decisions, investors and others should also carefully consider other uncertainties and potential events. The forward-looking statements herein are made based on the assumption that our plans and operations will not be affected by such risks, but that, if our plans and operations are affected by such risks, the forward-looking statements may become inaccurate. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this news release are made as of the date of this news release. Except as required by applicable securities laws, we do not undertake to update such forward-looking statements.

Quarterly information - ITR

Petro Rio S.A.

September 30, 2016
Independent Auditors' Report on the Review of the Quarterly Information

Petro Rio S.A.

Quarterly information - ITR

September 30, 2016

Contents

Independent auditors' report on the review of the quarterly information 1

Quarterly information

Balance sheets (financial position) 3
Statements of income 5
Statements of comprehensive income 7
Statements of changes in shareholders' equity 9
Statements of cash flows 10
Statements of value added (supplementary information for IFRS purposes) 11
Notes to the quarterly information 12

Independent auditors' report on the review of the quarterly information

To the Shareholders, Board Members and Directors 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 as of September 30, 2016, which comprises the balance sheet at September 30, 2016, and the respectively income statement, the statement of comprehensive income for the three and nine-month period then ended, statement of changes in equity and statement of cash flows for the nine-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 (ITR). 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 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.

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, 2016, 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.

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

Rio de Janeiro, November 10, 2016.

BKR – Lopes, Machado Auditores
CRC - RJ 2026-O/5

Mário Vieira Lopes
Contador - CRC-RJ-60.611/O

Petro Rio S.A.

Balance sheets (financial position)
September 30, 2016 and December 31, 2015
(In thousands of reais)

		Parent company		Consolidated	
	Note	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Assets					
Current assets					
Cash and cash equivalents	3	**2,593**	3,099	**13,273**	283,951
Securities	4	**187,035**	32,155	**515,293**	213,090
Derivative financial instruments	27	**-**	-	**6,165**	-
Accounts receivable	5	**-**	-	**110,525**	244,499
Oil inventories	22	**-**	-	**33,108**	25,279
Recoverable taxes	6	**1,502**	2,227	**24,373**	26,801
Advances to suppliers	7	**251**	3	**23,895**	28,291
Prepaid expenses		**304**	206	**4,304**	722
Other receivables		**13**	3	**3,308**	3,545
		191,698	37,693	**734,244**	826,178
Non-current assets available for sale	8	**-**	-	**50,056**	73,644
		191,698	37,693	**784,300**	899,822
Non-current assets					
Advances to suppliers	7	**-**	-	**12,596**	12,596
Deposits and pledges		**4,609**	4,426	**12,368**	11,594
Recoverable taxes	6	**6,009**	7,808	**18,285**	20,084
Deferred taxes		**9,605**	-	**10,844**	1,226
Related parties	20	**455**	367	**-**	-
Investments	9	**710,282**	908,650	**-**	-
Property, plant and equipment	10	**497**	447	**48,938**	69,949
Intangible assets	11	**12**	29	**199,804**	161,766
		731,469	921,727	**302,835**	277,215
Total assets		**923,167**	959,420	**1,087,135**	1,177,037

See the accompanying notes to the quarterly information.

Petro Rio S.A.

Balance sheets (financial position)
September 30, 2016 and December 31, 2015
(In thousands of reais)

		Parent company		Consolidated	
	Note	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Liabilities and shareholders' equity					
Current liabilities					
Suppliers	12	**308**	314	**32,836**	52,469
Labor obligations		**216**	279	**5,167**	7,373
Taxes and social contributions	13	**4,555**	4,501	**10,041**	13,082
Debentures	14	**1,706**	664	**1,706**	664
Derivative financial instruments		**-**	-	**1,040**	-
Advances from partners	18	**-**	-	**6,702**	7,658
Other liabilities		**-**	-	**854**	4,177
		6,785	5,758	**58,346**	85,423
Non-current liabilities					
Suppliers	12	**-**	-	**12,710**	12,710
Debentures	14	**31,431**	31,461	**31,431**	31,461
Provision for abandonment (ARO)	17	**-**	-	**46,787**	68,033
Provision for contingencies	29	**678**	947	**53,907**	60,879
Deferred taxes and social contributions	16	**32,017**	-	**36,146**	4,087
Related parties	20	**1,329**	-	**-**	-
Investment deficit	9	**3,375**	7,149	**-**	-
Other liabilities		**-**	-	**256**	339
		68,830	39,557	**181,237**	177,509
Minority interest		**-**	-	**-**	-
Shareholders' equity	19				
Realized capital		**3,265,216**	3,265,185	**3,265,216**	3,265,185
Capital reserves		**101,720**	101,720	**101,720**	101,720
Accumulated translation adjustment		**346,702**	387,451	**346,702**	387,451
Equity valuation adjustments		**19,103**	-	**19,103**	-
Accumulated losses		**(2,840,251)**	(2,950,672)	**(2,840,251)**	(2,950,672)
Income (loss) for the period		**(44,938)**	110,421	**(44,938)**	110,421
		847,552	914,105	**847,552**	914,105
Total liabilities and shareholders' equity		**923,167**	**959,420**	**1,087,135**	**1,177,037**

See the accompanying notes to the quarterly information.

Petro Rio S.A.

Statements of income
Nine-month period ended September 30, 2016 and 2015
(In thousands of reais, except earnings/losses per share)

	Note	Parent company		Consolidated	
		01/01/2016– 09/30/2016	01/01/2015– 09/30/2015	01/01/2016– 09/30/2016	01/01/2015– 09/30/2015
Net income	21	**-**	**-**	**284,132**	229,602
Costs of products/services	22	**-**	-	**(305,267)**	(277,087)
Gross Income		**-**	**-**	**(21,135)**	(47,485)
Operating income (expenses)					
Geology and geophysics expenses		**-**	-	**(594)**	(1,310)
Personnel expenses		**(6,871)**	(4,134)	**(15,324)**	(17,121)
General and administrative expenses		**(2,315)**	(3,367)	**(8,831)**	(10,668)
Expenses with Outsourced Services		**(3,723)**	(2,765)	**(18,806)**	(22,367)
Taxes and rates		**(583)**	(232)	**(1,145)**	(2,342)
Depreciation and amortization expenses		**(59)**	(122)	**(324)**	(2,482)
Equity in income of subsidiaries	9	**(100,537)**	(63,912)	**-**	-
Reversal/(Provision) for impairment	8	**-**	-	**(6,712)**	-
Other operating income (expenses), net	23	**256**	549	**(1,524)**	27,531
Operating income (loss) before financial income (loss)		**(113,832)**	(73,983)	**(74,395)**	(76,244)
Financial income	24	**102,429**	14,290	**296,028**	277,886
Financial expenses	24	**(11,123)**	(10,046)	**(244,130)**	(276,706)
Income before income and social contribution taxes		**(22,526)**	(69,739)	**(22,497)**	(75,064)
Current income and social contribution taxes		**-**	-	**-**	(22)
Deferred income and social contribution taxes	16	**(22,412)**	-	**(22,441)**	5,333
Income (loss) from continuing operations		**(44,938)**	(69,739)	**(44,938)**	(69,753)
Income from discontinued operation		-	-	-	-
Consolidated Income (loss) for the period		**(44,938)**	(69,739)	**(44,938)**	(69,753)
Income (loss) attributed to the Parent company's partners		**(44,938)**	(69,739)	**(44,938)**	(69,739)
Income (loss) attributed to non-controlling partners		**-**	**-**	**-**	(14)
Earnings (loss) per share - basic and diluted					
Basic		***(3,407)***	*(2,345)*	***(3,407)***	*(2,345)*
Diluted		***(3,407)***	*(2,345)*	***(3,407)***	*(2,345)*

See the accompanying notes to the quarterly information.

Petro Rio S.A.

Statements of income
Three-month period ended September 30, 2016 and 2015
(In thousands of reais, except earnings/losses per share)

	Note	Parent company		Consolidated	
		07/01/2016– 09/30/2016	07/01/2015– 09/30/2015	07/01/2016– 09/30/2016	07/01/2015– 09/30/2015
Net income	21	**-**	**-**	**139,242**	127,941
Costs of products/services	22	**-**	-	**(124,614)**	(156,809)
Gross Income		**-**	**-**	**14,628**	(28,868)
Operating income (expenses)			-	**-**	-
Geology and geophysics expenses		**-**	-	**(210)**	(1,064)
Personnel expenses		**(877)**	(1,369)	**(5,179)**	(4,513)
General and administrative expenses		**(821)**	(1,074)	**(3,600)**	(1,683)
Expenses with Outsourced Services		**(979)**	44	**(4,949)**	(7,000)
Taxes and rates		**(364)**	(70)	**(500)**	(916)
Depreciation and amortization expenses		**(17)**	(41)	**37**	(811)
Equity in income of subsidiaries	9	**8,219**	(4,517)	**-**	-
Reversal/(Provision) for impairment		**-**	-	**-**	(18,416)
Other operating income (expenses), net	23	**172**	389	**(16,333)**	31,491
Operating income (loss) before financial income (loss)		**5,333**	(6,638)	**(16,106)**	(31,780)
Financial income	24	**84,218**	10,042	**119,710**	162,810
Financial expenses	24	**4,332**	(3,369)	**(9,716)**	(133,699)
Income before income and social contribution taxes		**93,883**	35	**93,888**	(2,669)
Current income and social contribution taxes		**-**	-	**-**	(6)
Deferred income and social contribution taxes	16	**(22,412)**	-	**(22,417)**	2,696
Income (loss) from continuing operations		**71,471**	35	**71,471**	21
Income from discontinued operation		-	-	-	-
Consolidated Income (loss) for the period		**71,471**	35	**71,471**	21
Income (loss) attributed to the Parent company's partners		**71,471**	35	**71,471**	35
Income (loss) attributed to non-controlling partners		**-**	**-**	**-**	**(14)**
Earnings (loss) per share - basic and diluted					
Basic		***5,418***	***0,001***	***5,418***	***0,001***
Diluted		***5,418***	***0,001***	***5,418***	***0,001***

See the accompanying notes to the quarterly information.

Petro Rio S.A.

Statements of comprehensive income
Nine-month period ended September 30, 2016 and 2015
(In thousands of reais)

	Consolidated	
	01/01/2016– 09/30/2016	**01/01/2015– 09/30/2015**
Retained earnings (loss)	**(44,938)**	(69,753)
Other comprehensive income		
Translation adjustment on investment abroad, net of taxes	**(40,749)**	151,076
Equity valuation adjustments	**19,103**	-
Other comprehensive income for the year, net of taxes	**(21,646)**	151,076
Total comprehensive income for the year net of taxes	**(66,584)**	81,323
Attributable to parent company's shareholders	**(66,584)**	81,337
Attributable to minority shareholders	**-**	(14)

See the accompanying notes to the quarterly information.

Petro Rio S.A.

Statements of comprehensive income
Three-month period ended September 30, 2016 and 2015
(In thousands of reais)

	Consolidated	
	07/01/2016– 09/30/2016	**07/01/2015– 09/30/2015**
Retained earnings (loss)	**71,471**	21
Other comprehensive income		
Translation adjustment on investment abroad, net of taxes	**1,568**	96,903
Equity valuation adjustments	**(12)**	-
Other comprehensive income for the year, net of taxes	**1,556**	96,903
Total comprehensive income for the year net of taxes	**73,027**	96,924
Attributable to parent company's shareholders	**73,027**	96,938
Attributable to minority shareholders		(14)

See the accompanying notes to the quarterly information.

Petro Rio S.A.

Statements of changes in shareholders' equity
Nine-month period ended September 30, 2016 and 2015
(In thousands of reais)

	Capital	Capital reserve	Equity valuation adjustment	Accumulated translation adjustment	Accumulated loss	Total
Balances at January 1, 2015 - restated	**3,821,206**	**518,631**	-	**261,233**	**(3,979,338)**	**621,732**
Translation adjustment on investment abroad	-	-	-	151,076	-	151,076
Share-based compensation	-	3	-	-	-	3
Offset of loss	(611,752)	(416,914)	-	-	1,028,666	-
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**
Balances at January 1, 2016	**3,265,185**	**101,720**	**-**	**387,451**	**(2,840,251)**	**914,105**
Capital increase in cash	31	-	-	-	-	31
Translation adjustment on investment abroad	-	-	-	(40,749)	-	(40,749)
Gain (loss) with financial instruments	-	-	19,103	-	-	19,103
Loss for the period	-	-	-	-	(44,938)	(44,938)
Balances at September 30, 2016	**3,265,216**	**101,720**	**19,103**	**346,702**	**(2,885,189)**	**847,552**

See the accompanying notes to the quarterly information.

Petro Rio S.A.

Statements of cash flows
Nine-month period ended September 30, 2016 and 2015
(In thousands of reais)

	Parent company		Consolidated	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Cash flows from operating activities				
Income (loss) for the period (before taxes)	**(22,526)**	**(69,739)**	**(22,497)**	**(75,064)**
Depreciation and amortization	59	122	48,428	103,804
Financial income	(98,515)	(6,003)	(283,788)	(162,003)
Financial expenses	9,053	8,627	229,820	222,413
Share-based compensation	-	3	-	3
Equity in income of subsidiaries	100,537	63,912	-	-
Loss/Write-off of non-current assets	-	(6)	2	6,656
Provision for contingencies/losses	-	-	(1,801)	3,022
Provision for impairment	-	-	6,712	-
	(11,392)	**(3,084)**	**(23,124)**	**98,831**
(Increase) decrease in assets				
Accounts receivable	-	36	81,282	(267,017)
Recoverable taxes	2,599	546	3,749	(1,610)
Prepaid expenses	(98)	(394)	(3,609)	93
Advances to suppliers	(248)	79	(3,870)	120
Inventory	-	-	8,057	(4,197)
Related parties	(52)	-	-	-
Advance to partners in oil and gas operations	-	-	-	7,214
Other receivables	(10)	53	59	(3,354)
Increase (decrease) in liabilities				
Suppliers	(4)	(2,582)	(13,794)	12,071
Labor obligations	(63)	(128)	(2,189)	(1,938)
Taxes and social contributions	(365)	(83)	(6,651)	3,031
Related parties	1,329	(1,166)	-	-
Contingencies	(269)	-	(381)	-
Advances from partners in oil and gas operations	-	-	(833)	30,766
Other liabilities	-	-	(2,650)	2,350
Net cash (invested in) from operating activities	**(8,573)**	**(6,723)**	**36,046**	**(123,640)**
Cash flows from investment activities				
(Investment in) redemption of securities	(62,188)	46,523	(234,063)	(132,656)
Deposits and pledges	(183)	43	(1,188)	(427)
Non-current assets held for sale	-	-	3,789	180,908
(Purchase) sale of fixed assets	(93)	24	273	(292)
(Purchase) sale of intangible assets	-	-	(72,561)	(45)
(Purchase) sale of E&P assets	-	-	-	(96,109)
Paid-up capital in subsidiary	72,411	(36,571)	-	-
Net cash (invested in) from investment activities	**9,947**	**10,019**	**(303,750)**	**(48,621)**
Cash flows from financing activities				
Debentures	(1,880)	(3,160)	(1,880)	(3,160)
Derivative transactions	-	-	(6,697)	-
Net cash (invested in) from financing activities	**(1,880)**	**(3,160)**	**(8,577)**	**(3,160)**
Translation adjustment	-	-	5,603	(8,019)
Net increase (decrease) in cash and cash equivalents	**(506)**	**136**	**(270,678)**	**(183,440)**
Cash and cash equivalents at the beginning of the period	3,099	49	283,951	350,634
Cash and cash equivalents at the end of the period	2,593	185	13,273	167,194
Net increase (decrease) in cash and cash equivalents	**(506)**	**136**	**(270,678)**	**(183,440)**

See the accompanying notes to the quarterly information.

Petro Rio S.A.

Statements of value added (supplementary information for IFRS purposes)
Nine-month period ended September 30, 2016 and 2015
(In thousands of reais)

	Parent company		Consolidated	
	09/30/2016	**09/30/2015**	**09/30/2016**	**09/30/2015**
Income				
Sale of services	**-**	-	**284,132**	229,602
Other income	**-**	-	**-**	-
	-	**-**	**284,132**	229,602
Inputs and services				
Third party's services and other	**(3,723)**	(2,765)	**(18,806)**	(22,367)
Geology and geophysics expenses	**-**	-	**(594)**	(1,310)
Costs of services	**-**	-	**(231,267)**	(154,353)
Gross added value	**(3,723)**	(2,765)	**33,465**	51,572
Retentions				
Depreciation and amortization	**(59)**	(122)	**(48,428)**	(103,804)
Net added value	**(3,782)**	(2,887)	**(14,963)**	(52,232)
Transferred value added				
Net financial income (loss)	**91,306**	4,244	**51,898**	1,180
Equity in income of subsidiaries	**(100,537)**	(63,912)	**-**	-
Deferred taxes	**(22,412)**	-	**(22,441)**	5,333
Income from transactions with permanent assets	**-**	-	**(6,712)**	-
Rents, royalties and other	**(2,059)**	(2,818)	**(36,251)**	(4,549)
Added value payable	**(37,484)**	(65,373)	**(28,469)**	(50,268)
Distribution of added value				
Personnel	**6,871**	4,134	**15,324**	17,121
Taxes	**583**	323	**1,145**	2,364
Interest attributable to Group's shareholders	**(44,938)**	(69,739)	**(44,938)**	(69,739)
Distributed added value	**(37,484)**	(65,373)	**(28,469)**	(50,268)

See the accompanying notes to the quarterly information.

1. Operations

Petro Rio S.A. (PetroRio), was established on July 17, 2009. Headquartered in the city of Rio de Janeiro, Rio de Janeiro - 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.

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

In 2014, subsidiary Petro Rio O&G Exploração e Produção de Petróleo Ltda. (“PetroRioOG”) 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 was Maersk Energia Ltda. (“Maersk”).

In addition, in 2014, the Company entered into a purchase and sale agreement with Maersk Energia Ltda. ("Maersk") to acquire remaining 40% stake in Polvo field. On December 2, 2015, National Agency of Petroleum, Natural Gas and Biofuels (ANP) approved this transaction. With the conclusion of the Operation, PetroRio now holds 100% of Polvo Field.

As the only concessionaire of Polvo Field, the Company started in 2016 to execute the plan for extension of useful life of this Field through development of undeveloped proven reserves (1P) and probable reserves (2P) (Note 11).

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 output during the third quarter of 2016 was of roughly 8.3 thousand barrels (7.4 thousand barrels for the third quarter of 2015), with API 20.3°. The license covers an area of approximately 134 km2 with several prospects for future exploration.

Besides, the Company holds a 10% interest in two exploration blocks in onshore basins, located in the Recôncavo Basin (BA) and Espírito Santo (ES). The remaining 90% belong to Cowan, the consortium’s operator.

2. Preparation basis and presentation of quarterly information

2.1. Statement of conformity

The individual and consolidated quarterly information for the three and nine-month periods ended on September 30, 2016 was prepared and are presented in accordance with accounting practices adopted in Brazil, which includes the provisions of Brazilian Corporation Law, Procedures, Guidance and Interpretations issued by Accounting Pronouncements Committee - CPC and approved by the Brazilian Securities Commission - CVM and by the Federal Accounting Council - CFC, 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 - International Financial Reporting Standards purposes.

2.2. Basis of preparation

The individual and consolidated quarterly information was prepared based on the historical cost, except for derivative those measured at fair value, when indicated.

2.3. Functional currency and presentation currency

This individual and consolidated quarterly information is presented in Real. PetroRio defined that its functional currency and its subsidiaries' functional currency is the Brazilian Real of its foreign subsidiaries is the United States dollar, on account of respective incurred costs of operation. All financial information presented in Reais has been rounded to the nearest value, except otherwise indicated.

2.4. New and reviewed standards and interpretations already issued and still not adopted

Standards, amendments and interpretations of existing standards not yet in force and effect and not adopted by the Company:

Pronouncement or interpretation	Description	Application to the business years/periods to be initiated on or after
IFRS 9	Financial instruments – measurement and classification;	January 1, 2018
IFRS 11	Accounting for the acquisition of interests in jointly-controlled operations;	January 1, 2016
IFRS 15	Income from contracts with clients	January 1, 2018
IFRS 16	Leases	January 1, 2019
IAS 16 / IAS 38	Clarification on acceptable methods of depreciation and amortization	January 1, 2016

The Company's Management understands that adopting these pronouncements will not relevantly impact its financial statements.

2.5. Effects of applying COC 23 - Changes in estimates.

In December 2015, the Company, through a contracted international certifying agency (DeGolyer and MacNaughton), conducted a reevaluation of Polvo Field reserves, specifically of proven developed reserves motivated by a significant variation between the presented production curve and estimated production curve estimated by the Company in the beginning of 2015, based on a evaluation report, of the same certifying agency. Reevaluation indicated extension of field useful life up to the end of 2020 (previously indicated up to 2017). This extension represented a proportional reduction of Polvo assets amortization in 2015, including Fixed Platform "Polvo A". Throughout 2016 a series of interventions in the Polvo field were made, completed in July 2016. These interventions had positive result, and, according to an evaluation performed by the Company's team of Geologists, the proven already developed reserves are estimated to have increased by approximately 1.1 million barrels. Consequently, the useful life of the filed was slightly extended by approximately one year, ending in 2021.

2.6. Accounting policies adopted

In response to CVM Official Circular Letter 003/2011, dated April 28, 2011, we declared that accounting policies adopted in the preparation of such quarterly information is presented in the most current annual financial statements (year ended December 31, 2015) which, in the absence of material changes during this period, are not included in their full form in this quarterly information, except for the following item (2.6.1), whose operation was not classified in financial statements of 2015:

2.6.1. Derivative financial instruments

The Company uses derivative financial instruments to provide protection against its exposure to changes in oil price risks (Note 27). The derivative financial instruments designated in hedging operations are initially recognized at fair value on the date on which the derivative contract is signed, and are subsequently measured also at fair value. Derivatives are presented as financial assets when the fair value of the instrument is positive; and as financial liabilities when the value is negative.

Any earnings or losses resulting from changes in the fair value of derivatives during the year are entered directly in the income (loss) for the period.

2.7. Completion of quarterly information

The Company's management authorized the conclusion of this quarterly information on November 10, 2016.

3. Cash and cash equivalents

	Parent company		Consolidated	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Cash	**-**	-	**1**	1
Banks	**2,593**	3,099	**13,272**	283,950
	2,593	3,099	**13,273**	283,951
National	**1,375**	14	**2,401**	374
Abroad	**1,218**	3,085	**10,872**	283,577

The balance of cash and cash equivalents consists primarily of (i) remunerated accounts abroad, mostly in U.S. dollars and (ii) investment fund in Reais backed by debentures, managed by BTG Pactual, with immediate liquidity and insignificant risk of loss in value.

4. Securities

			Parent company		Consolidated	
Bank	**Currency**	**Remuneration**	**09/30/2016**	**12/31/2015**	**09/30/2016**	**12/31/2015**
Itaú BBA	BRL	90% CDI	**-**	117	**-**	9,424
JP Morgan	USD	0.32% p.a.	**-**	32,038	**-**	32,038
Santander	USD	1.8% p.a.	**-**	-	**-**	71,126
Bradesco	USD	0.95% p.a.	**-**	-	**-**	80,708
Itaú Corretora	R$		**82,654**	-	**82,654**	-
BTG Pactual	R$		**7,201**	-	**7,956**	-
XP Investimentos	R$		**97,180**	-	**97,180**	-
Morgan Stanley	USD		**-**	-	**21,915**	-
Total investments for trading			**187,035**	32,155	**209,705**	193,296
			Parent company		**Consolidated**	
Bank/ Issuing company	**Currency**	**Remuneration**	**09/30/2016**	**12/31/2015**	**09/30/2016**	**12/31/2015**
Credit Suisse	USD	5.21% p.a.	**-**	-	**129,033**	-
Morgan Stanley	USD	5.24% p.a.	**-**	-	**142,559**	-
Total available for sale			**-**	**-**	**271,592**	**-**
			Parent company		**Consolidated**	
Bank/ Issuing company	**Currency**	**Remuneration**	**09/30/2016**	**12/31/2015**	**09/30/2016**	**12/31/2015**
Winterbotham	USD	6% p.a.	**-**	-	**33,996**	19,794
Total held to maturity			**-**	**-**	**33,996**	19,794
Total securities			**187,035**	**32,155**	**515,293**	**213,090**

Financial statements available for sale with Credit Suisse and Morgan Stanley are liquid fixed income papers (preferably day-to-day) intended to create income from the cash position, with exposure to large-scale first-class institutions. These securities are marked to market and on September 30, 2016 there was a R$ 19,103 gain recorded in other comprehensive income, in shareholders' equity.

Aiming at maximizing the return of its financial investments, the Company has diversified a portion of its investments in the stocks traded at BM&F made through top tier brokerage

firms. The Company also invested in ADR-type shares on the New York Stock Exchange via Morgan Stanley.

Additionally, the Company has promissory note against United Capital International Inc. (Winterbotham), with 6% annual earnings, also pegged to changes in the US dollar.

The Company carries out the risk management of securities through appropriate policy and procedure practices, as described in Note 27.

5. Accounts receivable

	Consolidated	
	09/30/2016	**12/31/2015**
Glencore (i)	**52,795**	15,875
Rosneft (ii)	**34,874**	78,096
Maersk (iii)	**-**	13,491
Shell (iv)	**22,723**	117,144
Petrobras	**-**	19,524
Others	**133**	369
Total	**110,525**	244,499
Total local currency	**76**	269
Total foreign currency	**110,449**	244,230

(i) In the third quarter of 2016, three sales were completed, totaling approximately 1,057 thousand oil barrels, producing a revenue of R$ 139,242. Of this amount, R$ 86,107 was received in the quarter. The balance payable on September 30, 2016 is R$ 52,795 considering foreign exchange rate in the period.

(ii) In May 2015, the Company entered into with Rosneft Brasil E&P Ltda ("Rosneft", Rosneft Oil Company subsidiary) definitive contracts related to "FOA" (*Farm-Out Agreement*) for assignment of transactions and of 100% of interest in Concession Agreements for gas and oil blocks located in Sedimentary Basin of Solimões with total value of US$58 million receivable and US$18 million refundable referring to advance for acquisition of drilling rigs that were not included in new contracts. In July 2015 the Company was advised by ANP of approval of this Assignment of Rights. Of total net value (price final adjustment already considered), the Company still has to receive US$10.7 million (R$ 34,874) and in May 2016 received US$ 4.5 million (R$ 15,454).

(iii) In December 2015, ANP approved acquisition of 40% of remaining interest in Polvo Field, which previously belonged to Maersk. As a result of negotiations for commercial agreement, PetroRio had US$ 3,500 (R$ 11,514) receivable as reimbursement of taxes levied on transaction, as detailed on Note 11. In July 2016, the receivable balance was fully settled by Maersk.

(iv) In January and July 2015, the Company announced a purchase and sale agreements to acquire 80% and 20% interest of the rights and obligations of the concession contracts of Bijupirá and Salema ("BJSA") fields with Shell Brasil Petróleo Ltda. ("Shell") and Petróleo Brasileiro S.A. – Petrobras, respectively. In February 2016, Shell rescinded contract for the purchase and sale for acquisition of 80% of BJSA and FPSO

Fluminense concession, as permitted by contract. In that same month, PetroRio rescinded contract with Petrobras for acquisition of 20% in BJSA concession. Of the amounts paid to Shell and Petrobrás, there is still US$ 7 million (R$ 22,723) to be refunded by Shell of the total paid out as an advance. Petrobras has already repaid in full all advanced amount.

6. Recoverable taxes

	Parent company		Consolidated	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Income and social contribution taxes	**7,507**	9,798	**20,787**	13,128
PIS and COFINS	**4**	4	**3,841**	14,688
ICMS	**-**	-	**15,489**	15,713
VAT	**-**	-	**2,328**	2,975
Others	**-**	233	**213**	381
Total	**7,511**	10,035	**42,658**	46,885
Current assets	**1,502**	2,227	**24,373**	26,801
Non-current assets	**6,009**	7,808	**18,285**	20,084

7. Advances to suppliers

	Parent company		Consolidated	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Queiroz Galvão Óleo & Gás (i)	**-**	-	**-**	37,682
Geoquasar Energy (ii)	**-**	-	**12,596**	12,596
BW (Prosafe) guarantee (iii)	**-**	-	**22,126**	25,861
Others	**251**	3	**1,769**	85
Subtotal	**251**	3	**36,491**	76,224
Provision for non-realization of assets	**-**	-	**-**	(35,337)
Total	**251**	3	**36,491**	40,887
Total current assets	**251**	3	**23,895**	28,291
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. On February 2, 2016, the Company entered into an agreement with Queiroz Galvão to end dispute between the parties and determine that PetroRio will be refunded for R$2,345, fully settling the balance in question. On March 10, 2016, the amount of R$ 1,238 was paid to the Company, net of amount destined to court and attorney costs, provisioned on December 31, 2015.

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

(iii) The advances to BW (Prosafe) - US$ 5,671 (R$ 18,409) and R$ 3,717 refer to contractual commitments and are held as a financial collateral from lease agreements and operation of FPSO Polvo (Note 15).

8. Non-current assets available for sale

The Company started 2016 with three aircrafts and four helitransportable drilling rigs, classified as non-current assets held for sale. Of these assets, two aircrafts were sold for the amount of R$ 4,930. On September 30, 2016 1 aircraft and 4 drilling rigs remained.

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

	Balance at 12/31/2015	Transfers	Write-offs	Commission	Impairment	Translation adjustment	**Balance at 09/30/2016**
Aircrafts	**12,417**	**-**	(4,930)	-	-	(1,969)	**5,518**
Rigs	**61,227**	**-**	-	-	(6,712)	(9,977)	**44,538**
	73,644	-	(4,930)	-	(6,712)	(11,946)	**50,056**

	Balance at 12/31/2014	Transfers	Write-offs	Commission	Impairment	Translation adjustment	**Balance at 12/31/2015**
Aircrafts	**26,828**	**-**	(18,052)	-	(2,074)	5,715	**12,417**
Rigs	**95,623**	**-**	-	(1,239)	(77,423)	44,266	**61,227**
Solimões	**135,707**	25,349	(161,056)	-	-	-	**-**
	258,158	25,349	(179,108)	(1,239)	(79,497)	49,981	**73,644**

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.

In the nine-month period ended September 30, 2016, a provision for impairment of rigs was formed in the amount of R$ 6,712 (US$ 1.96 million) due to the ongoing negotiations for the sale of assets, reducing the amounts of each rig from US$ 3,920,000 (R$ 12,725 already net of the 2% sales commission) to US$ 3,430,000 (R$ 11,134).

9. Investments

At September 30, 2016 and December 31, 2015, the Company presented the following main interest held in subsidiaries:

- **Petro Rio O&G Exploração e Produção de Petróleo Ltda. ("PetroRioOG")**

  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.

  PetroRioOG has the concession of Polvo Field, located in the South portion of Campos Field, in Rio de Janeiro State. Since March 2011, PetroRio already operated as Operator B, in shallow waters and, beginning as of October 2015, PetroRioOG was qualified as Operator A by ANP, which permits conduction of activities in land areas, and shallow, deep and ultra-deep waters.

  On October 7, 2015, PetroRio paid-up capital of PetroRioOG, in the amount of R$197,269, with shares of PTRIntl; now, PetroRioOG holds 98.3% of interest in PTRIntl capital.

- **Petro Rio Internacional S.A. ("PTRIntl")**

  The subsidiary with head office in Rio de Janeiro, former Labrea Petróleo S.A. and HRT Africa Petróleo S.A. had the new corporate name approved on November 10, 2015 and its corporate purpose is: (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 PTRIntl as head office in Brazil.

  Currently, the main Companies controlled by PTRIntl are PetroRio Lux Energy S.à.r.l. and HRT Netherlands BV, companies that have large-sized assets in operation or held for sale, and PetroRio Luxembourg S.à.r.l, which from September 2016 started to trade the oil produced in the Polvo field. The acquisition of HRT Lux Energy S.à.r.l. (prior BP Energy América LLC) was part of the acquisition of Polvo field and owner 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, also in the branch of PTRIntl, also in Namibia.

On March 9, 2016, PetroRio announced that, as a result of current scenario of oil and gas industry and after a long period of dialogues with Namibia' government, it decided not to renew its oil exploration licenses in that country. Accordingly, the Company will not make new investments in Namibia. A provision was recorded for previous investments in field exploration (Impairment) in prior years.

Additionally, PTRIntl has interest in a block in the Recôncavo Basin and one Block in Espírito Santo Basin (ES), where is non-operator (Note 11).

- **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 PTRIntl and its subsidiaries.

Portfolio of concessions

On September 30, 2016 the Company's subsidiaries were participants in the following concessions in Brazilian basins:

Country	Basin	Block	Concessionaire	% HRT	Status
Brazil	Fields	BM-C-8	PetroRioOG	100%	Operator
Brazil	Espírito Santo	ES-T-400	PTRIntl	10%	Non-operator
Brazil	Recôncavo	REC-T-158	PTRIntl	10%	Non-operator

a) Breakdown of investments

	Parent company	
	09/30/2016	12/31/2015
PetroRioOG	**707,596**	829,796
HRTA	**(3,375)**	(7,149)
PTRIntl	**2,686**	78,854
	706,907	901,501
Total permanent assets	**710,282**	908,650
Total Unsecured Liability	**(3,375)**	(7,149)

b) Changes in investment

	PetroRioOG	PTRIntl	HRTA	Total
Balance at January 01, 2015	**350,693**	**269,341**	**379**	**620,413**
Capital increase	233,840	(197,268)	1,000	**37,572**
Equity in income of subsidiaries	152,368	(26,801)	(8,269)	**117,298**
Conversion adjustments	92,895	33,582	(259)	**126,218**
Balance at December 31, 2015	**829,796**	**78,854**	**(7,149)**	**901,501**
Capital increase/decrease	(58,493)	(14,570)	652	(72,411)
Equity in income of subsidiaries	(102,312)	(409)	2,184	(100,537)
Equity interest adjustments	60,490	(60,490)	-	-
Equity evaluation adjustments	19,103	-	-	19,103
Conversion adjustments	(40,988)	(699)	938	(40,749)
Balance at September 30, 2016	707,596	2,686	(3,375)	706,907

c) Relevant information on investees as of September 30, 2016

	PetroRioOG	PTRIntl	HRTA
Direct interest	100.0%	1.7%	100.0%
Indirect interest	0.0%	98.3%	0.0%
Shareholders' equity	707,596	159,214	(3,375)
Income (loss) for the period	(102,312)	(24,224)	2,184
Total assets	1,033,477	169,195	353

10. Property, plant and equipment (Consolidated)

a) Breakdown of the balance

	Depreciation rate %	Cost	Depreciation	Translation adjustment	Balance at 09/30/2016	Balance at 12/31/2015
In operation						
Polvo A platform and drilling rig	UOP	101,439	(70,469)	15,922	46,892	68,215
Furniture and fixtures	10	873	(461)	-	412	407
Communication equipment	20	249	(204)	-	45	64
Vehicles	20	345	(345)	-	-	13
IT equipment	20	4,560	(4,443)	-	117	145
Leasehold improvements	4	1,623	(164)	-	1,459	1,091
Facilities	10	16	(3)	-	13	14
Total		109,105	(76,089)	15,922	48,938	69,949

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

b) Changes in balance

	Balance at 01/01/2016	Additions	Decreases	Depreciation	Translation adjustment	Balance at 09/30/2016
In operation						
Polvo A platform and drilling rig	**68,215**	**-**	**-**	**(10,785)**	**(10,538)**	**46,892**
Furniture and fixtures	**407**	**65**	**-**	**(60)**	**-**	**412**
Communication equipment	**64**	**9**	**-**	**(28)**	**-**	**45**
Vehicles	**13**	**-**	**(1)**	**(12)**	**-**	**-**
IT equipment	**145**	**116**	**-**	**(144)**	**-**	**117**
Leasehold improvements	**1,091**	**338**	**-**	**30**	**-**	**1,459**
Facilities	**14**	**-**	**-**	**(1)**	**-**	**13**
Total	**69,949**	**528**	**(1)**	**(11,000)**	**(10,538)**	**48,938**

	Balance at 01/01/2015	Additions	Decreases	Depreciation	Translation adjustment	Balance at 12/31/2015
In operation						
Polvo A platform and drilling rig*	63,493	-	-	(17,701)	22,423	68,215
Machinery and equipment	1,004	133	(971)	(186)	20	-
Furniture and fixtures	1,351	185	(1,108)	(252)	231	407
Communication equipment	86	22	-	(44)	-	64
Vehicles	228	-	(158)	(79)	22	13
IT equipment	2,053	7	(1,030)	(1,152)	267	145
Leasehold improvements	1,875	142	(1,025)	(305)	404	1,091
Facilities	2,832	-	(3,374)	(7)	563	14
In progress						
Material for use and consumption (wells)	3	-	(3)	-	-	-
Total	72,925	489	(7,669)	(19,726)	23,930	69,949

(*) Reduction in depreciation relation to prior period as a result of new evaluation on reserves, as explained in note 2.5.

11. Intangible assets (consolidated)

a) Breakdown of the balance

	Amortization rate (%)	Consolidated	
		09/30/2016	12/31/2015
Oil & Gas assets			
Subscription bonus - Reconcavo - ES	(*)	151	151
Subscription bonus - Polvo	(*)	335,530	335,530
Exploration / development expenses	(*)	68,212	170
Emergency spare parts	(*)	4,519	-
Software and others	20	8,790	8,790
		417,202	344,641
Accumulated amortization		(217,398)	(182,875)
Total		199,804	161,766

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

b) Changes in balance

	Balance at 01/01/2016	Additions	Decreases	Amortization	Foreign exchange	Translation adjustment	Balance at 09/30/2016
Subscription bonus - Reconcavo - ES	151	-	-	-	-	-	**151**
Subscription bonus - Polvo	161,298	-	-	(27,864)	-	-	**133,434**
Exploration / development expenses	170	68,042	-	(6,550)	-	-	**61,662**
Emergency spare parts	-	4,519	-	-	-	-	**4,519**
Software and others	147	-		(109)	-	-	**38**
	161,766	**72,561**	**-**	**(34,523)**	**-**	**-**	**199,804**

	Balance at 01/01/2015	Additions	Decreases	Amortization	Foreign exchange	Translation adjustment	Balance at 12/31/2015
Subscription bonus - Reconcavo - ES	151	**-**	-	-	-	-	151
Subscription bonus - Polvo	170,140	175,864	(137,877)	(46,829)	-	-	161,298
Advance acquisition 40% – Polvo (Maersk)	4,430	-	(7,709)	-	3,279	-	-
Exploration expenses	170	-	-	-	-	-	170
Software and others	2,060	36	(1,274)	(1,170)	-	495	147
	176,951	175,900	(146,860)	(47,999)	3,279	495	161,766

The subscription bonus for each block is presented below:

Blocos	31/12/2014	Aquisição	Baixa	Amortização	Impairment	Ajuste de Conversão	31/12/2015
Onshore							
ES-BT-400	100	-		-	-	**-**	**100**
REC-T-158	51	-		-	-	**-**	**51**
Total de bônus onshore exploratório (não operador)	151	-	**-**	-	-	-	**151**
Offshore							
BM-C-8	170.140	177.373	(137.875)	(90.484)		-	119.154
Total de bônus offshore produtor (operador)	170.140	177.373	**(137.875)**	(90.484)	-	-	**119.154**

On conclusion of the 40% Campo de Polvo acquisition in January 2016, PetroRio put in place the first stage of the Polvo revamping plan, intended to extend its useful life by increasing production based on undeveloped proved reserves (1P) and probable reserves (2P), involving three existing wells, two of which operating.

The investment recorded in the nine-month period ended on September 30, 2016 was R$ 68,042.

Acquisition of interest

On December 2, 2015, the Company completed commercial transaction with Maersk referring to transfer of 40% of interest in Polvo Field, thus assuming 100% of interest in the Field where it already was the operator.

Conclusion of final transaction price was determined on February 25, 2016, confirming amounts surveyed in December 2015.

	Consolidated
Original transaction amount – base April 1, 2014	**46,682**
(-) Price adjustments – base December 2, 2015	(2,815)
Final transaction consideration – base December 2, 2015	**43,867**
(-) The anticipated value as of July 10, 2014 (restated up to December 2, 2015)	(7,709)
Residual consideration - base date December 02, 2015	**36,158**

After completion of negotiations, forgiveness of owed residual consideration was defined and payment of determined amounts is no longer necessary. In addition, Maersk committed itself with transferring US$3.5 million (R$11,514) as reimbursement of taxes on revenue generated by this forgiveness. This agreement also contemplated supply of a financial guarantee by Maersk, backed by Bank Crédit Agricole Corporate and Investment (France) Sweden Branch, in the amount of US$34,245 thousand (R$133,719 as of December 2, 2015), guaranteeing deposit of said amount, on behalf of PetroRio, in abandonment fund to be created by PetroRio as soon as requested or at most up to December 31, 2020.

Also in relation to acquisition, Maersk forgave debt of HRT Lux Energy S.à.r.l., owner of fixed platform Polvo A, in the amount of US$13.6 million (R$52,647 as of December 2, 2015).

In addition to increase in field value, with assumption of 100% of interest, the Company increased the provision for Field abandonment by US$34,245 thousand (R$131,997 as of December 2, 2015) in liabilities, as a contra-entry to intangible assets, increasing recorded book value by the same amount (Note 17).

Increase of Polvo Field useful life

In December 2015, the Company, through an independent international certifying agency (DeGolyer and MacNaughton), conducted a reevaluation of Polvo Field, specifically of proven developed reserves motivated by variation between performed and presented production curve in the beginning of 2015. Reevaluation indicated extension of field useful life up to the end of 2020 (before 2017, the field useful life was estimated up to 2017). This extension represents a proportional reduction of Polvo assets amortization, including Fixed Platform “Polvo A”. Throughout 2016 a series of interventions in the Polvo field were made, completed in July 2016. These interventions had positive result, and, according to an evaluation performed by the Company’s team of Geologists, the proven already developed reserves are estimated to have increased by approximately 1.1 million barrels.

Consequently, the useful life of the filed was slightly extended by approximately one year, ending in 2021.

12. Suppliers

	Parent company		Consolidated	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Domestic suppliers	**280**	266	**33,087**	41,556
Foreign suppliers	**28**	48	**12,459**	23,623
	308	314	**45,546**	65,179
Total current liabilities	**308**	314	**32,836**	52,469
Total non-current liabilities	**-**	-	**12,710**	12,710

13. Taxes and social contributions payable

	Parent company		Consolidated	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
PIS and COFINS	**30**	-	**766**	1,768
Service tax	**-**	-	**145**	93
IRRF on services	**47**	88	**195**	1,050
Social contribution on services	**-**	9	**-**	439
INSS	**4,442**	4,401	**5,824**	5,729
Taxes on Equity	**-**	-	**2,801**	3,494
FGTS	**1**	3	**100**	229
Others	**35**	-	**210**	280
	4,555	4,501	**10,041**	13,082

14. 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 have a term of five (5) years, maturing in October 24, 2019, and bear interest corresponding to the accumulated variation of 90% of the average daily rates of the DI rate.

The debentures may be converted into shares at the sole discretion of the debentureholders, since October 24, 2015 until the date of maturity of the debentures (exclusive). The number of shares to be delivered to the debentureholders 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 ten (10) 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 Management has assessed this conversion option on September 30, 2016, and in accordance with financial models has concluded that there is no attributable value at the present time.

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;
- Mergers, consolidations and split-ups without prior consent of debentureholders, in accordance with Corporation Law.

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

Principal	**31.461**	**87.192**
Encargos	664	376
Total	32.125	87.568
Circulante	664	-
Não **Circulante**	31.461	87.568

Up to September 30, 2016, debentureholders opted to convert 2,787,375 debentures (R$ 55,762 reversed to capital), representing around 64% of total issued debentures.

15. Operational lease (lessee)

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

The subsidiary PetroRioOG (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. The sum appropriated during the nine-month period ended on September 30, 2016 was of R$ 56,832 (US$ 17,507 thousand) and during the nine-month period ended on September 30, 2015 was of R$ 36,630 (US$ 10,943 thousand).

16. Current and deferred income tax and social contribution

	Tax loss		Tax credit	
Companies	**09/30/2016**	**12/31/2015**	**09/30/2016**	**12/31/2015**
HRTP	**88,550**	**77,830**	**30,107**	**26,462**
HRTOG	**1,267,998**	**1,250,544**	**431,119**	**425,185**
HRTAF	**10,205**	**10,201**	**3,470**	**3,468**
	1,366,754	**1,338,575**	**464,696**	**455,116**

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 for recognizing only the amounts corresponding to 30% of the recorded deferred liabilities, which refer to the discount recorded in the acquisition of the Polvo Field, and the marking to the market of the financial instruments. Other credits, which will be recognized as the future taxable income is being generated.

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

	Parent company		Consolidated	
	09/30/2016	**12/31/2015**	**09/30/2016**	**12/31/2015**
Negative goodwill on fair value recognized assets on in business combinations	**-**	**-**	**4,129**	4,087
Mark to the market of financial instruments held for trading	**32,017**	**-**	**32,017**	-
	32,017	-	**36,146**	4,087
Deferred tax asset recorded in accounting (30%)	**(9,605)**	-	**(10,844)**	(1,226)

17. Provision for abandonment (ARO)

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

	Provision for abandonment
December 31, 2014	**138,039**
Addition	131,997
Decrease	(137,368)
Currency adjustment	62,515
Price-level restatement	6,569
December 31, 2015	**201,752**
Currency adjustment	(31,436)
Price-level restatement	(12,363)
September 30, 2016	**157,953**
(-) Accounts receivable guarantee Maersk, net of exchange fluctuation	(111,166)
Net balance of liabilities	**46,787**

The estimated abandonment costs were provisioned for the period ended September 30, 2016. This provision corresponds to PetroRio interest of 100% (as from December 2, 2015), and reflects the estimated present value discounted at the rate of 3.30% per annum and monetary restated at the rate of 0.95% 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.

On December 2, 2015, with acquisition of 40% of additional interest in Polvo Field, previously held by Maersk, the Company increased this provision by US$34,245 thousand (R$ 121,875). This increase directly impacted intangible assets, increasing recorded book value by the same amount. According to acquisition contract, Maersk presented a letter of credit committing itself to deposit the same value of increase in provision (US$34,245 thousand) in an abandonment fund owned by PetroRio, thus reducing total amount owed by the Company.

On December 3, 2015, PetroRio presented a new Development Plan (“PD”) of Polvo Field, with new estimated value for its abandonment: US$ 51,668 thousand (R$ 201,752 on December 31, 2015), ratified by Agência Nacional de Petróleo. This reduction reflected directly in intangible assets, reducing it by the same amount of recorded value.

18. Advances from partners in oil and gas operations

	Consolidated	
Operated blocks	**09/30/2016**	**12/31/2015**
GALP - Namíbia – Petroleum Exploration Licences	**6,397**	7,530
Total operated blocks	**6,397**	7,530
Non-operated blocks (Cowan - ES)	**305**	128
Total advances to/from partners	**6,702**	7,658
Total current liabilities	**6,702**	7,658

19. Shareholders' equity

19.1. Capital

On September 30, 2016, the Company's subscribed and paid in capital totaling R$ 3,401,910 is composed of 13,190,747 common registered shares with no par value. The Company has Global Depositary Shares ("GDSs") traded in the TSX Venture Exchange (TSX-V) in Toronto, Canada, at a rate of two GSDs for each common share.

The Common and Special Shareholders' Meeting, held on April 29, 2016 approved the reverse split of PetroRio's common share at a rate of 5 (five) common shares for 1 (one) common share, also including a reverse split of Global Depositary Shares ("GDSs") issued by the Company at a rate of 5 (five) GDSs for 1 (one) GDS, and preserving in effect the rate of 2 (two) GDSs for each common share. On this same occasion a proposal was approved putting in place a repurchase program for as many as 3,300,000 common shares issued by the Company within 18 months, without reducing capital stock and to be held in treasury, canceled and/or for subsequent disposal.

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$ 3,265,216.

Shareholder	Number of common shares	% of interest
Aventti Strategic Partners LLP	3,554,391	26.9%
One Hill Capital LLC	3,027,497	23.0%
Societe Mondiale Des Energies FIA	1,700,099	12.9%
Deutsche Bank Trust Company Americas	781,694	5.9%
Others Shareholders	4,127,066	31.3%
Total	**13,190,747**	**100.0%**

The Company's capital stock was subject to changes during the nine-month period ended on September 30, 2016, due to a R$ 31 increase through the conversion of Debentures into shares, pursuant to Note 14.

19.2. 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. Stock options fair value was estimated on concession date, using the Black-Scholes precification model. The dates of Board of Directors' meetings and the assumptions used in the pricing model are listed below:

	SOP V	SOP IV	SOP III	SOP II	SOP I
	04/01/2014	11/11/2013	01/02/2013	05/09/2012	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 concession 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, 2016, are summarized below:

	Outstanding options			Options exercised/ canceled	
Plan	Options outstanding on 09/30/2016	Average maturity in years	Exercise price	Options exercised up to 09/30/2016	Options canceled up to 09/30/2016
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	5	R$ 0.20	437,160	55,400

For the period ended on September 30, 2016, the Company has a balance recorded in shareholders' equity - income from stock-based compensation - the amount of R$ 77,665, R$ 28,376 of the 2010 plan grant, R$27,839 of grant the 2012 plan, R$ 20,660 of the 2013 plan grant (SOP III), R$ 734 of the 2013 plan grants (SOP IV) and R$ 56 of the 2014 plan was granted, the counterpart being in the respective statements of income as personnel cost.

19.3. Earnings per share

Pursuant to CPC 41 (IAS 33), the Company presents some information on earnings per share for the periods ended on September 30, 2016 and 2015. Basic earnings per share are calculated by dividing net income for the year attributed to the Parent company's common shares' shareholders by the weighted average number of common shares available in the period.

Diluted earnings per share are calculated by dividing income/loss attributable to Parent 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	09/30/2016	09/30/2015
Numerator (in thousand of reais)		
(Loss) Income for the year attributable to Group's shareholders	**(44,938)**	(69,753)
Denominator (in thousands of shares)		
Weighted average number of common shares adjusted by dilution effect	**13,191**	29,748
Basic earnings and diluted per share	**(3,407)**	(2,345)

20. Related party transactions

	Parent company	
	09/30/2016	12/31/2015
Reimbursement for administrative expenses HRT P x O&G	**45**	8
Loan Petrorio S.A x Petrorio Internacional (a)	**(1,329)**	-
Service agreement HRTP x Lux Energy (b)	**411**	359
	(873)	367
Total non-current assets	**455**	367
Total non-current liabilities	**(1,329)**	-

(a) Balance related to the loan contract signed on August 30, 2016 between PetroRio and PetroRio Internacional, in the amount of R$ 1,301, with six-month term, and interest rate of 80% of the CDI.

(b) Balance of R$ 411 refers to contract entered into by PetroRio and HRT Lux Energy S.à.r.l., which establishes that HRT Lux Energy S.à.r.l. must reimburse PetroRio of all expenses incurred for management of its assets (platform), such as salaries, rent of physical space and equipment, telephone, Internet and software.

Management remuneration

The Company's management remuneration in the period ended on September 30, 2016 was R$2,271 (R$ 1,715 on September 30, 2015).

Debentures

The Company for the year ending December 31, 2014, issued convertible debentures in a single series, subordinated and unsecured, of private placement, as detailed on Note 14. All debentures issued were subscribed by Company's shareholders.

21. Net income

The Company currently exports 100% of its production from the Polvo Field. There is 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.

22. Costs of products sold and services rendered

	Consolidated			
	07/01/2016– 09/30/2016	**07/01/2015– 09/30/2015**	**01/01/2016– 09/30/2016**	**01/01/2015– 09/30/2015**
FPSO	(13,921)	(30,880)	(57,965)	(50,845)
Logistics	(7,317)	(12,738)	(27,865)	(22,233)
Consumables	(7,745)	(16,388)	(33,185)	(28,803)
Operation and maintenance	(4,724)	(14,615)	(20,770)	(26,392)
Personnel	(1,670)	(3,440)	(6,609)	(6,187)
SMS	(2,081)	(6,087)	(9,509)	(10,599)
Other costs	(58,590)	(6,371)	(75,364)	(9,294)
Royalties	(13,081)	(11,832)	(25,896)	(21,412)
Depreciation and amortization	(15,485)	(54,458)	(48,104)	(101,322)
Total	**(124,614)**	**(156,809)**	**(305,267)**	**(277,087)**

On September 30, 2016 oil inventories totaled 270 thousand barrels (information unrevised by the independent auditors), equal to a sum of R$ 33,108. On September 30, 2015 oil inventories totaling R$ 9,269 referred to 59 thousand barrels.

23. Other operating income (expenses), net

	Parent company			
	07/01/2016– 09/30/2016	07/01/2015– 09/30/2015	01/01/2016– 09/30/2016	01/01/2015– 09/30/2015
Reversal (Provision) for labor contingencies	195	-	195	-
Income (loss) from the sale of property, plant and equipment/scrap	-	13	-	13
Service Fee Lux Energy	37	-	121	-
Other income / (expenses)	(60)	376	(60)	536
Total	**172**	**389**	**256**	**549**

	Consolidated			
	07/01/2016– 09/30/2016	07/01/2015– 09/30/2015	01/01/2016– 09/30/2016	01/01/2015– 09/30/2015
Income from aircraft rental	-	1,337	-	2,796
Returning unused insurance premium	-	-	2,157	-
Marking-to market of inventories	-	10,944	19,283	(2,443)
Reversal (Provision) for labor contingencies	264	(214)	(1,665)	(579)
Adjustment to the sale price of Solimões	(15,622)	19,373	(15,622)	19,373
Income (loss) from the sale of property, plant and equipment/scrap	92	276	756	(247)
Income from the sale of aircrafts	-	-	(56)	-
Rendering of accounts for administrative management - Cowan	-	-	(337)	-
Reimbursement of expenses - Glencore	-	-	(4,808)	-
PIS and COFINS credits on BP consumables	-	-	-	7,140
INSS credit on indemnity	-	1,200	-	1,200
Storage of rigs - Hansa Meyer	(714)	-	(871)	-
Commission on probe sales	-	(2,321)	-	(2,321)
Other income / (expenses)	(353)	896	(361)	2,612
Total	**(16,333)**	**31,491**	**(1,524)**	**27,531**

24. Financial income (loss)

	Parent company			
	07/01/2016– 09/30/2016	07/01/2015– 09/30/2015	01/01/2016– 09/30/2016	01/01/2015– 09/30/2015
Financial income	**84,218**	10,042	**102,429**	14,290
Income from interest earning bank deposits	**1,212**	(724)	**4,279**	2,801
Income from foreign exchange rate	**9**	8,358	**2,205**	8,673
Marked at fair value - financial instruments *	**81,761**	-	**94,167**	-
Other financial income	**1,236**	2,408	**1,778**	2,816
Financial expenses	**4,332**	(3,369)	**(11,123)**	(10,046)
Loss on financial investments	**(272)**	(45)	**(787)**	(45)
Expense on foreign exchange rate	**(9)**	(555)	**(5,898)**	(2,383)
Interest on loans/debentures	**(1,015)**	(2,743)	**(2,937)**	(7,527)
Marked at fair value - financial instruments	**6,499**	-	**-**	-
Other financial expenses	**(871)**	(27)	**(1,501)**	(92)

	Consolidated			
	07/01/2016– 09/30/2016	**07/01/2015– 09/30/2015**	**01/01/2016– 09/30/2016**	**01/01/2015– 09/30/2015**
Financial income	**119,710**	**162,810**	**296,028**	**277,886**
Income from realized financial investment	**11,504**	2,895	**25,211**	6,751
Income from foreign exchange rate	**16,766**	156,890	**166,084**	267,427
Marked at fair value - financial instruments *	**81,761**	-	**94,167**	-
Marked at fair value - Derivatives	**8,482**	-	**8,555**	-
Other financial income	**1,197**	3,025	**2,011**	3,708
Financial expenses	**(9,716)**	**(133,699)**	**(244,130)**	**(276,706)**
Loss on realized financial investment	**(251)**	-	**(5,911)**	-
Expense on foreign exchange rate	**(9,961)**	(109,789)	**(221,224)**	(231,182)
Interest on loans/debentures	**(892)**	(3,015)	**(2,924)**	(7,528)
Commission on bank guarantees	**-**	-	**(4,063)**	-
Marked at fair value - financial instruments *	**6,499**	-	**(378)**	-
Marked at fair value - Derivatives	**(3,189)**	-	**(3,189)**	-
Other financial expenses	**(1,922)**	(20,895)	**(6,441)**	(37,996)

* Marked at fair value– financial instruments refers to the appreciation of equity investments (stocks), as indicated in Notes 4 and 27.

25. Guarantees and commitments

Namibia

On March 9, 2016, PetroRio announced that, as a result of current scenario of oil and gas industry and after a long period of dialogues with Namibia' government, it decided not to renew its oil exploration licenses in that country. Accordingly, the Company will not make new investments in Namibia. The entire required exploration program was complied with.

Letter of Credit - BJSA Acquisition

In the execution of contracts for the acquisition of 80% of the BJSA fields, in January 2015, the Company paid 20% of the total amount with own funds, by way of an advance, and to ensure the remaining 80%, the Company obtained from Glencore Ltd a letter of credit for US$ 120 million. This credit letter financial cost recorded as financial expenses in the nine-month period ended September 30, 2016 was R$4,063.

As informed in note 1, in February 2016, Shell terminated the contract for acquisition of 80% of BJSA concession. Hence, PetroRio canceled the Glencore letter of credit.

26. Segment information

PetroRio is active in one sole operating segment, i.e. oil and gas exploration and production (E&P) in Brazil and overseas.

Geographical information

	09/30/2016	12/31/2015
Current assets		
Brazil	679,502	1,272,299
Abroad	104,798	(372,477)
Non-current assets		
Brazil	255,453	1,339,519
Abroad	47,382	(1,062,304)
Income	**09/30/2016**	**09/30/2015**
Brazil	278,577	213,501
Abroad	5,555	16,101

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 convertible into shares, 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.

The Board of Directors reviews and establishes policies for the management of 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 adopted the Value at Risk (VaR) as risk management methodology, to measure a potential loss in the equity investment portfolio, in the nine-month period ended September 30, 2016. In this period, the Company mostly invested in the stocks of a same company, which is in judicial recovery, believing in the potential appreciation of these securities.

The VaR was calculated based on historical data of the twelve-month period ended September 30, 2016 (one year), for one-day period, confidence level at 95.0%, and resulted in 10.55% of maximum daily loss of stock portfolio. The security devaluation, in

the 247-day calculation period, has just exceeded the VaR six times (the calculated limit was 12 times). The securities acquired by the Company had average appreciation of 101.15% until September 30, 2016.

The accuracy of this market risk methodology was tested using daily back-testing, which compares the adherence between the VaR estimates and the realized gains and losses.

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 convertible into shares 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	(2)	(23)	(45)
Impact on debentures	Increase in CDI	36	(399)	(791)

For the earnings from financial investments and securities the CDI projections disclosed by BM&FBOVESPA for the period ending December 31, 2016 were taken into account under the probable scenario (CDI 13.82%), 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, both in relation to the probable scenario. A sensitivity analysis of securities invested in international fund with an annual average rate of return of 0.32% was carried out showing not significant impacts.

Exchange risk

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 (USD)	12,703	(150,571)	(301,143)
Provision for abandonment (ARO)	Increase in US Dollar (USD)	(3,331)	(39,488)	(78,977)

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, 2016 (US$

1/R$ 3.315). Under scenario I, this projection was increased by 25% and under scenario II, the curve was increased by 50%, both against the probable scenario.

Credit risk

The Company is exposed to credit risk in its operating activities and bank and/or financial institution deposits, fixed income securities, foreign exchange transactions and other financial instruments. The company manages its resources aiming to maximize its financial income and minimize risk with a good portfolio management, and to reach this goal it is exposed to investing in credit of large institutions, seeking alternatives with daily liquidity, and investments in fixed and variable rates in large Brazilian banks.

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. During the period ended on September 30, 2016 net sales were entirely concentrated in one sole client that represents an irrelevant credit risk, considering that its background does not show any delays or defaults.

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, 2016	up to 12 months	1–5 years	Total
Liabilities			
Suppliers	(32,836)	(12,710)	**(45,546)**
Labor obligations	(5,167)	-	**(5,167)**
Taxes and social contributions	(10,041)	-	**(10,041)**
Advance from partners	(6,702)	-	**(6,702)**
Debentures	(1,706)	(31,431)	**(33,137)**
Financial instruments	(1,040)		**(1,040)**
Provision for abandonment	-	(46,787)	**(46,787)**
Provision for contingencies	-	(53,907)	**(53,907)**
Deferred taxes and social contributions	-	(36,146)	**(36,146)**
Other liabilities	(854)	(256)	**(1,110)**
	(58,346)	**(181,237)**	**(239,583)**

Year ended December 31, 2015	up to 12 months	1–5 years	Total
Liabilities			
Suppliers	(52,469)	(12,710)	**(65,179)**
Labor obligations	(7,373)	-	**(7,373)**
Taxes and social contributions	(13,082)	-	**(13,082)**
Advance from partners	(7,658)	-	**(7,658)**
Debentures	(664)	(31,461)	**(32,125)**
Provision for abandonment	-	(68,033)	**(68,033)**
Provision for contingencies	-	(60,879)	**(60,879)**
Deferred taxes and social contributions	-	(4,087)	**(4,087)**
Other liabilities	(4,177)	(339)	**(4,516)**
	(85,423)	**(177,509)**	**(262,932)**

Parent company

Year ended September 30, 2016	up to 12 months	1–5 years	Total
Liabilities			
Suppliers and other	(308)	-	**(308)**
Labor obligations	(216)	-	**(216)**
Taxes and social contributions	(4,555)	-	**(4,555)**
Deferred taxes and social contributions	(32,017)	-	**(32,017)**
Debentures	(1,706)	(31,431)	**(33,137)**
Provision for contingencies	-	(678)	**(678)**
	(38,802)	**(32,109)**	**(70,911)**

Year ended December 31, 2015	up to 12 months	1–5 years	Total
Liabilities			
Suppliers and other	(314)	-	**(314)**
Labor obligations	(279)	-	**(279)**
Taxes and social contributions	(4,501)	-	**(4,501)**
Debentures	(664)	(31,461)	**(32,125)**
Provision for contingencies	-	(947)	**(947)**
	(5,758)	**(32,408)**	**(38,166)**

Derivative financial instruments - hedge

In the nine-month period ended September 30, 2016, the Company acquired call and put options in the futures market. The contracts aim at providing hedge against the risk of volatility in oil prices.

								Price			Gain (loss)	
Coverage	Contract	Operation	Type	Maturity	Settlement	Strike	Quantity	Engagement	Settlement	09/30/2016	US$ thousand	In thousand of reais
Offtake Apr/16	Brent Jun/16	Purchase	Put Option	04/29/2016	04/25/2016	37.0	400,000	0.98	0.01	-	(388)	(1,376)
Offtake Apr/16	Brent Jun/16	Sale	Purchase Option	04/29/2016	04/25/2016	42.5	400,000	(1.60)	(2.25)	-	(260)	(922)
Offtake Apr/16	Brent Jun/16	Purchase	Purchase Option	04/29/2016	04/25/2016	45.0	400,000	0.89	0.22	-	(268)	(951)
Offtake May/16	Brent Aug/16	Purchase	Put Option	06/27/2016	06/22/2016	41.0	400,000	1.60	0.02	-	(631)	(2,137)
Offtake May/16	Brent Aug/16	Sale	Purchase Option	06/27/2016	06/22/2016	49.0	400,000	(1.60)	(1.42)	-	72	243
Offtake Jul/16	Asian Option	Purchase	Purchase Option	07/31/2016	-	45.0	50,000	(0.20)	-	-	10	32
Offtake Jul/16	Asian Option	Sale	Put Option	07/31/2016	-	54.3	50,000	0.10	-	-	(5)	(16)
Offtake Jul/16	Asian Option	Purchase	Put Option	07/31/2016	-	45.0	350,000	1.10	-	-	(385)	(1,247)
Offtake Jul/16	Asian Option	Sale	Purchase Option	07/31/2016	-	54.3	350,000	(1.10)	-	-	385	1,247
											(1,470)	(5,128)
Offtake Aug and Sep 2016	Asian Option	Purchase	Put Option	10/31/2016	-	46.0	600,000	1.70	-	0.15	(930)	(3,021)
Offtake Aug and Sep 2016	Asian Option	Sale	Purchase Option	10/31/2016	-	51.5	600,000	(1.70)	-	(0.68)	610	1,981
Offtake Nov/16	Brent Jan/17	Purchase	Purchase Option	11/25/2016	-	43.0	800,000	5.09	-	8.30	2,567	8,333
Offtake Nov/16	Brent Jan/17	Sell	Purchase Option	11/25/2016	-	47.0	800,000	(3.20)	-	(5.09)	(1,509)	(4,899)
Offtake Nov/16	Brent Jan/17	Sell	Purchase Option	11/25/2016	-	47.0	800,000	(3.20)	-	(5.09)	(1,509)	(4,899)
Offtake Nov/16	Brent Jan/17	Purchase	Purchase Option	11/25/2016	-	51.0	800,000	1.92	-	2.66	595	1,931
Offtake Jul/17	Brent Aug/17	Sell	Purchase Option	07/17/2017	-	50.0	300,000	5.58	-	7.26	504	1,636
Offtake Jul/17	Brent Aug/17	Purchase	Purchase Option	07/17/2017	-	60.0	300,000	(2.55)	-	(3.01)	(138)	(448)
											190	616

The premium paid for the call options of the first contracts, traded i March 2016, net of the premium received from the put option, was of US$ 108 thousand (R$ 411). The options traded in August 2016 had initial cost of US$ 1,389 thousand (R$ 4,547). The remaining agreements were entered into at the zero cost collar modality, when there is no initial cost.

Options traded to cover sales for the nine-month period ended September 30, 2016, generated a loss of US$ 1.470 thousand (R$ 5,128) upon settlement.

On September 30, 2016, the options were marked at fair value (market price) at US$ 190,000 (R$ 616). This gain was recorded in financial income in the statement of income.

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.

	09/30/2016			
	Parent company		Consolidated	
	Book value	Fair value	Book value	Fair value
Financial assets				
Loans and receivables				
Accounts receivable (i)	-	-	109,624	109,624
Related parties	455	455	-	-
Fair value through profit or loss				
Cash and cash equivalents (ii)	2,593	2,593	13,273	13,273
Securities (ii)	187,035	187,035	209,705	209,705
Available for sale				
Securities (iii)	-	-	271,592	271,592
Derivative financial instrument	-	-	6,165	6,165
Financial liabilities				
Amortized cost:				
Suppliers (i)	308	308	45,546	45,546
Debentures (ii)	33,137	32,158	33,137	32,158

	12/31/2015			
	Parent company		Consolidated	
	Book value	Fair value	Book value	Fair value
Financial assets				
Loans and receivables				
Accounts receivable (i)	-	-	244,499	244,499
Related parties	367	367	-	-
Fair value through profit or loss				
Cash and cash equivalents (ii)	3,099	3,099	283,951	283,951
Securities (ii)	32,155	32,155	193,296	193,296
Financial liabilities				
Amortized cost:				
Suppliers (i)	314	314	65,179	65,179
Debentures (ii)	32,125	30,412	32,125	30,412

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 **(Not reviewed by the independent auditors)**

The Company has a policy of taking out insurance plan 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: Material Damages to Offshore Assets, Operator Extra expenses (OEE), the chief covered exposures being: Well Control, Extra Expense/Reboring and Infiltration and Pollution, Cleaning and Contamination) and Offshore Civil Liability, in addition to coverage for transporting equipment/supplies related to Polvo field operations and D&O insurance for its Managers.

The insurance policies in force at September 30, 2016 cover the insured amount of R$ 2,740,046. In addition, the Company also contracts insurance for Operator' Extra Expenses, whose main exposures covered are as follows:

Insurance/Modality	Amount insured
Physical damages (Oil inventories)	**136,340**
Fixed Platform	**844,012**
Offshore property (Pipeline)	**64,924**
OEE production (Well control)	**486,930**
OEE development (Well control)	**324,620**
Offshore Civil Liability	**811,550**
Aircrafts (Physical damages)	**8,301**
Aircrafts (Civil liability)	**32,462**
Cargo (Polvo)	**3,500**
D&O	**20,000**
General liability	**5,000**
Equity	**1,500**
DPEM Polvo A	**14**
Travel Insurance Travel Guard	**893**
Total insured	**2,740,046**

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, 2016 and December 31, 2015 in the amounts of R$ 53,908 and R$ 60,879, respectively, are sufficient to cover losses considered probable and reasonably estimated.

Provisions recorded

Tuscany Perfurações Brasil Ltda. and Tuscany Rig Leasing S.A. filed a request for arbitration against PetroRioOG, in the amount of US$39,645 thousand. The sentence was handed down on February 5, 2015, condemning the Company to pay the amounts of R$1,484 and US$12,130 thousand (corresponding to R$ 39,376 – foreign exchange rate as of September 30, 2016). 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, 2015, 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 and obtained an injunction in the second degree, removing the effects of an arbitration decision.

Furthermore, there is a probable risk owing to labor claims that add up to R$ 10,514, civil claims totaling R$ 2,272 and one tax claim of R$ 262.

Other lawsuits

The subsidiary PetroRioOG 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 PetroRioOG, whose value is R$ 7,834. Final decision was issued convicting Geoquasar and PetroRioOG for pain and suffering in the amount of R$500, and PetroRioOG filed an appeal from the decision. Appeal reduced conviction to R$200 with joint liability of PetroRioOG, which filed an appeal again. According to the Legal Adviser of the case, it is possible the chance of loss.

According to the Group’s legal advisors, the risk of loss due to other lawsuits (R$ 57,899) is “possible” or “remote”. Based on this evaluation, Management decided not to form a provision for contingencies for these lawsuits, with likelihood of possible and remote loss, in accordance with accounting practices adopted in Brazil and IFRS.