Quarterly Information – ITR

HRT Participações em Petróleo S.A.

June 30, 2014
with Independent Auditor's Review Report on Quarterly Information

HRT Participações em Petróleo S.A.

Quarterly information – ITR

June 30, 2014

Contents

Independent auditor's review report on quarterly information 1

Quarterly information

Balance sheets (financial position) 3
Statements of operations 5
Statement of comprehensive income 6
Statements of changes in equity 7
Cash flow statements 8
Statements of value added (supplementary information for IFRS purposes) 9
Notes to financial statements 10

A free translation from Portuguese into English of Independent Auditor's Review Report on Individual Quarterly Financial Information prepared in Brazilian currency in accordance with accounting practices adopted in Brazil, and on Consolidated Quarterly Financial Information prepared in Brazilian currency in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board - IASB, and accounting practices adopted in Brazil

Independent auditor's review report on quarterly financial information

Report on the review of interim quarterly information

The Shareholders, Board of Directors and Officers
HRT Participações em Petróleo S.A.
Rio de Janeiro - RJ

Introduction

We have reviewed the interim condensed individual and consolidated financial statements of HRT Participações em Petróleo S.A. ("Company") contained in the Quarterly Financial Information (ITR) for the quarter as of June 30, 2014, comprising the balance sheet at June 30, 2014 and the related statements of income and comprehensive income for the periods of three and six months then ended, and the statements of equity and cash flows for the six-month period then ended, and other explanatory notes.

Management is responsible for the preparation of the interim condensed individual financial statements in accordance with CPC 21 - Interim Financial Reporting, and for the preparation of the interim condensed consolidated financial information in accordance with CPC 21 and with the international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the standards issued by the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários* - CVM) applicable to the preparation of Quarterly Financial Information (ITR). Our responsibility is to express a conclusion on these interim individual and consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, 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.

Report on the review of interim quarterly information -- Continued

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim individual and condensed financial statements included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 applicable to the preparation of quarterly information (ITR), and is presented consistently with the standards issued by the Brazilian Securities and Exchange Commission.

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21 and IAS 34 applicable to the preparation of quarterly information (ITR), and is presented consistently with the standards issued by the Brazilian Securities and Exchange Commission.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 9 and 10 to the interim quarterly information which indicates that the Company and its subsidiaries spent significant amounts primarily related to exploration and evaluation costs, the recovery of these assets is subject to the success of its exploration campaigns, that have relevant development in the near future. Investment in significant amounts in the exploration and development of oil and gas reserves may not result in the discovery of economically viable reserves. These conditions indicate the existence of significant uncertainty which may cast significant doubt about the ability of the Company to continue operating. The interim quarterly information does not include any adjustment that would be required if any of the investments does not present the expected results, which depend on the success of its future operations. Management's plans in relation to the Company's consolidated operating activities are described in Note 1.

Report on the review of interim quarterly information -- Continued

Other matters

Interim statements of value added

We have also reviewed the condensed individual and consolidated statements of value added for the six-month period ended June 30, 2014, 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.

Rio de Janeiro, August 13, 2014

ERNST & YOUNG
Auditores Independentes S.S.
CRC - 2SP 015.199/O-6 - F - RJ



Roberto Cesar Andrade dos Santos
Accountant CRC - 1RJ 093.771/O-9

HRT Participações em Petróleo S.A.

Balance sheets (financial position)
June 30, 2014 and December 31, 2013
(In thousands of reais)

	Note	Company		Consolidated	
		06/30/2014	12/31/2013	06/30/2014	12/31/2013
Assets					
Current assets					
Cash and cash equivalents	3	**1,976**	18	**349,581**	33,582
Marketable securities	4	**44**	18,165	**15,488**	120,957
Accounts receivable		**36**	36	**20,863**	989
Inventories	20	**-**	-	**12,261**	-
Taxes recoverable	5	**15,325**	14,222	**53,761**	42,523
Asset held for sale	6	**-**	-	**143,771**	155,540
Advances to suppliers	7	**114**	113	**46,955**	33,008
Prepaid expenses		**447**	1,148	**8,776**	3,057
Financial investments as collateral	4	**-**	-	**-**	273,001
Other credits		**131**	69	**5,176**	10,593
		18,073	33,771	**656,632**	673,250
Noncurrent assets					
Deposits and guarantees	21	**4,406**	4,392	**4,813**	4,590
Related parties	19	**13,846**	8,305	**-**	-
Investments	8	**1,522,969**	1,491,696	**-**	-
Property, plant and equipment	9	**681**	760	**143,714**	139,124
Intangible assets	10	**79**	93	**1,126,125**	988,315
		1,541,981	1,505,246	**1,274,652**	1,132,029
Total assets		**1,560,054**	1,539,017	**1,931,284**	1,805,279

	Note	Company		Consolidated	
		06/30/2014	12/31/2013	06/30/2014	12/31/2013
Liabilities and shareholders' equity					
Current liabilities					
Trade accounts payable	11	**3,015**	3,602	**105,180**	63,362
Labor charges		**7,388**	8,450	**12,539**	17,669
Income and social contribution taxes	15	**10,700**	8,737	**29,197**	26,301
Income and social contribution	16	**-**	-	**61**	65
Loans and financing	12	**-**	-	**-**	70,380
Financial instruments		**-**	-	**-**	11,163
Related parties	19	**2,200**	180	**-**	-
Advances from partners in oil and gas operations	13	**-**	-	**44,913**	25,896
Advances for sale of fixed assets	6	**-**	-	**39,645**	-
Other liabilities		**-**	-	**16,978**	8,968
		23,303	20,969	**248,513**	223,804
Noncurrent liabilities					
Asset retirement obligation	17	**-**	-	**82,619**	-
Deferred income and social contribution taxes	16	**65,893**	63,450	**129,294**	126,877
		65,893	63,450	**211,913**	126,877
Equity	18				
Capital - paid up		**3,821,206**	3,821,205	**3,821,206**	3,821,205
Capital reserves		**416,914**	416,914	**416,914**	416,914
Equity valuation adjustment		**195,772**	190,955	**195,772**	190,955
Accumulated losses		**(2,963,034)**	(2,974,476)	**(2,963,034)**	(2,974,476)
		1,470,858	1,454,598	**1,470,858**	1,454,598
Total liabilities and equity		**1,560,054**	1,539,017	**1,931,284**	1,805,279

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

HRT Participações em Petróleo S.A.

Statements of operations
Six-month periods ended June 30, 2014 and 2013
(In thousands of reais)

	Note	Company		Consolidado	
		06/30/2014	06/30/2013	06/30/2014	06/30/2013
Net revenues		**-**	-	**280,907**	2,995
Cost of services/products		**-**	-	**(202,451)**	(1,101)
Gross profit	**20**	**-**	**-**	**78,456**	1,894
Operating income (expenses)					
Geology and geophysics expenses		**-**	-	**(3,720)**	(26,972)
Personnel expenses		**(5,823)**	(70,617)	**(20,544)**	(121,059)
General and administrative expenses		**(2,231)**	(3,434)	**(16,958)**	(13,324)
Expenses with third party services		**(5,348)**	(3,356)	**(30,500)**	(35,952)
Taxes and fees		**144**	(739)	**(2,980)**	(8,314)
Depreciation and amortization expenses		**(93)**	(101)	**(5,476)**	(14,482)
Write-off dry well		**-**	-	**-**	(450,238)
Equity pick-up	**9**	**23,589**	(575,810)	**-**	-
Financial expenses		**(23)**	(36)	**(31,575)**	(41,075)
Financial income		**1,227**	8,854	**22,828**	71,898
Other operating income, net		**-**	-	**22,954**	(6,559)
Profit (loss) before income and social contribution taxes		**11,442**	(645,239)	**12,845**	(644,183)
Income and social contribution taxes	**16**				
Current		**-**	-	**(1,503)**	(1,514)
Deferred		**-**	-	**460**	458
Net profit (loss) for the period		**11,442**	(645,239)	**11,442**	**(645,239)**
Profit (loss) per share, basic and diluted	**18.3**				
Basic		***0,385***	*(0,002)*	***0,385***	*(0,002)*
Diluted		***0,385***	*(0,002)*	***0,385***	*(0,002)*

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

HRT Participações em Petróleo S.A.

Statements of comprehensive income
Six-month periods ended June 30, 2014 and 2013
(In thousands of reais)

	Company	Consolidated
	06/30/2014	**06/30/2013**
Accumulated gains (losses)	**11,442**	(645,239)
Other comprehensive income		
Exchange rate variation on investments abroad, net of taxes	**4,743**	187,757
Total comprehensive income for the year, net of taxes	**16,185**	(457,482)
Attributable to controlling shareholders	**16,185**	(457,482)

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

HRT Participações em Petróleo S.A

Statement of changes in shareholders' equity
Six-month periods ended June 30, 2014 and 2013
(In thousands of reais)

	Capital	Capital reserve	Equity valuation adjustment	Accumulated loss	Total
Balances at January 1, 2014	**3,821,205**	**416,914**	**190,955**	**(2,974,476)**	**1,454,598**
Payment of stock option	**1**	**-**	**-**	**-**	**1**
Exchange rate variation on investments abroad	**-**	**-**	**4,743**	**-**	**4,743**
Share-based compensation	**-**	**-**	**74**	**-**	**74**
Profit for the period	**-**	**-**	**-**	**11,442**	**11,442**
Balances at June 30, 2014	**3,821,206**	**416,914**	**195,772**	**(2,963,034)**	**1,470,858**
Balances at January 1, 2013	3,817,130	416,914	161,939	(736,606)	3,659,377
Payment of stock option	4,075	-	-	-	4,075
Exchange rate variation on investments abroad	-	-	187,757	-	187,757
Share-based compensation	-	-	25,116	-	25,116
Profit for the period	-	-	-	(645,239)	(645,239)
Balances at June 30, 2013	**3,821,205**	**416,914**	**374,812**	**(1,381,845)**	**3,231,086**

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

HRT Participações em Petróleo S.A.

Cash flow statements
Six-month periods ended June 30, 2014 and 2013
(In thousands of reais)

	Company		Consolidated	
	06/30/2014	06/30/2013	06/30/2014	06/30/2013
Cash Flow from Operation Activities				
Profit (loss) for the period (before taxes)	**11,442**	**(645,239)**	**12,485**	**(644,183)**
Depreciation and amortization	94	101	48,578	14,482
Financial income	(1,227)	(8,854)	(22,828)	(71,898)
Financial expense	23	36	31,575	41,075
Share-based compensation	74	25,116	74	25,116
Equity pick-up	(23,589)	575,810	-	-
Provision for contingencies	-	-	-	200
Write-off Property, Plant and Equipment	-	-	-	7,220
Write-off dry well and discontinued blocks	-	-	-	450,238
	(13,183)	**(53,030)**	**69,884**	**(177,750)**
(Increase) decrease in assets				
Accounts receivable	-	-	(19,874)	1,597
Taxes recoverable	(1,103)	6,201	(11,238)	(2,775)
Prepaid expenses	701	(478)	(5,719)	(3,578)
Advances to suppliers	(1)	50	(13,947)	(8,995)
Inventories	-	-	(8,256)	-
Other	(62)	(114)	5,418	(5,411)
Increase (decrease) in liabilities				
Suppliers	(587)	1,118	41,818	91,656
Labor charges	(1,062)	(1,318)	(5,130)	1,730
Income and social contribution taxes	1,963	5,288	3,806	(7,571)
Related parties	(3,521)	(2,478)	-	-
Advances from partners in oil and gas operation	-	-	19,017	(56,958)
Other liabilities	-	(25)	8,009	831
Net cash used in operating activities	**(16,855)**	**(44,786)**	**83,788**	**(167,224)**
Cash flows from investing activities				
Redemption of Securities	19,324	150,569	128,297	271,715
Deposits in guarantee / legal	(14)	-	272,778	-
Sale (purchase) of fixed assets	(1)	133	(2,705)	(16,358)
Sale (purchase) of intangible assets	-	(22)	(564)	(256,185)
Polvo acquisition	-	-	(129,060)	-
Capital contribution in subsidiary	(497)	(110,058)	-	-
Net cash used in investing activities	**18,812**	**40,622**	**268,746**	**(828)**
Cash flows from financing activities				
Loans	-	-	(25,373)	168,501
Derivative transactions	-	-	(11,163)	(1,605)
Capital paid up	1	4,075	1	4,075
Net cash flow from financing activities	**1**	**4,075**	**(36,535)**	**170,971**
Net increase in cash and cash equivalents	**1,958**	**(89)**	**315,999**	**2,919**
Cash and cash equivalents in the beginning of the year	18	130	33,582	37,608
Cash and cash equivalents in the end of the year	1,976	41	349,581	40,527
Net increase in cash and cash equivalents	**1,958**	**(89)**	**315,999**	**2,919**

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

HRT Participações em Petróleo S.A.

Statements of value added (supplementary information for IFRS purposes)
Six-month periods ended June 30, 2014 and 2013
(In thousands of reais)

	Company		Consolidated	
	06/30/2014	**06/30/2013**	**06/30/2014**	**06/30/2013**
Revenues				
Sale of products/services	**-**	-	**280,906**	2,995
	-	**-**	**280,906**	2,995
Supplies and services				
Third party services and other	**(5,348)**	(3,356)	**(30,500)**	(35,952)
Geology and geophysics expenses	**-**	-	**(3,720)**	(26,972)
Cost of products/services	**-**	-	**(135,236)**	(1,101)
Write-off dry well	**-**	-	**-**	(450,238)
Write-off fixed assets				(6,134)
Gross value added	**(5,348)**	(3,356)	**111,450**	(517,402)
Retentions				
Depreciation and amortization	**(94)**	(101)	**(48,578)**	(14,482)
Net value added	**(5,442)**	(3,457)	**62,872**	(531,884)
Transferred value added				
Net financial income	**1,204**	8,818	**(8,747)**	30,823
Equity pick-up	**23,589**	(575,810)	**-**	-
Deferred taxes	**-**	-	**460**	-
Rents, royalties and other	**(2,230)**	(3,433)	**(28,441)**	(13,548)
Value added to distribute	**17,121**	(573,882)	**26,144**	(514,609)
Distribution of value added				
Personnel	**5,823**	70,618	**20,544**	121,059
Taxes	**(144)**	739	**(5,842)**	9,571
Portion attributable to Group's shareholders	**11,442**	(645,239)	**11,442**	(645,239)
Value added distributed	**17,121**	**(573,882)**	**26,144**	**(514,609)**

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

1. Operations

HRT Participações em Petróleo S.A. (Company or HRTP) was incorporated on July 17, 2009 by the conversion of BN 16 Participações Ltda. into a corporation under the latter name Its headquarters are in the city of Rio de Janeiro - RJ, Brazil and its business purposes are: (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.

HRT's activities are focused on exploration and production of oil and natural gas, operating in the Solimões Sedimentary Basin, State of Amazonas, and in Namibia, the west coast of Africa and currently also in the Campos Basin off the state of Rio de Janeiro.

The Company has a portfolio of 28 exploratory blocks onshore and offshore, of which 18 onshore blocks are in the Solimões Basin, for which it is the operator with a 55% stake. Also in Brazil, the Group holds a 10% interest in two exploration blocks in onshore basins, located in the Recôncavo Basin (BA), Espírito Santo (ES) and Rio do Peixe (PB). In Namibia, HRT Africa operates 10 offshore exploration blocks in the Walvis and Orange basins. Notes 8, 9 and 10 provide more details of operations run by the Group and its subsidiaries.

Directly or through its subsidiaries, HRT has been making investments needed to carry out its exploratory program and obtain access to sufficient reserves for the success of its future operations.

To continue funding its exploratory campaign in Namibia and the Solimões, the Group aims to raise funds through new partnerships and reduce its holdings in exploratory blocks (processes known in the oil and gas sector as farm down or farm out).

1. **Operations**--Continued

On May 6, 2013, HRT Participações em Petróleo S.A., together with its subsidiary HRT Oil & Gas Ltda. ("HRTO&G"), signed a sale and purchase agreement with BP Energy do Brazil Ltda. ("BP") to acquire a 60% stake in the Polvo Field worth US$135 million adjusted to the effects discussed in the note 11 to be effective January 1, 2013. HRT and HRTO&G signed a loan agreement with Credit Suisse to finance most of the amount for the acquisition. This loan was repaid on February 21, 2014.

The Polvo field is located in the southern portion of the Campos Basin some 100 km east of the city of Cabo Frio in the state of Rio de Janeiro. Its daily production is around 10,000 barrels with 20.3 _ API, from three producing reservoirs: Maastrichtian and Turonian age Carapebus Formation sandstones and Albian age Macae/Quissamã Member Formation carbonates.

The license covers an area of approximately 134 km^2 with several prospects for future exploration.

The Purchase and Sale Agreement also covers the acquisition of a 100% stake in BP Energy America LLC, the owner of a fixed platform called "Polvo A" a 3,000 HP drilling rig, which is the equipment needed for operations in this field. The "Polvo A" platform is interconnected to "FPSO Polvo", which has capability for hydrocarbon separation, water treatment, and oil storing and offloading.

On December 18, 2013, the Assignment of Rights for participation of BP Energy do Brasil Ltda. ("BP") in the Polvo field was approved by Brazil's National Petroleum Agency (ANP) in Official Circular nº 1.397/2013/SEP.

2. Accounting practices

2.1. Basis of presentation

The consolidated quarterly information was prepared and is presented in accordance with accounting practices adopted in Brazil, applicable to interim information in accordance with Brazilian FASB (CPC 21 – Interim Financial Statement) and in accordance with accounting practices adopted by the Company for the year ended December 31, 2013.

The result of the three-month period ended June 30, 2014 is not necessarily indicative of the results that may be expected for the full year ending on December 31, 2014.

The interim condensed financial statements and related notes do not include all information and disclosure requirements for annual financial statements. Therefore, these statements shall be read in conjunction with the audited annual financial statements of December 31, 2013.

The preparation of individual and consolidated quarterly information in accordance with IFRS and CPC standards requires that management make judgments and estimates and adopt assumptions that affect the application of accounting policies and the amounts disclosed referring to assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Significant items subject to such estimates and assumptions include the useful life and residual value of property and equipment, impairment of assets, provision for contingencies, fair value of financial instruments, among others. Settlement of transactions involving these estimates may lead to significantly different amounts in relation to those recognized in the financial statements due to the probabilistic treatment involved in making estimates. The Company reviews estimates and assumptions annually.

Management authorized these concluded financial statements on August 12, 2014.

3. Cash and cash equivalents

	Company		Consolidated	
	06/30/2014	**12/31/2013**	**06/30/2014**	**12/31/2013**
Cash	**1**	1	**1**	1
Bank	**1,975**	17	**349,580**	33,581
	1,976	18	**349,581**	33,582
Domestic	**1,976**	18	**2,058**	258
Abroad	**-**	-	**347,523**	33,324

Short-term investments mainly comprise (i) financial investments paid abroad, and mostly in U.S. dollars, issued by first-tier banks, and (ii) investment fund in U.S. dollars backed by American Treasury securities (Treasury Liquidity Fund), managed by JP Morgan.

4. Marketable securities

		Company		Consolidated	
Bank	**Remuneration**	**06/30/2014**	**12/31/2013**	**06/30/2014**	**12/31/2013**
Brasil - Repurchase					
Bradesco	CDI	**-**	-	**-**	31,033
Itaú BBA	CDI	**44**	18,165	**15,488**	35,248
BTG Pactual	CDI	**-**	-	**-**	31,023
Citibank		**-**	-	**-**	22,688
Chase		**-**	-	**-**	965
Total for trading		**44**	18,165	**15,488**	120,957

Financial investments mainly comprise repurchase agreements backed by debentures, in national currency, issued by banks considered investment grade by the major ratings agencies. Financial investments are remunerated based on Interbank Deposit Certificate (CDI).

For guarantee

At December 31, 2013, the Company had guarantee deposits for the amount of R$ 273,001 which were substantially linked to Polvo field acquisition, as discussed in Note 10, which were released with the closing of the transaction, as well as resources to the financial guarantee for the loan with Credit Suisse, also used in anticipated liquidation of debit, as described in note 12. At June 30, 2014, the Company had no loan obligation, as well as guarantees that restricted their liquidity.

5. Taxes recoverable

	Company		Consolidated	
	06/30/2014	**12/31/2013**	**06/30/2014**	**12/31/2013**
Income and social contribution taxes	**15,325**	14,222	**38,337**	34,403
PIS / COFINS	**-**	-	**7,658**	**-**
VAT	**-**	-	**7,724**	8,039
Other	**-**	-	**41**	81
	15,325	14,222	**53,761**	42,523

6. Assets held for sale

On 2012, the Group began the process of divesting of non-core assets. This process includes the sale of the remaining fleet of helicopters, the sale of the subsidiary IPEX and helitransportable drilling rigs, besides the sale of subsidiary Air Amazonia and part of the aircraft fleet, which was completed in the third quarter of 2013.:

	06/30/2014	**12/31/2013**
Aircrafts		
Quantity	**7**	8
Cost of aircrafts	**151,639**	151,639
Accumulated depreciation of aircrafts	**(31,858)**	(31,858)
Write-off of aircrafts sold	**(75,520)**	(64,005)
Translation adjustment	**13,893**	16,050
	58,154	71,826
Rigs		
Quantity	**4**	4
Cost of rigs	**126,860**	126,860
Loss on revaluation to Market value	**(59,994)**	(59,994)
Translation adjustment	**12,424**	16,848
	79,290	83,714
Cranes		
Qunatity	**4**	-
Cost of cranes	**5,547**	-
Translation adjustment	**780**	-
	6,327	-
	143,771	155,540

Assets held for sale are recorded at historical cost or fair value, whichever is lower.

The sale of 4 drilling rigs are included in the value of the transaction concluded with Rosneft on March 21, 2014, and the Company has received advance payment for this sale the amount of R$ 39.6 million. During this period the HRT BV completed the sale of one helicopter and received R$ 6 million.

7. Advances to suppliers

	Company		Consolidated	
	06/30/2014	**12/31/2013**	**06/30/2014**	**12/31/2013**
Queiroz Galvão Óleo & Gás	**-**	-	**21,553**	13,347
Geoquasar Energy	**-**	-	**18,234**	15,530
Garantia BW (PROSAFE)	**-**	-	**17,202**	-
Other	**114**	113	**4,859**	4,131
(-) Accrual for non-performing	**-**	-	**(14,893)**	-
	114	113	**46,955**	33,008

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. The advances to Geoquasar refer to deposits in court made by determination of the Ministry of Labor. The advances to BW Offshore (Prosafe) refer to contractual commitments and are held as collateral from leases and operation of FPSO Polvo.

8. Investments

Concession portfolio

At June 30, 2014 the Group's subsidiaries were part in the following concessions in Brazilian basins and had the following *Petroleum Exploration Licenses* in Namibian basins:

Country	Basin	Blocks	Operator	% HRT
Brasil	Solimões	SOL-T-148	HRTOG	55%
Brasil	Solimões	SOL-T-149	HRTOG	55%
Brasil	Solimões	SOL-T-169	HRTOG	55%
Brasil	Solimões	SOL-T-168	HRTOG	55%
Brasil	Solimões	SOL-T-170	HRTOG	55%
Brasil	Solimões	SOL-T-191	HRTOG	55%
Brasil	Solimões	SOL-T-192	HRTOG	55%
Brasil	Solimões	SOL-T-214	HRTOG	55%
Brasil	Solimões	SOL-T-215	HRTOG	55%
Brasil	Solimões	SOL-T-216	HRTOG	55%
Brasil	Solimões	SOL-T-217	HRTOG	55%
Brasil	Solimões	SOL-T-194	HRTOG	55%
Brasil	Solimões	SOL-T-195	HRTOG	55%
Brasil	Solimões	SOL-T-151	HRTOG	55%
Brasil	Solimões	SOL-T-174	HRTOG	55%
Brasil	Solimões	SOL-T-197	HRTOG	55%
Brasil	Solimões	SOL-T-196	HRTOG	55%
Brasil	Solimões	SOL-T-218	HRTOG	55%
Brasil	Espírito Santo	ES-T-400	HRTAF	10%
Brasil	Recôncavo	REC-T-158	HRTAF	10%
Brasil	Campos	BM-C-8	HRTOG	60%
Namíbia	Orange	PEL028	HRT Luderitz	77,2%
Namíbia	Orange	PEL024	Kunene	86%
Namíbia	Orange	PEL022	Orange	95%
Namíbia	Walvis	PEL023	HRT Walvis	86%

(*) The terms of the exploration period, as well as its estimated activities, are detailed in Note 21.

a) Breakdown of Investment

	Company	
	06/30/2014	**12/31/2013**
HRT O&G Exploração e Produção de Petróleo Ltda.	**1,059,865**	1,049,485
IPEX - Integrated Petroleum Expertise Company Serviços em Petróleo Ltda.	**(4,911)**	(4,048)
HRT América	**9,550**	12,174
HRT Africa	**458,465**	434,085
	1,522,969	1,491,696

8. **Investimentos**--Continuação

b) Changes in investments

	HRTOG	IPEX	HRTBV	HRT África	HRT America	Air Amazonia	Total
Balance at January 1, 2013	1,820,451	(4,303)	211,023	1,468,334	13,334	(64,502)	3,444,337
Capital increase	34,016	-	-	217,940	-	2,612	254,568
Merger of UNX by HRT Africa	-	-	(283,807)	283,807	-	-	-
Equity pick-up	(794,361)	255	50,921	(1,428,065)	(3,106)	73,802	(2,100,554)
Sale of shareholding	-	-	-	-	-	(11,912)	(11,912)
Cumulative translation adjustment	(10,621)	-	21,863	13,890	1,946	-	27,078
Impairment	-	-	-	(121,821)	-	-	(121,821)
Balance at December 31, 2013	**1,049,485**	**(4,048)**	**-**	**434,085**	**12,174**	**-**	**1,491,696**
Capital increase	-	-	-	497	-	-	497
Equity pick-up	9,094	(863)	-	17,039	(1,681)	-	23,589
Cumulative translation adjustment	1,286	-	-	6,844	(943)	-	7,187
Balance at June 30, 2014	**1,059,865**	**(4,911)**	**-**	**458,465**	**9,550**	**-**	**1,522,969**

(*) Goodwill determined on the acquisition of HRT Canada (former UNX) comprises two amounts: (i) R$1,195,677 referring to the difference between fair value and the Group's net book assets; and (ii) R$406,530 referring to deferred income tax on goodwill.

(*) Due to the ownership restructuring carried out during the second quarter of 2012, the portion of goodwill and deferred tax liability, in the amount of R$406,530, that it originated in the acquisition of HRT Canada (former UNX) on the effect of the difference between accounting and tax bases of assets acquired applied to effective tax rate in Canada of 26.5% was transferred (pushed down) to subsidiary HRT Africa. Additional taxation in Brazil of 7.5%, stemming from the difference in the Brazilian tax rate of 34%. The Canadian rate remains in the parent company, as well as the corresponding goodwill for future profitability.

c) Significant information on investees

	HRTOG	IPEX	HRT Africa	HRT America
Direct interest	**100%**	**100%**	**84%**	**100%**
Indirect interest	**0%**	**0%**	**16%**	**0%**
Equity	**1,059,865**	**(4,911)**	**544,686**	**9,550**
Income for the Year	**9,094**	**(863)**	**20,242**	**(1,681)**
Total assets	**1,547,111**	**6,146**	**638,485**	**15,762**

(*) The revenue among related parties of IPEX, HRT BV and AA was eliminated against intangible assets for consolidation purposes, as well as for calculation of investments and equity pick-up.

9. Property, plant and equipment (Consolidated)

a) Breakdown of balances

	Depreciation rate %	Historical Cost	Accumulated Depreciation	Translation Adjustment	Balance at 06/30/2014	Balance at 31/12/2013
In operation						
Sculptures	-	26	-	-	26	26
Vessels	10	694	(186)	-	508	543
Machinery and equipment	10	12,241	(4,188)	20	8,073	8,677
Furniture and fixtures	10	6,477	(2,780)	293	3,990	4,158
Communication equipment	20	542	(329)	-	213	265
Vehicles	20	9,987	(5,655)	228	4,559	5,581
IT equipment	20	10,532	(6,916)	535	4,151	4,639
Leasehold improvements	4	68,256	(12,581)	1,563	57,238	57,534
Facilities	10	9,406	(1,715)	1,004	8,694	8,983
In progress						
Material for use and consumption (wells)	-	56,260	-	-	56,260	41,989
Advances for acquisition of cranes	-	-	-	-	-	6,729
Total	-	174,421	(34,350)	3,642	143,713	139,124

b) Changes in balances

	Balance at 01/01/2014	Additions	Write-offs	Depreciation	Impairment	Translation Adjustments	Change to Asset held for sale	Balance at 06/30/2014
In Operation								
Sculptures	26	-	-	-	-	-	-	26
Vessels	543	-	-	(35)	-	-	-	508
Machinery and equipment	8,677	-	-	(624)	-	20	-	8,073
Furniture and fixtures	4,158	-	-	(326)	-	158	-	3,990
Communication equipment	265	-	-	(51)	-	-	-	214
Vehicles	5,581	-	(78)	(987)	-	44	-	4,560
IT equipment	4,639	16	-	(783)	-	279	-	4,151
Leasehold improvements	57,534	11	-	(1,450)	-	1,142	-	57,237
Facilities	8,983	-	-	(288)	-	-	-	8,695
In Operation								
Material for use and consumption (wells)	41,989	14,271	-	-	-	-	-	56,260
Advances for acquisition of cranes	6,729	-	-	-	-	(402)	(6,327)	-
Total	139,124	14,298	(78)	(4,544)	-	1,241	(6,327)	143,714

	Balance at 01/01/2013	Additions	Write-offs	Depreciation	Impairment	Translation Adjustments	Transf. Into assets held for sale	Balance at 12/31/2013
In operation								
Aircraft	133,838	-	(64,005)	(14,057)	-	16,050	(71,826)	-
Sculptures	26	-	-	-	-	-	-	26
Vessels	613	-	-	(70)	-	-	-	543
Machinery and equipment	9,788	112	-	(1,223)	-	-	-	8,677
Furniture and fixtures	4,826	323	(373)	(657)	-	39	-	4,158
Communication equipment	359	5	-	(99)	-	-	-	265
Vehicles	7,362	43	-	(1,932)	-	108	-	5,581
IT equipment	6,589	-	(197)	(1,878)	-	125	-	4,639
Leasehold improvements	60,394	-	(96)	(3,068)	-	304	-	57,534
Facilities	8,786	-	-	(575)	-	772	-	8,983
In progress								
Material for use and consumption (wells)	39,446	2,543	-	-	-	-	-	41,989
Advances for acquisition of cranes	5,641	262	-	-	-	826	-	6,729
Advances for acquisition of rig	115,108	11,752	-	-	(59,994)	16,848	(83,714)	-
Other	1,086	-	(1,086)	-	-	-	-	-
Total	393,862	15,040	(65,757)	(23,559)	(59,994)	35,072	(155,540)	139,124

10. Intangible assets (Consolidated)

a) Balance breakdown

	% - Amortization rate	Consolidated	
		06/30/2014	12/31/2013
Oil & Gas assets			
Subscription bonus - Solimões Basin	(*)	**135,707**	135,707
Subscription bonus – Walvis Basin	(*)	**10,449**	10,449
Subscription bonus – Orange Basin	(*)	**328,443**	349,335
Subscription bonus - Recôncavo - ES	(*)	**151**	151
Polvo acquisition	(*)	**206,508**	-
Exploration expenses	(*)	**486,754**	487,488
Software and other	20	**11,985**	11,018
		1,179,997	994,148
Accumulated amortization		**(53,872)**	(5,833)
Total		**1,126,125**	988,315

b) Changes in balances

	Balance at 01/01/2013	Additions	Write-offs	Amortization	Impairment	Translation Adjustments	Balance at 12/31/2013
Subscription bonus - Solimões Basin	167,095	-	(20,445)	-	(10,943)	-	135,707
Subscription bonus – Walvis Basin	53,689	-	-	-	(43,240)	-	10,449
Subscription bonus – Orange Basin	1,278,703	-	-	-	(973,971)	44,603	349,335
Subscription bonus - Recôncavo - ES	165	-	(14)	-	-	-	151
Exploration expenses	810,270	509,739	(641,712)	-	(190,809)	-	487,488
Software and other	6,959	-	-	(1,774)	-	-	5,185
Goodwill	406,530	-	-	-	(406,530)	-	-
	2,723,411	509,739	(662,171)	(1,774)	(1,625,493)	44,603	988,315

	Balance at 01/01/2014	**Additions**	**Write-offs**	**Amortization**	**Impairment**	**Translation Adjustments**	**Balance at 06/30/2014**
Subscription bonus - Solimões Basin	**135,707**	**-**	**-**	**-**	**-**	**-**	**135,707**
Subscription bonus – Walvis Basin	**10,449**	**-**	**-**	**-**	**-**	**-**	**10,449**
Subscription bonus – Orange Basin	**349,335**	**-**	**-**	**-**	**-**	**(20,892)**	**328,443**
Subscription bonus - Recôncavo - ES	**151**	**-**	**-**	**-**	**-**	**-**	**151**
Polvo acquisition	**-**	**206,508**	**-**	**(47,107)**	**-**	**-**	**159,401**
Exploration expenses	**487,488**	**-**	**(734)**	**-**	**-**	**-**	**486,754**
Software and other	**5,185**	**1,298**	**-**	**(932)**	**-**	**(331)**	**5,220**
	988,315	**207,806**	**(734)**	**(48,039)**	**-**	**(21,223)**	**1,126,125**

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

10. Intangible assets (Consolidated)--Continued

b) Changes in balances--Continued

The subscription bonus for each block is presented below:

Blocks	12/31/2013	Acquisitions	Amortization	Translation Adjustment	06/30/2014
Onshore					
SOL-T-168	10,492	-	-	-	**10,492**
SOL-T-169	5,802	-	-	-	**5,802**
SOL-T-170	4,010	-	-	-	**4,010**
SOL-T-191	9,903	-	-	-	**9,903**
SOL-T-192	10,561	-	-	-	**10,561**
SOL-T-214	9,892	-	-	-	**9,892**
SOL-T-215	10,553	-	-	-	**10,553**
SOL-T-216	10,553	-	-	-	**10,553**
SOL-T-217	10,553	-	-	-	**10,553**
SOL-T-151	8,593	-	-	-	**8,593**
SOL-T-174	10,567	-	-	-	**10,567**
SOL-T-194	8,049	-	-	-	**8,049**
SOL-T-195	4,400	-	-	-	**4,400**
SOL-T-196	5,940	-	-	-	**5,940**
SOL-T-197	10,561	-	-	-	**10,561**
SOL-T-218	5,278	-	-	-	**5,278**
Total Solimões	135,707	-	-	-	**135,707**
ES-BT-400	100	-	-	-	**100**
REC-T-158	51	-	-	-	**51**
Total other onshore in Brazil	151	-	-	-	**151**
Total onshore bonus	135,858	-	-	-	**135,858**
Offshore					
PEL 0023	10,449	-	-	-	**10,449**
PEL 0028	22,980	-	-	**(1,374)**	**21,606**
PEL 0024	232,372	-	-	**(13,897)**	**218,475**
PEL 0022	93,983	-	-	**(5,621)**	**88,362**
BM-C-8 (Polvo)	-	**206,508**	**(47,107)**	-	**159,401**
Total offshore bonus	359,784	**206,508**	**(47,107)**	**(20,892)**	**498,293**

Regarding the blocks in Solimões Basin, the terms for exploration of SOL-T-151, SOL-T-174, SOL-T-192, SOL-T-196, SOL-T-197, SOL-T-214, SOL-T-215, SOL-T-216, SOL-T-217 and SOL-T-218 blocks were postponed for another 4 years. The Group's strategy includes the farm-out of a portion of this project as alternative for investment financing. Also, a study was performed regarding monetization of gas findings, and alternatives for deployment are underway by the current partner in these assets (Rosneft) and other potential partners for development of assets.

10. Intangible assets (Consolidated)--Continued

b) Changes in balances--Continued

HRTO&G requested ANP to postpone or suspend the second phase of the exploration period regarding SOL-T-148 and SOL-T-149 blocks. On January 28, 2014, the company received an official letter informing that the request was rejected, the final term of May 5, 2014 being maintained.

Management decided to record a provision for impairment in the amount of the bonuses relating to SOL-T-148 and SOL-T-149 blocks, or R$4,630 at December 2013. The Company is still awaiting the final position of ANP related to the request for extension of these two blocks.

Regarding SOL-T-195 block, the Company also requested ANP to postpone the second phase of the exploration period HRT obtained the extension for two years, through official letter No. 790/2014 / SEP released on July 17, 2014.

Regarding the Namibia project, costs for drilling Wingat, Murombe and Moosehead wells were transferred to P&L according to the best accounting practices.

On December 31, 2013, the Group performed an impairment test that indicated a loss of R$945,535. Despite the negative result, HRT currently has no plans to return any of its exploration blocks, except for those already written-off, since it intends to proceed with its exploration program. For licenses expiring in Namibia, HRT has initiated negotiations with partners as well as with the Namibian Government, in order to request extensions of the same.

On June 30, 2014, were not identified indicators of impairment in addition to those already registered.

Business Combination

On January 8th, 2014 the commercial transaction with BP Energy do Brasil Ltda ("BP") for the transfer of 60% working interest in the Polvo Field to HRT, becoming the operator. In addition, HRT acquired 100% interest in BP ENERGY AMERICA, LLC ("BPEA") which owns the fixed platform, "Polvo A" and a 3,000 HP drilling rig that operates in the field.

10. Intangible assets (Consolidated)--Continued

b) Changes in balances--Continued
Combinações de negócios--Continuação

In accordance with contractual terms, the final value to be used as the purchase price is still subject to review by the Company and may be changed related to preliminary figures subject to settlement on January 8, 2014. Scheduled for completion of the Final purchase price to be held in the third quarter of 2014.

	US$
Original value of the transaction - based January 1st, 2013	**135,000**
(-) Price adjustments	**-54,528**
(+) Guarantees transferred contracts	**7,356**
(+) Balance of the joint venture cash - on January 1st, 2013	**4,351**
Adjusted value of the transaction	**92,179**
(+)Transfer taxes Inventories	**11,530**
Consideration paid until January 2014	**103,709(*)**

(*) Equivalent of R$ 246.610 at the transaction date.

The Company valued at the date of acquisition, the assets acquired and liabilities assumed at their fair values. The appraisal report prepared by independent evaluators is being prepared. As provided for Brazilian FASB CPC 15 (R1) - Business Combinations, during the measurement period, the initial allocation of the purchase price may be updated. The expectation is that the final allocation of the purchase price will be reflected on the various elements of the oil and gas assets, namely:

- Concession Contract.
- Production platform.
- Drilling rigs.
- Contracts with suppliers, mainly operating lease of the FPSO.

The Company entered an independent third party to assist in the validation process of the allocation of the purchase price and achieve your final analysis completed in the second quarter of 2014, as well as evaluating the platform and drilling rig acquired.

10. Intangible assets (Consolidated)--Continued

Allocations made in the acquisition are presented below:

	R$ thousand
Assets	
Current assets	
Cash and cash equivalents	46,628
Advances to suppliers	17,202
Inventories	35,455
Recoverable taxes	7,552
	106,837
Noncurrent assets	
Oil and gas assets	233,580
	233,580
Total assets	**340,417**
Liabilities and shareholders' equity	
Current liabilities	
Advances from partners	16,359
	16,359
Noncurrent liabilities	
Asset retirement obligation	77,448
	77,448
Total liabilities and equity	**93,807**
Consideration paid	**246,610**

11. Suppliers (Consolidated)

	Consolidated	
	06/30/2014	**12/31/2013**
Domestic suppliers	**83,082**	60,287
Suppliers Abroad	**22,098**	3,075
	105,180	63,362

At June 30, 2014, the primary amounts payable regarding operations in the Solimões basin relate to Geoquasar, J.Malucelli and Air Amazonia. Regarding the Polvo field operations, the main values are Ventura Petróleo, Bram, Tobras, BHS and BW.

12. Loans (consolidated)

	Consolidated	
	06/30/2014	**12/31/2013**
Current		
Credit Suisse	**-**	70,380
Total	**-**	70,380

HRT O&G entered into a financing agreement with Credit Suisse in the amount of US$75,000, effective for 24 months. According to the agreement, repayment will be made in 6 installments, as follows: fixed rate of 7.25% p.a. and variable rate of 1.5% on the estimated production of the asset in the first 12 months, and 1.25% on the production estimated for the period between the 13th and 24th month.

The first repayment, in the amount of US$40 million, was made on October 15, 2013, and the outstanding balance would be paid in 5 quarterly installments as from April 2014, as explained above. On February 21, 2014, HRTO&G settled the outstanding balance of this financing.

13. Advances from partners in Oil and Gas operations

The amounts held in liabilities refer to amounts received from the respective projects of exploration and production of oil in the HRT is the operator, for which there has not been investment of funds and their compensation will occur through the provision of monthly bills.

Solimões

In 2011, HRTO&G entered into an FOA (Farm-Out Agreement) with Rosneft Brasil E&P related to the 19 blocks of Solimões consortium, through which HRTOG undertook to fund investments for the exploration program of Solimões consortium, without the proportional interest of Rosneft Brasil E&P, until March 2013, with disbursements totaling US$175 million.

By March 31, 2014, Rosneft Brasil E&P made all payments issued through the cash calls determined by February 2014, proportionally to its interest of 45%.

Namíbia

On November 26, 2012, HRT, through its Namibian subsidiaries, executed a Farm-Out Agreement with Galp Energia, in which it assigns 14% of its interest held in exploration rights of 3 Petroleum Exploration Licenses (PEL 23, 24 and 28). This transaction was approved by the Ministry of Mines and Energy (MME) on January 24, 2013.

Until December 31, 2013 HRT had already received five contributions from GALP, in the amount of US$77,026 (equivalent to R$171,861) related to the drilling of Wingat, Murombe and Moosehead wells. The amounts received have already been allocated to the respective projects.

Additionally, in 2014, HRT received R $ 2,562 related to participation in Galp costs of Namibia.

Polvo

On January 8, 2014 HRT O&G concludes the business transaction with BP Energy do Brasil Ltda ("BP") for the acquisition of 60% stake in the Polvo field, becoming the operator, whose partner Maersk Energia Ltda.

Until June 30, 2014, Maersk Energia Ltda made all payments issued through cash calls to May 2014 calculated in its proportion of 40%.

14. Operating lease (lessee)

FPSO (leased Floating, Production, Storage and Offloading from Prosafe Production B.V.)

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

HRTO&G (lessee) entered into lease agreement involving one FPSO. The agreement was entered into on December 10, 2013, shall be effective for one year and may be renewed annually up to a maximum period of May 1, 2022.

15. Taxes and social contributions

	Company		Consolidated	
	06/30/2014	12/31/2013	**06/30/2014**	12/31/2013
PIS and COFINS on service imports	**2**	-	**667**	-
Service Tax (ISS)	**46**	45	**3,510**	3,808
Withholding Income Tax (IRRF) on services	**2,939**	1,253	**4,695**	3,285
Social contribution tax on services	**229**	31	**3,260**	3,444
Social Security Tax (INSS)	**6,934**	6,825	**15,393**	14,624
Unemployment Compensation Fund (FGTS)	**541**	575	**902**	921
Other	**9**	8	**770**	219
	10,700	8,737	**29,197**	26,301

16. Current and deferred income and social contribution taxes

Company	Tax loss		Tax credit	
	06/30/2014	**12/31/2013**	**06/30/2014**	**12/31/2013**
HRTP	**60,463**	47,503	**20,557**	16,151
HRTOG	**611,648**	608,269	**207,960**	206,812
IPEX	**14,315**	13,564	**4,867**	4,612
HRTAF	**9,997**	9,038	**3,399**	3,073
	696,423	678,374	**236,783**	230,648

The Group has tax loss carryforwards generated in Brazil which may be offset against future taxable profit, limited, however, to 30% of this figure for the year. Due to the absence of a history of profitability and uncertainties surrounding the Group's segment, management chose not to register the tax loss carryforwards, which will be recorded to the extent that future tax credits are generated.

16. Current and deferred income and social contribution taxes--Continued

At June 30, 2014, the Group had a balance of R$80,786, due to deferred income tax liabilities arising from differences between the accounting base and the tax base of assets arising from the acquisition of HRT Canada, as a consequence of the amount not being deductible by Canadian legislation.

The amount of deferred income and social contribution tax liabilities are as follows:

	Company		Consolidated	
	06/30/2014	**12/31/2013**	**06/30/2014**	**12/31/2013**
Temporary differences on fair value recognized assets on business combinations	**65,893**	63,450	**129,294**	126,877
	65,893	63,450	**129,294**	126,877

At November 2013 was published the Provisional Executive Order No. 627 (“MP 627”) establishing that no incidence of taxation on profits and dividends calculated based on the results reported between January 1, 2008 and December 31, 2013, by the corporations taxed based on actual, presumed or arbitrated profit, effectively paid until the date of publication of the Provisional Executive Order, higher than those calculated in compliance with the applicable accounting methods and criteria on December 31, 2007, since the company that has paid dividends or profits opted for early adoption of the new tax regime starting in 2014.

In May 2014, this Provisional Executive Order was converted into Law No. 12,973, as amended on some devices, including with regard to the treatment of dividends, interest on capital and investment appraisal for the value of equity. Differently than anticipated Provisional Executive Order, the Law No. 12,973 established the non tax incidence unconditionally for profits and dividends calculated based on the results reported between January 1, 2008 and December 31, 2013

The Group prepared an analysis of the possible effects of Law No. 12,973, and concluded that they have no significant effect on its operations and financial statements for June 30, 2014 and December 31, 2013 and is evaluating whether or not opt for anticipation of its effects, which should be manifested in the Statement of Charges and Federal Tax Credits (DCTF) relating to events that occurred in the month to be determined by the Receita Federal do Brasil (SRFB).

17. Asset Retirement Obligation (ARO)

The changes in balance of ARO are as follows:

	06/30/2014
At January 8, 2014	**77,448**
Updating interest	**5,171**
At June 30, 2014	**82,619**

Asset Retirement Obligation (ARO) estimated were accrued for the period ended June 30, 2014. This accrual reflects the estimated present value discounted at the rate of 13.8% per annum with prediction for abandonment. This accrual reflects the estimated expenses to be incurred, including but not limited to buffering of wells and removal of lines and production equipment.

The amount accrued up to June 30, 2014 was R $ 82,619 for a 60% stake in the Polvo consortium.

18. Equity

18.1. Capital

At June 30, 2014, the subscribed and paid-in capital in the amount of R$3,821,206 is divided into 29,764,425 common registered book-entry shares, with no par value (after the reverse split approved by the Extraordinary General Meeting (EGM) on June 24, 2014 and concluded on August 4, 2014, at the ratio of 10 to 1). The Group's authorized capital is R$10,000,000,000.00 (ten billion *Reais*).

It is worth mentioning that at the Annual and Special Shareholders' Meeting held on April 27, 2012, the split of shares issued by the Group at the ledge of 1/50 was approved, so that each share issued by the Company is represented by 50 (fifty) shares.

On June 24, 2014 was approved at an EGM, the reverse split of shares of the Company at the ratio of 10 to 1, also including the grouping of Global Depositary Shares ("GDSs") issued and outstanding of the Company, being maintained the ratio of two GDSs for each common share until then in force.

Capital increases were made through issue of shares of the same type, as follows:

Datas	Valor	Nº de ações
Total capital at December 31, 2013	**3.821.205**	**29.746.675**
Payment of stock option	**1**	**17.750**
Total capital at June 30, 2014	**3.821.206**	**29.764.425**

18.2. Share-based payment

First program (SOP I)

On May 14, 2010, the Company approved the First Stock Option Program, totaling 10,342 shares, 4,926,000 shares after the share split in October 2010 and 2012. From this total, 4,412,050 shares have already been issued and exercised and 470,600 cancelled options.

The Company's Board of Directors proposed the creation of two new incentive plans to be managed and implemented by the Executive Board.

18. Equity--Continued

18.2. Share-based payment--Continue

Retention Plan (SOP II)

On May 9, 2012, the Board of Directors approved the granting of subscription options for up to 6,622,950 shares of the Company to management and certain employees, aiming at the retention of these important employees.

Until June 30, 2014, 1,478,524 shares have already been issued and exercised and 870,124 cancelled options.

As provided for in Accounting Pronouncement CPC 10 (IFRS 2) - Share-based payments, the fair value of the financial instrument is measured at the grant date of options using the Black-Scholes Merton pricing model based on the following assumptions:

Total shares granted (a)	**6,630,450**
Price per share (in *Reais*)	**R$2.22**
Fair value of the option on the grant date (in *Reais*)	**R$6.42**
Estimated average volatility of price per share	**127.49%**
Risk free average rate of return	**8.74%**
Option duration	**3 years**

Performance Bonus (SOP III)

On January, 2013 the Executive Board approved the granting of subscription options for up to 5,449,039 shares of the Company to management and strategic employees, aiming not only the retention of these important employees, but also the necessary stability required for HRT Group continuity of activities. Until June 30, 2014, 980,872 shares have already been issued and exercised and 939,311 cancelled options.

As provided for in Accounting Pronouncement CPC 10 (IFRS 2) - Share-based payments, the fair value of the financial instrument is measured at the grant date of options using the Black-Scholes Merton pricing model based on the following assumptions:

Total shares granted (a)	**5,449,039**
Price per share (in *Reais*)	**R$2.06**
Fair value of the option on the grant date (in *Reais*)	**R$5.87**
Estimated average volatility of price per share	**74.22%**
Risk free average rate of return	**8.22%**
Option duration	**immediate**

18. **Equity**--Continued

18.2. **Share-based payment**--Continue

Fourth program (SOP IV)

Under the terms of the Board of Directors of the Company held on November 11, 2013 and signed with management contracts between the Company and two directors, were granted 1,750,000 shares of the Company with the main objective of retaining administrators according to the Incentive Plan to Attract and Retain Strategic Employees, approved by the Extraordinary General Meeting on April 27, 2011. Until June 30, 2014, none shares have already been issued and exercised and 224,973 cancelled options.

As provided for in Accounting Pronouncement CPC 10 (IFRS 2) - Share-based payments, the fair value of the financial instrument is measured at the grant date of options using the Black-Scholes Merton pricing model based on the following assumptions:

Total shares granted (a)	**1,750,000**
Price per share (in *Reais*)	**R$0.79**
Fair value of the option on the grant date (in *Reais*)	**R$0.48**
Estimated average volatility of price per share	**0.7782%**
Risk free average rate of return	**9.50%**
Option duration	**3 years**

18. Equity--Continued

18.3. Earnings per share

In compliance with CPC 41 (IAS 33) (approved by CVM Rule No. 636, of August 6, 2010 - Earnings per Share), the Group presents the following information on earnings per share for the periods ended June 30, 2014 and 2013.

Basic earnings per share are calculated by dividing net income for the year attributed to the Company's common and preferred shareholders by the weighted average number of common and preferred shares available in the period.

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

The table below shows P&L data and shares used to calculate basic and diluted earnings/loss per share:

Basic and diluted earnings (loss) per share	06/30/2014	06/30/2013
Numerator		
Profit (Loss) for the year attributed to the Group shareholders	**11,442**	(645,239)
Denominator (in thousands of shares)		
Weighted average number of common shares adjusted by dilution effect	**29,748**	296,037
Loss basic and diluted per share	**0,385**	(2,180)

19. Transactions with related parties

Intercompany agreements

Business transactions of HRTP with its subsidiaries are carried out at regular market prices and conditions.

Key management personnel compensation

Key management personnel compensation for the period ended June 30, 2014, totaled R$2,618 (R$8,119 in 2013).

Loans between related parties

At June 30, 2014 a loan agreement between the HRT Africa (lender) and HRT Participações (borrower) in the amount of R$ 1,996 was entered. This contract has a term of 180 days and its correction factor is the CDI (Interbank Deposit Certificate).

20. Gross Operating Margin

	Consolidated
	06/30/2014
Net revenue	**280,907**
Cost of products/services	
Cost of oil production	**(135,237)**
Royalties	**(24,113)**
Depreciation and amortization	**(43,101)**
Gross operating margin	**78,456**

On June 30, 2014 the oil and gas in store in the amount of R$12,261 is representative of 88 thousands bbl.

21. Guarantees and commitments

At June 30, 2014, the Group and subsidiaries entered into various agreements with suppliers for exploration activities, most of which are “umbrella agreements” involving services, materials and equipment to be provided with different maturities, basically concerning lease and operation of rigs, drilling services, supply of fuel, seismic, among others
.

21. Guarantees and commitments --Continued

The 19 Solimões Basin Blocks under concession are in the Second Exploration Period with minimum commitment to drilling one well per block, up to the litho-stratigraphic horizon of the Juruá Formation, as follows:

Block	Exploration period	Conclusion	Minimum exploration program	Activity performed	Note
SOL-T-169	Second	02/16/2014	1 well per block	Drilled 1-HRT-2-AM and 1-HRT-8-AM	Presented the Discovery Assessment Plan - PAD
SOL-T-168 SOL-T-170 SOL-T-191	Second	03/20/2014	1 well per block	Drilled 1-HRT-3-AM Drilled 1-HRT-1-AM and 1-HRT-6-AM Drilled 1-HRT-9-AM	Presented the Discovery Assessment Plan - PAD
SOL-T-148 SOL-T-149 SOL-T-172 SOL-T-194 SOL-T-195	Second	05/05/2014	1 well per block	SOL-T-172: Drilled 1-HRT-11-AM SOL-T-194: Drilled 1-HRT-4-AM and 1-HRT-7-AM	SOL-T-148 and SOL-T-149: Request for extension of the exploration phase for 2 more years presented to ANP SOL-T-172: Block to be returned to ANP SOL-T-194: Presented PAD SOL-T-195: Granted extension of time for two years, from 07/09/2014
SOL-T-151 SOL-T-174 SOL-T-192 SOL-T-196 SOL-T-197 SOL-T-214 SOL-T-215 SOL-T-216 SOL-T-217 SOL-T-218	Second	03/03/2017	1 well per block	SOL-T-192: Drilled 1-HRT-5-AM and 1-HRT-10-AM	SOL-T-196 and SOL-T-218: Well linked to commitment of SOL-T-195

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

PEL	Exploration period	Conclusion	Minimum exploration program	Activity Performed
022 (blocks 2815, 2816 and 2915)	2º Period	09/22/2014	USD 3,1MM 1.500 Km seismic 2D or 400 Km^2 seismic 3D	Acquisition of 1.137 km^2 3D seismic
023 (blocks 2112B and 2212A)	2º Períod	06/05/2015	USD 2,0MM 200 Km^2 seismic 3D	Acquisition of 5.359 km^2 3D seismic and well Moosehead-1
024 (blocks 2713A and 2713B)	2º Períod	08/03/2014	USD 1,1MM 1.000 Km seismic 2D or 400 Km^2 seismic 3D	Acquisition of 1.424 km^2 3D seismic and wells Wingat-1 and Murombe-1
028 (blocks 2813A, 2814B and 2914A)	1º Períod	05/14/2015	USD 8,5MM 2.000 Km seismic 2D or 500 Km^2 seismic 3D	Acquisition of 1.237 km^2 3D seismic

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

22. Segment information

Information by business area (operating segment) is presented according to CPC 22 (IFRS 8) - Segment Information. The Group's operations are segmented as follows:

a) Exploration and Production

Include activities of exploration and production of oil and byproducts for sale in Brazil and abroad.

b) Geology and Geophysics

Include geological and geophysical services.

c) Management and others

Include basically the Company's headquarters.

Management monitors business units operating income/losses separately, which allows decision making regarding allocation of funds and performance assessment. Segments are assessed based on operating income or losses, which, in certain cases, as shown in the table below, are measured differently from operating income or expenses in the consolidated financial statements.

22. Segment information--Continued

	06/30/2014					06/30/2013				
	Exploration and production	**Geology and Geophysics Services**	**Management and other**	**Adjustments and eliminations**	**Consolidated**	**Exploration and production**	**Geology and Geophysics Services**	**Management and other**	**Adjustments and eliminations**	**Consolidated**
External net revenue	**278,416**	**2,490**	**-**	**-**	**280,906**	-	2,995	-	-	2,995
Intersegment net revenue	**16,462**	**16,869**	**-**	**(33,331)**	**-**	47,073	9,761	-	(56,834)	-
Net revenue	**294,878**	**19,359**	**-**	**(33,331)**	**280,906**	47,073	12,756	-	(56,834)	2,995
Selling costs	**(214,368)**	**(8,905)**	**-**	**20,822**	**(202,451)**	(12,368)	(6,275)	-	17,542	(1,101)
Gross profit	**80,510**	**10,454**	**-**	**(12,509)**	**78,455**	34,705	6,481	-	(39,292)	1,894
Geology and geophysics expenses	**(13,049)**	**-**	**-**	**9,329**	**(3,720)**	(26,972)	-	-	-	(26,972)
Personnel expenses	**(1,199)**	**(9,797)**	**(5,823)**	**(3,725)**	**(20,544)**	(39,634)	(5,633)	(70,617)	(5,175)	(121,059)
General and administrative expenses	**(17,398)**	**(2,173)**	**(2,229)**	**4,843**	**(16,958)**	(7,099)	(2,791)	(3,434)	-	(13,324)
Expenses with third party services	**(24,864)**	**(288)**	**(5,348)**	**-**	**(30,500)**	(26,116)	(466)	(3,355)	(6,015)	(35,952)
Taxes and fees	**7,231**	**(30)**	**145**	**-**	**7,346**	(3,969)	(152)	(739)	(3,454)	(8,314)
Depreciation expense	**(4,254)**	**(1,128)**	**(94)**	**-**	**(5,476)**	(6,846)	(1,183)	(100)	(6,353)	(14,482)
Dry Well Write off	**-**	**-**	**-**	**-**	**-**	(456,372)	-	-	-	(456,372)
Net financial income	**(9,912)**	**(40)**	**1,204**	**-**	**(8,748)**	22,006	1	8,816	-	30,823
Other operating revenues (expenses)	**10,568**	**-**	**-**	**2,062**	**12,630**	(425)	-	-	-	(425)
Net income before taxes	**27,633**	**(3,002)**	**(12,145)**	**-**	**12,486**	(510,722)	(3,743)	(69,429)	(60,289)	(644,183)

1. Intersegment revenues are eliminated upon consolidation.
2. Segment information considers the income/loss before provision for IRPJ and CSLL.
3. The segment's operational assets and liabilities do not include intersegment balances.

22. Segment information--Continued

Geographic Information

	06/30/2014			
	Exploration and production	**Geology and Geophysics Services**	**Management and others**	**Consolidated**
Current assets				
Brazil	387,639	2,956	18,072	408,667
Abroad	239,686	8,277	-	247,963
Noncurrent assets				
Brazil	919,683	3,149	12,934	935,766
Abroad	335,951	2,935	-	338,886

	12/31/2013			
	Exploration and production	**Geology and Geophysics Services**	**Management and others**	**Consolidated**
Current assets				
Brazil	587,364	2,199	33,771	623,334
Abroad	40,525	9,391	-	49,916
Noncurrent assets				
Brazil	598,476	3,510	13,550	615,536
Abroad	513,865	2,628	-	516,493

23. Financial risk management objectives and policies

The main financial liabilities of HRT refer to trade accounts payable for goods and services to be used in the Group's exploration campaign 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 Group is exposed to market (interest and exchange rates), credit, liquidity and environmental risks. The Group's senior management manages these risks by means of appropriate policies and procedures. All activities involving derivatives are conducted for risk management purposes and are carried out by specialized teams with the adequate skills, experience and supervision. It is the Group's policy not to participate in negotiation of derivatives for speculative purposes.

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

23. Financial risk management objectives and policies--Continued

Market risk

Market risk is the possibility of losses arising from the effect of the fluctuation of market values of financial instruments. As the Group is formed by non-financial companies, a conservative policy is adopted based on management of asset and liability positions, focusing on liquidity and risk mitigation.

Price change risk (oil)

The Company is subject to the price change risk in its main commercial product - oil, which has reference to the Brent price discounted by a variable value traded in each shipment.

HRT maintains preferably exposure to the price cycle, not using derivatives to hedge the sale of oil operations. The following table presents the sensitivity analysis of the price of oil (Brent), with the fair value at June 30, 2014.

Transaction	Risk	Probable Scenario	Scenario (II) -25%	Scenario (III) -50%
Operational revenue – oil sale	Decrease in Brent	285,243	208,812	139,208

Interest rate risk

Available funds are invested in securities issued by first-tier financial institutions, in local currency at variable rates, mostly with daily liquidity, in compliance with prudential concentration limits.

Sensitivity to interest rates

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

Transaction	Risk	Probable Scenario	Scenario (II) -25%	Scenario (III) -50%
Income from financial investiments	Decrease in CDI / Libor	**1**	**(597)**	**(1,194)**

23. Financial risk management objectives and policies--Continued

Sensitivity to interest rates --Continued

For calculation of the amounts included in the above scenarios, charges, earnings and variation in derivatives were projected for the following quarter. Debt charges took into account, under the probable scenario, the interest rate projection disclosed by BM&FBOVESPA for the period. Under scenario II, this projection was increased by 25% and under scenario III, the curve was increased by 50% against the probable scenario.

For earnings from financial investments, the CDI projection disclosed by BM&FBOVESPA for the period was taken into account under the probable scenario, a 25% reduction in the projected CDI was taken into account under scenario II and a 50% reduction was taken into account under scenario III.

Currency risk

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

Regarding sensitivity analysis of derivatives, the Company's Management understands that liabilities with exposure to exchange rate variation and their respective derivatives recorded in the balance sheet must be considered.

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

Transaction	Risk	Probable Scenario	Scenario (II) -25%	Scenario (III) -50%
Balance of financial investments	Decrease in US dollar	6,039	(65,849)	(131,699)
Investments in subsidiaries	Decrease in US dollar	84,451	(920,807)	(1,841,613)

For calculation of the amounts included in the above scenarios, charges and earnings were projected for the following quarter. The exchange rate projection disclosed by BM&FBOVESPA for the period was taken into account under the probable scenario. Under scenario II, this projection was increased by 25% and under scenario III, the curve was increased by 50% against the probable scenario.

Credit risk

This refers to the risk of a business counterparty not complying with an obligation under a financial instrument or agreement with the client, leading to a financial loss.

23. Financial risk management objectives and policies--Continued

Credit risk --Continued

The Group is exposed to credit risk arising from its operating activities, including deposits in banks and/or financial institutions, exchange transactions and other financial instruments. To mitigate these risks, the Group adopts a conservative approach for investments, mostly having daily liquidity and variable rates, in first-tier banks, taking into account the ratings of major risk agencies and complying with prudential concentration limits.

Related to credit risk of its sales operations, the Company analyzes the financial condition of its customers, in conjunction with the provider of marketing services (Trader), which also operates as an intermediary in transactions for the sale of oil

Liquidity risk

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

23. Financial risk management objectives and policies--Continued

Liquidity risk--Continued

Consolidated

	Immediate	Until 12 months	1 to 5 years	Over 5 years	Total
Period ended June 30, 2014					
Assets					
Cash and cash equivalents	**349,581**	**-**	**-**	**-**	**349,581**
Marketable securities	**15,488**	**-**	**-**	**-**	**15,488**
Accounts receivable	**20,863**	**-**	**-**	**-**	**20,863**
Taxes recoverable	**-**	**53,761**	**-**	**-**	**53,761**
Advances to suppliers	**-**	**46,955**	**-**	**-**	**46,955**
Prepaid expenses	**-**	**8,776**	**-**	**-**	**8,776**
Asset held for sale	**-**	**143,771**	**-**	**-**	**143,771**
Inventories	**-**	**12,261**	**-**	**-**	**12,261**
Other	**-**	**11,146**	**4,813**	**-**	**15,959**
Liabilities					
Trade accounts payable	**-**	**(150,093)**	**-**	**-**	**(150,093)**
Advances from partners in oil and gas operations	**-**	**(44,913)**	**-**	**-**	**(44,913)**
Labor charges	**-**	**(12,539)**	**-**	**-**	**(12,539)**
Income and social contribution taxes	**-**	**(29,197)**	**-**	**-**	**(29,197)**
Asset retirement obligation	**-**	**-**	**(82,619)**		**(82,619)**
Other liabilities	**-**	**(16,978)**	**-**	**-**	**(16,978)**
	385,932	**22,950**	**(77,806)**	**-**	**331,076**

	Immediate	Until 12 months	1 to 5 years	Over 5 years	Total
Period ended December 31, 2013					
Assets					
Cash and cash equivalents	33,582	-	-	-	33,582
Marketable securities	120,957	273,001	-	-	393,958
Taxes recoverable	-	42,523	-	-	42,523
Advances to suppliers	-	33,008	-	-	33,008
Advances from partners	-	3,057	-	-	3,057
Asset held for sale	-	155,540	-	-	155,540
Other	-	11,581	4,590	-	16,171
Liabilities					
Loans and financing	-	(70,380)	-	-	(70,380)
Derivative transactions	-	(11,163)	-	-	(11,163)
Trade accounts payable and others	-	(89,259)	-	-	(89,259)
Labor charges	-	(17,669)	-	-	(17,669)
Income and social contribution taxes	-	(26,366)	-	-	(26,366)
Other liabilities	-	(8,968)	-	-	(8,968)
	154,539	294,905	4,590	-	454,034

23. Financial risk management objectives and policies--Continued

Liquidity risk--Continued

Company

Period ended June 30, 2014	Immediate	Until 12 months	1 to 5 years	Over 5 years	Total
Assets					
Cash and cash equivalents	**1,976**	**-**	**-**	**-**	**1,976**
Marketable securities	**44**	**-**	**-**	**-**	**44**
Taxes recoverable	**-**	**15,325**	**-**	**-**	**15,325**
Advances to suppliers	**-**	**114**	**-**	**-**	**114**
Prepaid expenses	**-**	**447**	**-**	**-**	**447**
Related parties	**-**	**-**	**13,846**	**-**	**13,846**
Other	**-**	**131**	**4,406**	**-**	**4,537**
Liabilities					
Trade accounts payable	**-**	**(3,015)**	**-**	**-**	**(3,015)**
Labor charges	**-**	**(7,388)**	**-**	**-**	**(7,388)**
Income and social contribution taxes	**-**	**(10,700)**	**-**	**-**	**(10,700)**
Other liabilities	**-**	**(2,200)**	**-**	**-**	**(2,200)**
	2,020	**(7,286)**	**18,252**	**-**	**12,986**

Period ended December 31, 2013	Immediate	Until 12 months	1 to 5 years	Over 5 years	Total
Assets					
Cash and cash equivalents	18	-	-	-	18
Marketable securities	18,165	-	-	-	18,165
Taxes recoverable	-	14,222	-	-	14,222
Advances to suppliers	-	113	-	-	113
Prepaid expenses	-	1,148	-	-	1,148
Other	-	103	4,392	-	4,495
Liabilities					
Trade accounts payable	-	(3,602)	-	-	(3,602)
Labor charges	-	(8,450)	-	-	(8,450)
Income and social contribution taxes	-	(8,737)	-	-	(8,737)
Other liabilities	-	(180)	-	-	(180)
	18,183	(5,383)	4,392	-	17,192

23. Financial risk management objectives and policies--Continued

Liquidity risk--Continued

Fair value of financial assets and liabilities

The concept of "fair value" assumes a valuation of assets and liabilities based on market prices, in the case of assets with high liquidity, or other pricing mathematical methodologies otherwise. The level of 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 is derived from 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.

24. Environmental risk

The Group has a comprehensive social-environmental program, supported by the Health, Safety and Environment (HSE) management system, consistent with the sensitivity of the Solimões Basin ecosystems, which includes areas of biodiversity and traditional cultures.

25. Insurance coverage

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

In fact, it has, together with other Group companies, coverage against major risks such as property damage, PP&E items and D&O with coverage “A” (damages on behalf of Management), “B” (reimbursement to company) and “C” (coverage extension for claims directly related to the capital market).

Coverage provided by Civil liability (D&O) comprise unavailability of assets and online pledge, D&O’s liabilities, publicity expenses, liabilities due to errors and omissions in service provision, bodily injury, claims of insurer against insured and insured against insured.

Coverage also includes claims for environmental damages, liability of the spouse or partner in a common law marriage, cost of extradition, estate, heirs, successors and legal representatives, administrators of external entities, emergency expenses, and disqualification of the exercise of the administrator function.

The insurance policies in force at June 30, 2014 cover the amount of R$3,786,125 with total premium, according to their effectiveness, of R$12,003. We set out below the main insurance types and insured amounts.:

Insurance/insured peril	Insured amount
Civil liability (D&O)	**200,000**
Fire, lightning, explosion and implosion	**27,414**
Electronic Equipment	**657**
Aircraft	**93,388**
Transportation	**124,200**
Oil risks	**3,325,771**
General civil liability	**12,671**
Vehicles	**459**
Residential	**1,565**
Total amount insured	**3,786,125**

The sum insured and consequently its premium had a significant increase due to contracting Energy Package and cargo insurance for the Polvo Field.

26. Contingencies

The Directors of the Company and its subsidiaries consolidated in the opinion of its legal advisors as to the possibility of success in various lawsuits, understands that the reserves recorded in the balance sheet are sufficient to cover losses considered probable and reasonably estimable.

At June 30, 2014, the Company is party to the following judicial proceedings:

Labor contingencies

Related to actions brought by former employees against the subsidiaries, involving the collection of overtime, hazard pay, wage equality/reclassification, discussion of jobs and salaries and other plan, and also lawsuits filed by former employees of contractors (joint liability and/or joint) with the payment of indemnities and other.

HRT Group is a co-respondent in 271 labor claims totaling approximately twelve million *Reais* (R$12,000,000.00). HRT Group is a party to 35 labor claims totaling approximately thirty three million *Reais* (R$33,000,000.00).

Based on the opinion of the Group's legal advisors, there are 14 labor complaints with the risk rated as "possible" loss. Based on this assessment, the Company decided to recognize a provision for contingencies, following the accounting practices adopted in Brazil and IFRS. The provisions recorded consolidated liabilities for contingencies are as follows:

	Consolidated
Balance at December 31, 2013	**260**
Accrual	57
Write-off/reversal	(184)
Balance at March 31, 2014	**132**
Accrual	28
Write-off/reversal	(78)
Update	29
Balance at June 30, 2014	**113**

26. Contingencies--Continued

Civil contingencies

Related to the actions of commercial and indemnities, filed by individual and legal entities, involving refund of overpayment, property damage and/or punitive damages.

HRT Group is a defendant in ten (10) civil proceedings, totaling approximately twenty three million *Reais* (R$23,000,000.00)

Tax contingencies

Related to tax claims and appeals of charges, subpoenas and tax assessment notices.

HRT Group is a defendant in six (6) administrative proceedings involving tax aspects, totaling approximately nine hundred thousand Reais (R$900,000.00).

Arbitrations

The Group is part of two arbitrations brought, as follows:

1. Tuscany Perfurações Brasil Ltda. and Tuscany Rig Leasing S.A. filed a request for arbitration against HRT O&G, in the amount of US$ 39,644,601.99. HRT is awaiting sentencing trial. According to the Legal Adviser of the case, it is possible the chance of success.

2. The Geoquasar Energy Solutions Participações Ltda. filed on February 28, 2014, the arbitration proceeding against HRT O&G and allocated to arbitration the amount of R$67,292,009.00. HRT O&G is awaiting Geoquasar make payment of the arbitration costs, and, later, the secretariat of the ICC confirm the appointment of the co-arbitrators appointed by the parties. According to the Legal Adviser of the case, it is possible the chance of success.

Public Civil Action

HRTO&G is a defendant in Civil Action filed by the Ministry of Labour, as a result of non-payment of severance pay by Geoquasar, outsourced company that provided services to HRTO&G, whose value is R$ 7,833,761.43 (seven million, eight hundred thirty three thousand, seven hundred sixty-one reais and forty-three cents). The Company is awaiting sentencing trial. According to the Legal Adviser of the case, it is a remote chance of condemnation.

26. **Contingencies**--Continued

Public Civil Action--Continued

Except for the 14 labor claims referred to in this note, based on the opinion of the Group's legal advisors, the likelihood of loss regarding the other proceedings is rated as "possible"; therefore, no provision for contingencies was recognized, in accordance with accounting practices adopted in Brazil and IFRS

27. Subsequent events

27.1. Transfer of Rights to the Polvo Field

The Company, through its subsidiary HRTO&G, entered into a purchase and sale agreement with Maersk Energia Ltda ("Maersk") to acquire 40% stake in the Polvo field in the Campos Basin..

The conclusion of the agreement between HRTO&G and Maersk transaction is subject to certain conditions, among which the final approval of the National Agency of Petroleum, Natural Gas and Biofuels (ANP). When the transaction is completed, HRT dealership will be 100% interest in the Campo de Polvo.

HRT has plans to extended life of this field by increasing production from developed and undeveloped proved reserves (1P) and possible reserves (2P).

27.2. ANP approves transfer of interest in the Solimões Basin

ANP approved on July 9, 2014 the transfer of 6% of the exploration rights, development and production and operation of the 19 blocks under concession in HRTO&G in Solimões Basin that will hold 49% stake to Rosneft Brazil, which now holds 51% stake.

The total value of the transaction was R$96 million. Thus, employees of HRTO&G allocated in the Solimões Project will be transferred, as well as contracts with suppliers and financial guarantees provided to the ANP.

The business transaction ("closing") will be completed at the third quarter of 2014.

27.3. ANP granted extension of the Second Exploration Period of the Block SOL-T-195

ANP, according to official letter No. 790/2014/SEP released on July 17, 2014, granted to HRTO&G extension of two years to the Second Exploration Period of the Block SOL-T-195, located in the Solimões Basin counted from July 9, 2014..

HRT is still awaiting the final position of ANP related to the request for extension of SOL-T-148 and SOL-T-149 blocks.