# Quarterly information - ITR

## Petro Rio S.A.

June 30, 2015
with Independent Auditor´s Review Report on Quarterly Information

**Petro Rio S.A.**

Quarterly information - ITR

June 30, 2015

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# Report on review of interim financial information

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

**Introduction**

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

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

**Scope of Review**

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

**Conclusion on the individual interim financial information**

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

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**Emphasis of matter**

Without qualifying our opinion, we draw attention to Note 6, which indicates that the Company and subsidiaries have significant balance of non-current assets held for sale as of June 30, 2015, the recoverability of which depends on the success of future sales operations. These conditions indicate the existence of significant uncertainty that may cast doubt as to the realization of these non-current assets. The

financial statements do not include any adjustments that would be required if any of the investments is not realized at their expected values, which is contingent upon the success of the negotiations currently in progress. The Company's management plans with respect to these activities are described in Note 6.

**Other matters**

*Statements of Value Added (DVA)*

We have also reviewed the condensed individual and consolidated statements of value added for the three-month period ended March 31, 2015, prepared under the responsibility of the Company's management, the presentation of which in the interim financial information is required by the standards issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Financial Information (ITR), and as supplementary information for IFRS, under which there is no requirement to present a statement of value added. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that they were not presented, in all material respects, in relation to the overall interim condensed individual and interim financial information.

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

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

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

Rio de Janeiro, August 20, 2015.

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

John Alexander Harold Auton
Engagement Partner

## Petro Rio S.A.

Balance sheets (financial position)
June 30, 2015 and December 31, 2014
The financial statements as of June 30, 2015, were reviewed by independent auditors to the extent described in the report of August 20, 2015.
(In thousands of r*eais*)

| | Note | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| | | 06/30/2015 | 12/31/2014 | 06/30/2015 | 12/31/2014 |
| | | | | | Restated |
| **Assets** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 3 | **25,646** | 49 | **327,857** | 350,634 |
| Marketable securities | 4 | **15,042** | 87,924 | **27,781** | 98,312 |
| Accounts receivable | | **36** | 36 | **3,697** | 1,835 |
| Taxes recoverable | 5 | **9,964** | 9,937 | **36,330** | 30,843 |
| Advances to suppliers | 7 | **205** | 194 | **27,591** | 23,957 |
| Advances to partners | 8 | **-** | - | **6,512** | 7,214 |
| Prepaid expenses | | **456** | - | **5,599** | 3,486 |
| Inventories | 21 | **-** | - | **63,188** | 8,784 |
| Other credits | | **51** | 53 | **3,324** | 3,495 |
| | | **51,400** | 98,193 | **501,879** | 528,560 |
| Noncurrent assets available for sale | 6 | **-** | - | **247,327** | 258,158 |
| | | **51,400** | 98,193 | **749,206** | 786,718 |
| **Noncurrent assets** | | | | | |
| Advances to suppliers | 7 | **-** | - | **12,596** | 12,596 |
| Deposits and guarantees | | **4,440** | 4,440 | **10,834** | 10,664 |
| Related parties | 19 | **1,821** | 4,871 | **-** | - |
| Investments | 9 | **651,762** | 620,413 | **-** | - |
| Property, plant and equipment | 10 | **548** | 609 | **57,364** | 72,925 |
| Intangible assets | 11 | **50** | 65 | **127,054** | 176,951 |
| Advance payment for acquisition of non-current assets | 1 | **-** | - | **86,214** | - |
| | | **658,621** | 630,398 | **294,062** | 273,136 |
| **Total assets** | | **710,021** | 728,591 | **1,043,268** | 1,059,854 |

| | Note | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| | | 06/30/2015 | 12/31/2014 | 06/30/2015 | 12/31/2014 |
| | | | Restated | | Restated |
| **Liabilities and shareholders´ equity** | | | | | |
| **Current liabilities** | | | | | |
| Trade accounts payable | 12 | **3,565** | 5,133 | **40,210** | 50,507 |
| Labor charges | | **2,263** | 2,411 | **5,918** | 7,439 |
| Income and social contribution taxes | 15 | **5,056** | 4,890 | **8,623** | 8,518 |
| Debentures | 13 | **1,727** | - | **1,727** | - |
| Related parties | 19 | **4,084** | 6,856 | **-** | - |
| Advance from partners | 8 | **-** | - | **67,336** | 62,495 |
| Advances for sale of fixed assets | | **-** | - | **-** | 25,368 |
| Other liabilities | | **-** | - | **888** | - |
| | | **16,695** | 19,290 | **124,702** | 154,327 |
| **Noncurrent liabilities** | | | | | |
| Suppliers | 12 | **-** | - | **12,710** | 12,710 |
| Debentures | 13 | **87,192** | 87,568 | **87,192** | 87,568 |
| Asset retirement obligation | 17 | **-** | - | **163,198** | 138,039 |
| Provision for contingencies | 27 | **-** | - | **39,618** | 33,838 |
| Deferred income and social contribution taxes | 16 | **-** | - | **6,915** | 9,487 |
| Other liabilities | | **-** | - | **2,799** | 2,152 |
| | | **87,192** | 87,568 | **312,432** | 283,794 |
| **Equity** | 18 | | | | |
| Capital | | **3,209,454** | 3,821,206 | **3,209,454** | 3,821,206 |
| Capital reserves | | **101,720** | 518,631 | **101,720** | 518,631 |
| Cumulative translation adjustments | | **315,406** | 261,233 | **315,406** | 261,233 |
| Accumulated loss | | **(2,950,672)** | (2,976,264) | **(2,950,672)** | (2,976,264) |
| Loss for the period | | **(69,774)** | (1,003,073) | **(69,774)** | (1,003,073) |
| | | **606,134** | 621,733 | **606,134** | 621,733 |
| **Total liabilities and equity** | | **710,021** | 728,591 | **1,043,268** | 1,059,854 |

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

## Petro Rio S.A.

Statements of income
Six-month periods ended June 30, 2015 and 2014
The financial statements as of June 30, 2015, were reviewed by independent auditors to the extent described in the report of August 20, 2015.
(In thousands of r*eais*, except for profit/loss per share)

| | Note | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| | | 01/01/2015 to 06/30/2015 | 01/01/2014 to 06/30/2014 | 01/01/2015 to 06/30/2015 | 01/01/2014 to 06/30/2014 |
| **Net revenues** | 20 | **-** | **-** | **101,661** | 280,906 |
| Cost of products/services | 21 | **-** | - | **(120,278)** | (202,451) |
| **Gross profit** | | **-** | - | **(18,617)** | 78,455 |
| **Operating income (expenses)** | | | | | |
| Geology and geophysics expenses | | **-** | - | **(246)** | (3,720) |
| Personnel expenses | | **(2,765)** | (5,823) | **(12,608)** | (20,544) |
| General and administrative expenses | | **(2,293)** | (2,231) | **(8,985)** | (16,958) |
| Expenses with third party services | | **(2,809)** | (5,348) | **(15,367)** | (30,500) |
| Taxes and fees | | **(162)** | 144 | **(1,426)** | (2,980) |
| Depreciation and amortization expenses | | **(81)** | (93) | **(1,671)** | (5,476) |
| Reversal of Impairment | | **-** | - | **18,416** | - |
| Equity pick-up | 9 | **(59,395)** | 23,589 | **-** | - |
| Financial expenses | 22 | **(6,677)** | (23) | **(143,007)** | (31,575) |
| Financial income | 22 | **4,248** | 1,227 | **115,076** | 22,828 |
| Other operating income (expenses), net | | **160** | - | **(3,960)** | 22,955 |
| **Income before income and social contribution taxes** | | **(69,774)** | 11,442 | **(72,395)** | 12,485 |
| **Income and social contribution taxes** | 16 | | | | |
| Current | | **-** | - | **(16)** | (1,503) |
| Deferred | | **-** | - | **2,637** | 460 |
| **Profit (Loss) for the Period** | | **(69,774)** | 11,442 | **(69,774)** | 11,442 |
| **Profit (Loss) per share, basic and diluted** | 18.3 | | | | |
| Basic | | **(2.345)** | *0.385* | ***(2.345)*** | *0.385* |
| Diluted | | ***(2.345)*** | *0.385* | ***(2.345)*** | *0.385* |

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

## Petro Rio S.A.

Statements of income
Three-month period ended June 30, 2015 and 2014
The financial statements as of June 30, 2015, were reviewed by independent auditors to the extent described in the report of August 20, 2015.
(In thousands of r*eais*, except earnings/losses per share)

| | Note | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| | | 04/01/2015 to 06/30/2015 | 04/01/2014 to 06/30/2014 | 04/01/2015 to 06/30/2015 | 04/01/2014 to 06/30/2014 |
| **Net revenue** | 20 | **-** | - | **96,808** | 137,603 |
| Cost of products/services | 21 | **-** | - | **(116,241)** | (82,445) |
| **Gross profit** | | **-** | - | **(19,433)** | 55,158 |
| **Operating revenues (expenses)** | | | | | |
| Geology and geophysics expenses | | **-** | - | **(170)** | 1,292 |
| Personnel expenses | | **(1,455)** | (4,477) | **(5,910)** | (9,771) |
| General and administrative expenses | | **(1,083)** | (1,013) | **(2,540)** | (3,299) |
| Expenses with third-party services | | **(1,102)** | (2,573) | **(9,555)** | (27,707) |
| Taxes and fees | | **(131)** | 148 | **(825)** | (2,342) |
| Expenses with depreciation and amortization | | **(40)** | (46) | **(857)** | (2,754) |
| Provision for Impairment | | **-** | - | **18,416** | - |
| Equity pick up | 9 | **(10,912)** | 16,884 | **-** | - |
| Financial expenses | 22 | **(3,957)** | (12) | **(67,254)** | (13,755) |
| Financial revenues | 22 | **2,287** | 832 | **55,127** | 12,118 |
| Other operating revenues (expenses), net | | **158** | - | **14,608** | 301 |
| **Income before income and social contribution taxes** | | **(16,235)** | 9,743 | **(18,393)** | 9,241 |
| **Income and social contribution taxes** | 16 | | | | |
| Current | | **-** | - | **866** | 42 |
| Deferred | | **-** | - | **1,292** | 460 |
| **Profit (Loss) for the Period** | | **(16,235)** | 9,743 | **(16,235)** | 9,743 |
| ***Profit (Loss) per basic and diluted share*** | 18.3 | | | | |
| *Basic* | | ***(0.546)*** | *0.328* | ***(0.546)*** | *0.328* |
| *Diluted* | | ***(0.546)*** | *0.328* | ***(0.546)*** | *0.328* |

The accompanying notes are an integral part of this quarterly information

## Petro Rio S.A.

Statements of comprehensive income
Six-month periods ended June 30, 2015 and 2014
The financial statements as of June 30, 2015, were reviewed by independent auditors to the extent described in the report of August 20, 2015.
(In thousands of r*eais*)

| | Note | Consolidated | |
|---|---|---|---|
| | | 01/01/2015 to 06/30/2015 | 01/01/2014 to 06/30/2014 |
| **Retained earnings** | | **(69,774)** | 11,442 |
| Other comprehensive income | | | |
| Exchange variation on investments abroad, net of taxes | 9 | **54,173** | 4,743 |
| **Other comprehensive income for the period, net of tax** | | **54,173** | 4,743 |
| **Total comprehensive income for the period, net of tax** | | **(15,601)** | 16,185 |
| **Attributable to Company´s shareholders** | | **(15,601)** | 16,185 |

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

## Petro Rio S.A.

Statements of comprehensive income
Three-month period ended June 30, 2015 and 2014
The financial statements as of June 30, 2015, were reviewed by independent auditors to the extent described in the report of August 20, 2015.
(In thousands of *reais*)

| | Consolidated | |
|---|---|---|
| | **04/01/2015 to 06/30/2015** | **04/01/2015 to 06/30/2014** |
| **Retained earnings** | **(16,235)** | 9,743 |
| Other comprehensive income | | |
| Exchange variation on investments abroad, net of tax | **(5,201)** | (9,058) |
| **Other comprehensive income for the period, net of tax** | **(5,201)** | (9,058) |
| **Total comprehensive income for the period, net of tax** | **(21,436)** | 685 |
| **Attributable to controlling shareholders** | **(21,436)** | 685 |

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

## Petro Rio S.A.

Statement of changes in shareholders' equity
Six-month periods ended June 30, 2015 and 2014
The financial statements as of June 30, 2015, were reviewed by independent auditors to the extent described in the report of August 20, 2015.
(In thousands of r*eais*)

| | Capital | Capital reserve | Cumulative translation adjustments | Accumulated loss | Total |
|---|---|---|---|---|---|
| **Balances at January 1, 2014 - restated** | **3,821,205** | **518,557** | **91,100** | **(2,976,264)** | **1,454,598** |
| Stock options exercised | 1 | - | - | - | 1 |
| Exchange variation on investments abroad | - | - | 4,743 | - | 4,743 |
| Share-based compensation | - | 74 | - | - | 74 |
| Profit (Loss) for the period | - | - | - | 11,442 | 11,442 |
| **Balances at June 30, 2014 - restated** | **3,821,206** | **518,631** | **95,843** | **(2,964,822)** | **1,470,858** |
| **Balances at January 1, 2015 - restated** | **3,821,206** | **518,631** | **261,233** | **(3,979,337)** | **621,733** |
| Exchange variation on investments abroad | **-** | **-** | 54,173 | **-** | 54,173 |
| Share-based compensation | - | 3 | - | - | 3 |
| Losses offset | (611,752) | (416,914) | - | 1,028,666 | - |
| Profit (Loss) for the period | **-** | **-** | **-** | (69,774) | (69,774) |
| **Balances at June 30, 2015** | **3,209,454** | **101,720** | **315,406** | **(3,020,446)** | **606,134** |

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

## Petro Rio S.A.

Statement of cash flows
Six-month periods ended June 30, 2015 and 2014
The financial statements as of June 30, 2015, were reviewed by independent auditors to the extent described in the report of August 20, 2015.
(In thousands of r*eais*)

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 06/30/2015 | 06/30/2014 | 06/30/2015 | 06/30/2014 |
| **Cash flows from operating activities** | | | | |
| **Loss for the period (before tax)** | **(69,774)** | **11,442** | **(72,395)** | **12,485** |
| Depreciation and amortization | 82 | 94 | 48,535 | 48,578 |
| Financial income | (2,937) | (1,227) | (49,436) | (22,828) |
| Financial expense | 5,274 | 23 | 116,139 | 31,575 |
| Share-based compensation | 3 | 74 | 3 | 74 |
| Equity pick-up | 59,395 | (23,589) | - | - |
| Loss/Write-off of fixed assets | - | - | 3,043 | - |
| Provision for contingencies/losses | - | - | 13,753 | - |
| Reversal of impairment | - | - | (18,416) | - |
| | **(7,957)** | **(13,183)** | **41,226** | **69,884** |
| **(Increase) decrease in assets** | | | | |
| Accounts receivable | - | - | (1,862) | (19,874) |
| Taxes recoverable | 347 | (1,103) | (4,911) | (11,238) |
| Prepaid expenses | (456) | 701 | (2,113) | (5,719) |
| Advances to suppliers | (11) | (1) | (1,131) | (13,947) |
| Inventory | - | - | (44,863) | (8,256) |
| Advance to partners in oil and gas operation | | | 702 | - |
| Other credits | - | (62) | (2,733) | 5,418 |
| **Increase (decrease) in liabilities** | | | | |
| Suppliers | (1,555) | (587) | (27,451) | 41,818 |
| Labor charges | (148) | (1,062) | (1,521) | (5,130) |
| Income and social contribution charges | 166 | 1,963 | (71) | 3,806 |
| Related parties | (271) | (3,521) | - | - |
| Advances from partners in oil & gas operation | - | - | 2,974 | 19,017 |
| Other liabilities | - | - | 1,535 | 8,009 |
| **Net cash used in (from) operating activities** | **(9,885)** | **(16,855)** | **(40,219)** | **83,788** |
| **Cash flows from investment activities** | | | | |
| (Investment in) redemption of securities | 75,219 | 19,324 | 73,197 | 128,297 |
| Deposited in court/guarantees | - | (14) | (170) | 272,778 |
| Asset held for sale | - | - | 17,491 | - |
| (Purchase) sale of fixed assets | (6) | (1) | 2,399 | (2,705) |
| (Purchase) sale of intangible assets | - | - | 234 | (564) |
| (Purchase) of non-current assets | - | - | (78,541) | (129,060) |
| Capital contribution in subsidiary | (36,571) | (497) | - | - |
| **Net cash from investing activities** | **38,642** | **18,812** | **14,610** | **268,746** |
| **Cash flows from financing activities** | | | | |
| Loans | - | - | - | (25,373) |
| Debentures | (3,160) | - | (3,160) | - |
| Derivative transactions | - | - | - | (11,163) |
| Capital contribution | - | 1 | - | 1 |
| **Net cash flow from financing activities** | **(3,160)** | **1** | **(3,160)** | **(36,535)** |
| Exchange rate variation | **-** | - | **5,992** | - |
| **Net increase (decrease) in cash and cash equivalents** | **25,597** | **1,958** | **(22,777)** | **315,999** |
| **Cash and cash equivalents - beginning of period** | 49 | 18 | 350,634 | 33,582 |
| **Cash and cash equivalents - end of period** | 25,646 | 1,976 | 327,857 | 349,581 |
| **Net increase in cash and cash equivalents** | **25,597** | **1,958** | **(22,777)** | **315,999** |

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

## Petro Rio S.A.

Statements of value added (supplementary information for IFRS purposes)
Six-month periods ended June 30, 2015 and 2014
The financial statements as of June 30, 2015, were reviewed by independent auditors to the extent described in the report of August 20, 2015.
(In thousands of r*eais*)

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | 06/30/2015 | 06/30/2014 | 06/30/2015 | 06/30/2014 |
| **Revenues** | | | | |
| Sale of services | **-** | - | **101,661** | 280,906 |
| | **-** | **-** | **101,661** | 280,906 |
| **Supplies and services** | | | | |
| Third party services and other | **(2,809)** | (5,348) | **(15,367)** | (30,500) |
| Geology and geophysics expenses | **-** | - | **(246)** | (3,720) |
| Costs of services | **-** | - | **(63,834)** | (135,236) |
| **Gross value added** | **(2,809)** | (5,348) | **22,214** | 111,450 |
| **Retentions** | | | | |
| Depreciation and amortization | **(81)** | (94) | **(48,535)** | (48,578) |
| **Net value added** | **(2,890)** | (5,442) | **(26,321)** | 62,872 |
| **Transferred value added** | | | | |
| Net financial income | **(2,429)** | 1,204 | **(27,931)** | (8,747) |
| Equity pick-up | **(59,395)** | 23,589 | **-** | - |
| Deferred taxes | **-** | - | **2,637** | 460 |
| Reversal of impairment | **-** | - | **18,416** | - |
| Rents, royalties and other | **(2,133)** | (2,230) | **(22,525)** | 18,116 |
| **Value added payable** | **(66,847)** | 17,121 | **(55,724)** | 36,469 |
| **Distribution of value added** | | | | |
| Personnel | **2,765** | 5,823 | **12,608** | 20,544 |
| Taxes | **162** | (144) | **1,442** | 4,483 |
| Group's shareholders participation | **(69,774)** | 11,442 | **(69,774)** | 11,442 |
| **Distributed value added** | **(66,847)** | **17,121** | **(55,724)** | **36,469** |

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

## 1. Operations

Petro Rio (Company or Petro Rio), the new business name of HRT Participações em Petróleo S.A. approved at the Special Shareholders' Meeting of May 15, 2015 was incorporated on July 17, 2009Its 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.

The Company's activities are focused on production of oil and natural gas, operating in the Campos Basin off the state of Rio de Janeiro.

On January 08, 2014, the subsidiary HRT O&G Exploração e Produção de Petróleo Ltda ("HRT0G") concluded the business transaction with BP, becoming the operator of Polvo field, whose partner is Maersk Energia Ltda. ("Maersk").

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

In a board meeting held on October 8, 2014, the ANP rejected the sale of 40% interest in Polvo Field by Maersk. PetroRio filed a request for reconsideration on October 24, 2014 and is awaiting a new positioning of the ANP.

HRT O&G has plans to life extension of that field by increasing production from proved developed and undeveloped (1P) and probable reserves (2P).

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 km2 with several prospects for future exploration.

The Company has a portfolio of exploratory onshore blocks in the Solimões Basin, for which it is the operator with a 55% stake, which is in operation transfer process to Rosneft Brasil E&P Ltda. ("Rosneft"), as discussed in Notes 6 and 29.2. Also in Brazil, the Group holds a 10% interest (as non-operator) in two exploration blocks in onshore basins, located in the Recôncavo Basin (BA) and Espírito Santo (ES). In Namibia (Africa), it has 10 offshore exploration blocks in the Walvis and Orange basins, with 86% and 100% stakes that were discontinued in 2014. Note 9 provides more details of these exploration blocks run by the Group and its subsidiaries.

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

The total purchase price was USD150 million, subject to final price adjustments. In January 20, 2015, an amount of R$ 86,214 was paid as an advance in cash, representing 20% of the total value, resulting from the first issuance of convertible debentures, completed in December 2014.

The remaining 80% shall be due on the date of the transaction and may be financed by standby credit facility (credit facility) provided by Glencore Ltd., a wholly owned subsidiary of Glencore PLC.

The completion of the purchase and sale transaction of rights and obligations of the concession agreements for the Bijupirá and Salema fields is subject to certain preceding conditions, among which the approval of the assignment of rights by the Administrative Council for Economic Defense - CADE and the National Agency of Petroleum, Natural Gas and Biofuels - ANP. The transaction is also subject to acceptance by TSX Venture Exchange ("TSX-V"), in which Company´s Global Depository Shares ("GDS") are listed. Only after the approval of these regulators, the company will become the operator of such fields.

On July 1, 2015, PetroRio announced it had entered into a purchase agreement with Petrobras to acquire the remaining 20% share in the rights and obligations of the concession agreements for the Bijupirá and Salema fields (BJSA). As a result, the Company now holds a 100% participation and will be the operator for the BJSA fields as from January 1, 2015.

The total amount of the transaction with Petrobras is US$ 25 million, subject to adjustments, and will be paid in cash, with 20% paid using own funds, and 80% via a structured finance transaction. The acquisition also includes all equipment involved in operating the fields.

The Bijupirá and Salema fields, located in water depths of 480-850 m, are located in the Pre-Salt polygon, only 80 km towards the northeast of Polvo field, the first PetroRio production

asset, generating important synergy gains among their operations. The licenses cover an area of 40 million $m^2$ and daily production totals 22,000 barrels of light oil and 325 thousand $m^3$ of associated gas, equivalent to 24,000 boe/day. The oil extracted from the fields is light from 28º to 31º API.

## 2. Accounting practices and presentation of quarterly information

a) Statement of compliance with IFRS and BR GAAP Standards

The individual and consolidated quarterly information for three- and six-month periods ended June 30, 2015, are presented below:

*Consolidated quarterly information*

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

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

*Individual quarterly information*

The Company's individual interim financial information was prepared and is presented in accordance with the Brazilian Accounting Board - CPC 21 (R1) and is disclosed jointly with the consolidated interim financial information.

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

This intermediate quarterly information does not include all the information and disclosures required in the annual financial statements, and therefore must be read

together with the Company's financial statements of December 31, 2014, which were prepared according the accounting practices adopted in Brazil and in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB.

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

The notes not included in the period ended June 30, 2015 are those referring to "Accounting policies" and "Judgments, estimates and significant accounting assumptions", represented in the disclosure of the financial statements as of December 31, 2014, by notes 2 and 3, respectively.

b) Basis of presentation

The individual and consolidated quarterly information were prepared and are presented based on historical cost with the exception of the financial instruments measured at fair value through income result.

c) Functional and presentation currency

The individual and consolidated quarterly information are presented in *Reais* , which is the Company´s functional currency. The Company established that its functional currency is the Brazilian and of its foreign subsidiaries is the US Dollar, according to the Company´s previous business plan and mainly as result of the operating costs incurred. All the financial information presented in Brazilian Real were rounded to the nearest thousands, except when indicated otherwise.

d) Judgments and estimates

The preparation of the individual and consolidated quarterly information in accordance with IFRS and CPC Standards requires Management to make judgments and adopt estimates and assumptions that affect the application of accounting principles and the reported amounts of assets, liabilities, revenues, expenses and accompanying notes. Actual results may differ from those estimates.

Estimates and assumptions are reviewed continuously. Revisions based on accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Items subject to these estimates and assumptions that may result in adjustments for the coming fiscal year are included in the following notes:

- Note 6 – Non-current assets held for sale
- Note 11 – Intangible assets, primarily those relating to written-off, amortization and impaired oil & gas assets
- Note 13 – Debentures, concerning the estimated fair value of debt-to-equity swap option
- Nota 16 – Current and deferred income and social contributions taxes
- Note 18 – Equity / Share-based compensation plan
- Note 25 – Financial risk management objectives and policies
- Note 27 – Provision for contingencies

e) New standards, amendments and interpretations

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

The Company has decided against early adoption of the following new and revised pronouncements and interpretations that have been already issued but have not come into force and effect:

| Pronouncement or interpretation | Description | Application to the business years/periods to be initiated on or after |
|---|---|---|
| IFRS 9 / CPC 14 | Financial instruments – classification and measurement | January 1, 2018 |
| IFRS 14 | Regulatory deferral accounts | January 1, 2016 |
| IFRS 15 | Revenue from contracts with customers | January 1, 2017 |

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

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

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

| Pronouncement or interpretation | Description | Application to the business periods to be initiated on or after |
|---|---|---|
| IAS 19 / CPC 33 (R1) | Employee benefits | January 1, 2015 |

Not applicable to the Company.

f) Effects of adopting CPC 23 - Accounting Policies, Estimate Change and Error Correction

The effects on the balance sheet and on the statement of changes in shareholder´s equity due to reclassifications made by the Company´s management in the financial statements as of December 31, 2014 and June 30, 2014, are stated as follows:

**Assets**:

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

**Liabilities:**

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

**Equity:**

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

**Balance Sheet:**

| | Original Consolidated 12/31/2014 | Reclassification | Restated Consolidated 12/31/2014 |
|---|---|---|---|
| **Assets** | | | |
| **Current** | | | |
| Taxes recoverable | 39,341 | (8,498) | 30,843 |
| Advances to suppliers | 42,191 | (18,234) | 23,957 |
| Advances to partners | - | (7,214) | 7,214 |
| Other current not affected | 724,704 | - | 724,04 |
| | **806,236** | **(19,518)** | **786,718** |
| **Noncurrent** | | | |
| Advances to suppliers | - | 12,596 | 12,596 |
| Deposits and guarantees | 5,026 | 5,638 | 10,664 |
| Other noncurrent not affected | 249,876 | - | 249,876 |
| | **254,902** | **18,234** | **273,136** |
| **Total assets** | **1,061,138** | **(1,284)** | **1,059,854** |
| | | | |
| **Liabilities and shareholders´ equity** | | | |
| **Current liabilities** | | | |
| Suppliers | 63,217 | (12,710) | 50,507 |
| Income and social contribution taxes | 8,498 | (8,498) | - |
| Advance from partners | 32,837 | 29,658 | 62,495 |
| Advances for sale of fixed assets | 47,812 | (22,444) | 25,368 |
| Other current not affected | 15,957 | - | 15,957 |
| | **168,321** | **(13,994)** | **154,327** |
| **Não circulante** | | | |
| Suppliers | - | 12,710 | 12,710 |
| Other noncurrent not affected | 271,084 | - | 271,084 |
| | **271,084** | **12,710** | **283,794** |
| **Equity** | | | |
| Capital reserves | 416,914 | 101,717 | 518,631 |
| Cumulative translation adjustment | - | 261,233 | 261,233 |
| Equity valuation adjustment | 361,162 | (361,162) | - |
| Accumulated losses | (2,974,476) | (1,788) | (2,976,264) |
| Other equity items not affected | 2,818,133 | - | 2,818,133 |
| | **621,733** | - | **621,733** |
| **Total liabilities and equity** | **1,061,138** | **(1,284)** | **1,059,854** |

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

| | Parent Company and Consolidated Restated 06/30/2014 | Reclassification | Parent Company and Consolidated Restated 06/30/2014 |
|---|---|---|---|
| **Equity** | | | |
| Capital reserves | 416,914 | 101,717 | 518,631 |
| Cumulative translation adjustment | - | 95,843 | 95,843 |
| Equity valuation adjustment | 195,772 | (195,772) | - |
| Accumulated losses | (2,963,034) | (1,788) | (2,964,822) |
| Other equity items not affected | 3,821,206 | - | 3,821,206 |
| **Equity** | **1,470,858** | **-** | **1,470,858** |

**Statement of changes in shareholder´s equity for six-month period ended June 30, 2014:**

| | Capital | Capital reserve | Equity valuation adjustment | Accumulated loss | Total |
|---|---|---|---|---|---|
| **Balances at January 1, 2014 – Original** | **3,821,205** | **416,914** | **190,955** | **(2,974,476)** | **1,454,598** |
| Stock options exercised | 1 | - | - | - | 1 |
| Exchange variation on investments abroad | - | - | 4,743 | - | 4,743 |
| Share-based compensation | - | - | 74 | - | 74 |
| Loss for the period | - | - | - | 11,442 | 11,442 |
| **Balances at June 30, 2014 - Original** | **3,821,206** | **416,914** | **195,772** | **(2,963,034)** | **1,470,858** |

| | Capital | Capital reserve | Cumulative translation adjustments | Accumulated loss | Total |
|---|---|---|---|---|---|
| **Balances at January 1, 2014 – Restated** | **3,821,205** | **518,557** | **91,100** | **(2,976,264)** | **1,454,598** |
| Stock options exercised | 1 | - | - | - | 1 |
| Exchange variation on investments abroad | - | - | 4,743 | - | 4,743 |
| Share-based compensation | - | 74 | - | - | 74 |
| Loss for the period | - | - | - | 11,442 | 11,442 |
| **Balances at June 30, 2014 - Restated** | **3,821,206** | **518,631** | **95,843** | **(2,964,822)** | **1,470,858** |

g) Completion of quarterly information

The Company's management authorized the completion of this quarterly information on August 20, 2015.

## 3. Cash and cash equivalents

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **06/30/2015** | **12/31/2014** | **06/30/2015** | **12/31/2014** |
| Cash | **1** | 1 | **1** | 1 |
| Banks | **25,645** | 48 | **327,856** | 350,633 |
| | **25,646** | 49 | **327,857** | 350,634 |
| National | **51** | 49 | **331** | 202 |
| Abroad | **25,595** | - | **327,526** | 350,432 |

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

## 4. Marketable securities

| | | Parent Company | | Consolidated | |
|---|---|---|---|---|---|
| **Bank** | **Remuneration** | **06/30/2015** | **06/30/2014** | **06/30/2015** | **12/31/2014** |
| Itaú BBA | CDI | **15,042** | 87,924 | **27,781** | 94,370 |
| Votorantin | CDI | **-** | - | **-** | 3,942 |
| Total investments for trading | | **15,042** | 87,924 | **27,781** | 98,312 |

Financial investments mainly comprise repurchase agreements backed by debentures, in national currency. Financial investments are tied to the remuneration of the Interbank Deposit Certificate – CDI (13.64% at June 30, 2015).

## 5. Recoverable taxes

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **06/30/2015** | **12/31/2014** | **06/30/2015** | **12/31/2014** |
| | | | | (Restated) |
| Income and social contribution | **9,959** | 9,937 | **10,310** | 12,825 |
| PIS e Cofins | **4** | - | **20,804** | 13,599 |
| VAT | **-** | - | **5,068** | 4,273 |
| Other | **1** | - | **148** | 146 |
| | **9,964** | 9,937 | **36,330** | 30,843 |

## 6. Non-current assets available for sale

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

The Company started 2015 with 7 aircraft and 4 rigs, as well as Solimões exploratory blocks, classified as non-current assets held for sale. In the first half of 2015, were sold 4 aircraft for R$ 17,490.

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

| | Consolidated | |
|---|---|---|
| | **03/30/2015** | **12/31/2014** |
| Aircraft | | |
| Cost of aircraft | **151,639** | 151,639 |
| Accumulated depreciation of aircraft | **(31,858)** | (31,858) |
| Write-off of aircraft sold | **(93,572)** | (75,520) |
| Loss on revaluation to market value | **(42,304)** | (42,304) |
| Translation adjustment | **28,103** | 24,870 |
| Fair value of aircraft | **12,008** | 26,828 |
| Rigs | | |
| Cost of rigs | **126,860** | 126,860 |
| Loss on revaluation to market value | **(59,994)** | (59,994) |
| Translation adjustment | **44,828** | 28,757 |
| Fair value of rigs | **111,694** | 95,623 |
| Solimões | | |
| Subscription bonus | **135,707** | 135,707 |
| Spare parts inventories (*) | **18,416** | - |
| Advances to partner company Rosneft, net | **(30,498)** | - |
| Fair value of Solimões | **123,625** | 135,707 |
| Total | **247,327** | 258,158 |

(*) Reversal of impairment of R$ 18.416 recorded in June 30, 2015 due to the sale to Rosneft Brazil E&P Ltda as described below.

Assets held for sale are recorded at fair value, which is the lowest amount between the fair value and the historical cost. 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 March 2014, HRTO&G and Rosneft signed an "FOA" (Farm-Out Agreement) agreement to transfer the operation and a 6%-interest in Solimões, and a purchase and sale agreement of 4 onshore drilling rigs in the total amount US$36 million, of which US$ 18 million were paid in advance to the Company on the agreement signing date.

In July 2014, ANP approved the transfer of 6% of the exploration rights and the transfer of Solimões operations to Rosneft.

On May 18, 2015, the Company executed definitive agreements for the sale and transfer of the total participation and the respective rights and obligations in the Concession Agreements of the oil and gas blocks located in the Solimões Sedimentary Basin in the State of Amazonas to Rosneft Brasil E&P Ltda, (a subsidiary of the Rosneft Oil Company). The total amount of the transaction was US$ 58 million (R$ 180 million), and did not include the four heli-transportable rigs. As the amount of sale transaction were known, the provision for impairment of spare parts inventories recorded at December 31, 2014 was partially reversed in the amount of R$ 18,416.

The National Agency of Petroleum, Natural Gas and Biofuels (ANP) approved the transaction on July 1, 2015 under Official Letters 560/2015/SEP and 561/2015/SEP.

## 7. Advances to suppliers

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **06/30/2015** | **12/31/2014** | **06/30/2015** | **12/31/2014** |
| | | | | (Restated) |
| Queiroz Galvão Óleo & Gás (i) | **-** | - | **30,361** | 25,993 |
| Geoquasar Energy (ii) | **-** | - | **12,596** | 12,596 |
| BW (Prosafe) guarantee (iii) | **-** | - | **21,116** | 18,613 |
| Other | **205** | 194 | **6,475** | 5,344 |
| Subtotal | **205** | 194 | **70,548** | 62,546 |
| Provision for non-realization of assets | **-** | - | (30,361) | (25,993) |
| **Total** | **205** | 194 | **40,187** | 36,553 |
| | | | | |
| **Total current assets** | **205** | **194** | **27,591** | **23,957** |
| **Total noncurrent assets** | **-** | **-** | **12,596** | **12,596** |

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

(ii) The advances to Geoquasar refer basically to operating costs assumed by HRT O&G and contractual payments in advance.

(iii) The advances to BW Offshore (Prosafe) refer to contractual commitments and are held as a financial collateral from lease agreements and operation of FPSO Polvo (note 14).

## 8. Advances to/from partners in oil and gas operations

| | Consolidated | |
|---|---|---|
| | **06/30/2015** | **12/31/2014** |
| Operated blocks | | (Restated) |
| Maersk - BM-C-8 - Polvo | **67,336** | 62,495 |
| GALP - Namíbia - Petroleum Exploration Licences 23 | **(6,496)** | (7,198) |
| Total operated blocks | **60,840** | 55,297 |
| Non-operated blocks (Cowan - ES) | **(16)** | (16) |
| Total advances to/from partners | **60,824** | 55,281 |
| | | |
| Total Current Assets | **6,512** | 7,214 |
| Total Current Liabilities | **67,336** | 62,495 |

## 9. Investments

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

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

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

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

  The subsidiary was created on July 20, 2009, with headquarters in Rio de Janeiro, and engages in: (i) exploration, development and production of oil and natural gas; (ii) import, export, refining, sale and distribution of oil, natural gas, fuel and oil by-products;

(iii) generation, sale and distribution of electric power; and (iv) equity interest holding in other companies.

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

It also currently holds 55% of the exploration rights in two Consortia (BT-SOL 4 and BT-SOL 4A), comprising a total of 16 exploratory blocks in the Solimões Basin (notes 6 and 29.3) and has a percentage interest of 11.32% in HRTAF.

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

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

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

  On June 17, 2011, a subsidiary of HRT Africa in Namibia was organized.

  In the course of 2012, PetroRio performed an ownership restructuring, streamlining the Group's ownership structure and centralizing assets located in the Republic of Namibia in Namibian subsidiaries incorporated for such purpose.

  As part of this restructuring, HRT Canada Inc. (HRTC) was contributed to HRT Africa and more two Namibian companies were created: HRT Walvis Petroleum (Proprietary) Limited and HRT Luderitz Proprietary Limited.

  Accordingly, the assets regarding which the Group holds an exploration license in the Republic of Namibia were consolidated under a single ownership structure, having HRTAF in Brazil as Parent Company.

  HRTAF has interest in a block in the Recôncavo Basin and one Block in Espírito Santo Basin, where is non-operator (note 11).

As part of the acquisition of Polvo field, HRT Africa received 100% interest in BP Energy América LLC (current HRT Lux Energy S.à.r.l.), the owner of a fixed platform, called "Polvo A", and of a 3,000 HP drilling rig, which is the equipment needed for operations in this field.

**Portfolio of concessions**

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

| Country | Basin | Block | Operator | % HRT | Status |
|---|---|---|---|---|---|
| Brazil | Solimões | SOL-T-169 | HRTOG | 55% | Available for sale |
| Brazil | Solimões | SOL-T-168 | HRTOG | 55% | Available for sale |
| Brazil | Solimões | SOL-T-170 | HRTOG | 55% | Available for sale |
| Brazil | Solimões | SOL-T-191 | HRTOG | 55% | Available for sale |
| Brazil | Solimões | SOL-T-192 | HRTOG | 55% | Available for sale |
| Brazil | Solimões | SOL-T-214 | HRTOG | 55% | Available for sale |
| Brazil | Solimões | SOL-T-215 | HRTOG | 55% | Available for sale |
| Brazil | Solimões | SOL-T-216 | HRTOG | 55% | Available for sale |
| Brazil | Solimões | SOL-T-217 | HRTOG | 55% | Available for sale |
| Brazil | Solimões | SOL-T-194 | HRTOG | 55% | Available for sale |
| Brazil | Solimões | SOL-T-195 | HRTOG | 55% | Available for sale |
| Brazil | Solimões | SOL-T-151 | HRTOG | 55% | Available for sale |
| Brazil | Solimões | SOL-T-174 | HRTOG | 55% | Available for sale |
| Brazil | Solimões | SOL-T-197 | HRTOG | 55% | Available for sale |
| Brazil | Solimões | SOL-T-196 | HRTOG | 55% | Available for sale |
| Brazil | Solimões | SOL-T-218 | HRTOG | 55% | Available for sale |
| Brazil | Campos | BM-C-8 | HRTOG | 60% | Operator |
| Brazil | Espírito Santo | ES-T-400 | HRTAF | 10% | Non-operator |
| Brazil | Recôncavo | REC-T-158 | HRTAF | 10% | Non-operator |
| Namíbia (*) | Orange | PEL028 | HRT Luderitz | 77.20% | Impairment |
| Namíbia (*) | Orange | PEL024 | Kunene | 86% | Impairment |
| Namíbia (*) | Orange | PEL022 | Orange | 100% | Impairment |
| Namíbia (*) | Walvis | PEL023 | HRT Walvis | 86% | Impairment |

(*) The terms of the exploration period are detailed in Note 23.

a) Breakdown of Investment

| | Parent Company | |
|---|---|---|
| | **06/30/2015** | **12/31/2014** |
| HRT O&G . | **357,880** | 361,979 |
| HRT América | **(1,303)** | 379 |
| HRT Africa | **295,185** | 258,055 |
| | **651,762** | 620,413 |
| Investments | 653,065 | 620,413 |
| Provisions for losses on subsidiaries investments | (1,303) | - |

b) Changes in investments

| | HRTOG | IPEX | HRT Africa | HRT America | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2014 | 1,049,485 | (4,048) | 434,085 | 12,174 | 1,491,696 |
| Capital increase | - | 11,888 | 497 | - | 12,385 |
| Equity pick-up | (707,257) | (3,772) | (273,812) | (12,459) | (997,300) |
| Sales of shares | - | (4,068) | - | - | (4,068) |
| Conversion adjustments | 19,751 | - | 105,053 | 664 | 125,468 |
| *Impairment* | - | - | (7,768) | - | (7,768) |
| Balance at December 31, 2014 | 361,979 | - | 258,055 | 379 | 620,413 |
| Capital increase | 36,571 | - | - | - | 36,571 |
| Equity pick-up | (49,229) | - | (8,392) | (1,774) | (59,395) |
| Conversion adjustments | 8,559 | - | 45,522 | 92 | 54,173 |
| Balance at June 30, 2015 | 357,880 | - | 295,185 | (1,303) | 651,762 |

c) Significant information on investees

| | HRT O&G | HRT Africa | HRT America |
|---|---|---|---|
| Direct interest | 100% | 87% | 100% |
| Indirect interest | - | 13% | - |
| Equity | 357,880 | 335,110 | (1,303) |
| Income (loss) for the period | (49,229) | (9,970) | (1,774) |
| Total assets | 1,088,761 | 451,266 | 4,913 |

# 10. Property, plant and equipment (Consolidated)

## a) Breakdown of balances

| | Depreciation rate - % | Cost | Depreciation | Translation adjustment | Balance at 06/30/2015 | Balance at 12/31/2014 |
|---|---|---|---|---|---|---|
| In operation | | | | | | |
| Polvo A platform and drilling rig | UOP* | 101,439 | (62,493) | 13,730 | 52,676 | 63,493 |
| Machinery and equipment | 10 | 1,828 | (791) | - | 1,037 | 1,004 |
| Furniture and fixtures | 10 | 2,737 | (1,305) | (701) | 731 | 1,351 |
| Communication equipment | 20 | 219 | (154) | (1) | 64 | 86 |
| Vehicles | 20 | 462 | (300) | (115) | 47 | 228 |
| IT equipment | 20 | 6,017 | (4,410) | (758) | 849 | 2,053 |
| Leasehold improvements | 4 | 2,677 | (959) | 124 | 1,842 | 1,875 |
| Facilities | 10 | 16 | (1) | 100 | 115 | 2,832 |
| In progress | | | | | | |
| Material for use and consumption (wells) | | 3 | - | - | 3 | 3 |
| Total | | 115,398 | (70,413) | 12,379 | 57,364 | 72,925 |

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

## b) Changes in balances

| | Balance at 01/01/2015 | Additions | Write-offs | Depreciation | Translation adjustment | Balance at 06/30/2015 |
|---|---|---|---|---|---|---|
| In operation | | | | | | |
| Polvo A platform and drilling rig | 63,493 | - | - | (20,510) | 9,693 | 52,676 |
| Machinery and equipment | 1,004 | 131 | (18) | (93) | 13 | 1,037 |
| Furniture and fixtures | 1,351 | 159 | (860) | (150) | 231 | 731 |
| Communication equipment | 86 | - | - | (22) | - | 64 |
| Vehicles | 228 | - | (158) | (45) | 22 | 47 |
| IT equipment | 2,053 | - | (797) | (615) | 208 | 849 |
| Leasehold improvements | 1,875 | - | (63) | (156) | 186 | 1,842 |
| Facilities | 2,832 | - | (3,274) | (6) | 563 | 115 |
| In progress | | | | | | |
| Material for use and consumption (wells) | **3** | **-** | **-** | **-** | **-** | **3** |
| Total | 72,925 | 290 | (5,170) | (21,597) | 10,916 | 57,364 |

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

# 11. Intangible assets (Consolidated)

## a) Breakdown of the balance

| | Amortization rate (%) | Consolidated 06/30/2015 | Consolidated 12/31/2014 |
|---|---|---|---|
| Oil & Gas assets | | | |
| Subscription bonus - Recôncavo - ES | (*) | **151** | 151 |
| Subscription bonus - Polvo | (*) | **301,948** | 301,973 |
| Exploration expenses | (*) | **170** | 170 |
| Softwares and other | 20 | **9,527** | 9,533 |
| | | **311,796** | 311,827 |
| Accumulated amortization | | **(184,742)** | (134,876) |
| Total | | **127,054** | 176,951 |

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

## b) Changes in balances

| | Balance at 01/01/2015 | Additions | Write-offs | Assets held for sale | Amortization | Impairment | Translation adjustment | Balance at 06/30/2015 |
|---|---|---|---|---|---|---|---|---|
| Subscription bonus - Reconcavo - ES | 151 | - | - | - | - | - | - | 151 |
| Subscription bonus - Polvo | 174,570 | - | (25) | - | (49,281) | - | - | 125,264 |
| Exploration expenses | 170 | - | - | - | - | - | - | 170 |
| Software and other | 2,060 | 36 | (270) | - | (585) | - | 228 | 1,469 |
| | 176,951 | 36 | (295) | - | (49,866) | - | 228 | 127,054 |

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

The subscription bonus for each block is presented below:

| Blocks | 12/31/2014 | Write-down | Amortization | 06/30/2015 |
|---|---|---|---|---|
| Onshore | | | | |
| ES-BT-400 | 100 | - | - | **100** |
| REC-T-158 | 51 | - | - | **51** |
| Total exploratory onshore bonus (non-operator) | 151 | **-** | **-** | **151** |
| Offshore | | | | |
| BM-C-8 | 174,570 | (25) | (49,281) | **125,264** |
| Total production offshore bonus (operator) | 174,570 | (25) | (49,281) | **125,264** |

*Business combinations*

On January 8th, 2014, the Company completed the commercial transaction with BP for the transfer of the 60% interest in the Polvo Field, becoming the operator of said concession. In addition, the Company acquired 100% interest in BPEA, which owns the fixed platform, "Polvo A" and a 3,000 HP drilling rig that operates in the field (note 10).

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

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

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

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

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

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

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

## 12. Suppliers

| | **Parent Company** | | **Consolidated** | |
|---|---|---|---|---|
| | **06/30/2015** | 12/31/2014 | **06/30/2015** | 12/31/2014 |
| | | | | (Restated) |
| Domestic suppliers | **3,500** | 4,985 | **38,808** | 45,221 |
| Suppliers Abroad | **65** | 148 | **14,112** | 17,996 |
| | **3,565** | 5,133 | **52,920** | 63,217 |
| Total current liabilities | 3,565 | 5,133 | 40,210 | 50,707 |
| Total noncurrent liabilities | - | - | 12,710 | 12,710 |

## 13. Debentures

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

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

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

The Company´s management has assessed fair value of debentures based on Monte Carlo simulation with random variables and adopting the following premises: (i) expectation of annual returns (drift) of -87.6% per year; (ii) volatility of 61.9% per year; (iii) closing price of share PRIO3 on August 05, 2015 (R$ 3.50); and (iv) risk-free rate of 14.25%.

It must be mentioned that for purposes of average and volatility calculation of Petrorio stocks, the Company´s management has contemplated historical stock prices of share PRIO3 from January 01, 2015 to August 05, 2015 and adopted the exponentially weighted moving average and exponentially weighted moving volatility models. The historical return of Petrorio stocks does not necessarily reflect the future trend of share.

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

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

- Bankruptcy, judicial or extrajudicial recovery request of the issuing company;
- Protest of debt-claims for amounts greater than R$ 100,000;

- Merges, consolidations and split-ups without prior consent of debenture holders, in accordance with S.A. Law.

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

| | Parent Company | |
|---|---|---|
| | **06/30/2015** | **12/31/2014** |
| Principal | **87,192** | 87,192 |
| Interest | **1,727** | 376 |
| Total | **88,819** | 87,568 |
| Current | **1,727** | - |
| Non-current | **87,192** | 87,568 |

## 14. Operating lease (lessee)

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

The subsidiary HRT O&G (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 appropriate value for a six-month period ended June 30, 2015 was R$ 23,983 (R$ 23,361 in the period ended June 30, 2014).

## 15. Taxes and social contributions

| | Parent Company | | Consolidated | |
|---|---|---|---|---|
| | **06/30/2015** | **12/31/2014** | **06/30/2015** | **12/31/2014** |
| PIS and Cofins on service imports | **-** | - | **6** | 62 |
| Service tax | **-** | - | **220** | 115 |
| Withholding Income Taxes (IRRF) on services | **266** | 102 | **1,218** | 960 |
| Social contribution tax on services | **7** | 15 | **350** | 419 |
| INSS | **4,259** | 4,246 | **5,567** | 5,559 |
| FGTS | **498** | 501 | **445** | 646 |
| Other | **26** | 26 | **817** | 757 |
| | **5,056** | 4,890 | **8,623** | 8,518 |

## 16. Current and deferred income tax and social contribution

| | Tax loss and negative social contribution tax base | | Non-constituted tax credits | |
|---|---|---|---|---|
| **Companies** | **06/30/2015** | **12/31/2014** | **06/30/2015** | **12/31/2014** |
| HRTP | **94,172** | 65,980 | **32,018** | 22,433 |
| HRTOG | **608,228** | 592,531 | **206,798** | 201,461 |
| HRTAF | **17,243** | 17,343 | **5,863** | 5,897 |
| | **719,643** | 675,854 | **244,679** | 229,790 |

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

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

| | Consolidated | |
|---|---|---|
| | **06/30/2015** | **12/31/2014** |
| Temporary differences on fair value recognized assets on in business combinations | **6,465** | 9,102 |
| Deferred income and social contribution liabilities | **450** | 385 |
| | **6,915** | 9,487 |

## 17. Asset retirement obligation

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

| | **Consolidated** |
|---|---|
| On January 8, 2014 – Acquisition of the Polvo Field | **122,520** |
| Currency adjustment | 14,488 |
| Price-level restatement | 1,031 |
| On December 31, 2014 | **138,039** |
| Currency adjustment | 23,092 |
| Price-level restatement | 2,067 |
| On June 30, 2015 | **163,198** |

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

# 18. Equity

## 18.1. Capital

At June 30, 2015, the subscribed and paid-in capital in the amount of R$3,346,148 is divided into 29,748,449 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 04, 2014, at the ratio of 10 to 1) and also including the grouping of the Company's Global Depositary Shares ("GDSs") issued and in free float and traded on the TSZ Venture Exchange (TSX-V) in Toronto, Canada, being maintained the ratio of two GDSs for each common share until then in force. The Company's authorized capital is R$10 billion. Furthermore, the Company has R$ 136,694 referring to share issuance costs in a capital reducing account and which comprise the balance shown of R$ 3,209,454.

| Shareholder | Number of common shares | % Participation |
|---|---|---|
| Societe Mondiale des Energies Fia | 5,920,600 | 19.9% |
| Deutsche Bank Trust Company Americas | 4,567,063 | 15.4% |
| Aventti Strategic Partners Llp | 2,159,690 | 7.3% |
| Morgan Stanley Uruguay Ltda | 1,939,908 | 6.5% |
| Other Shares in Free Float | 15,161,188 | 51.0% |
| Total | 29,748,449 | 100.0% |

## 18.2. Share-based payment

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

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

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

| | SOP V 04/01/2014 | SOP IV 11/11/2013 | SOP III 01/02/2013 | SOP II 05/09/2012 | SOP I 05/14/2010 |
|---|---|---|---|---|---|
| Total stock options granted | 22,497 | 175,000 | 541,458 | 662,295 | 492,600 |
| Stock option strike price | R$ 8.00 | R$ 7.90 | R$ 20.60 | R$ 22.20 | R$ 0.20 |
| Fair value on grant date | R$ 2.51 | R$ 4.00 | R$ 38.10 | R$ 39.51 | R$ 57.60 |
| Estimated share price volatility | 76.79% | 0.78% | 74.22% | 127.49% | 37.47% |
| Risk-free return rate | 9.50% | 9.50% | 8.22% | 8.74% | 9.12% |
| Duration of option (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 June 30, 2015, are summarized below:

| | Outstanding options | | | Options exercised/ cancelled | |
|---|---|---|---|---|---|
| Plan | Options outstanding in 06/30/2015 | Average maturity in years | Exercise price | Options exercised up to 06/30/2015 | Options cancelled up to 06/30/15 |
| SOP V | 22,497 | 3 | R$ 8.00 | - | - |
| SOP IV | 175,000 | 5 | R$ 7.90 | - | 39,167 |
| SOP III | 541,458 | Immediate | R$ 20.60 | 98,087 | 93,931 |
| SOP II | 662,295 | 3 | R$ 22.20 | 147,852 | 479,993 |
| SOP I | 492,600 | Immediate | R$ 0.20 | 437,160 | 55,400 |

For the period ended June 30, 2015, the Company recognized in equity a share based compensation result amounting to R$ 77.665, including R$ 28.376 of the 2010 plan, R$ 27.839 of 2012 plan, R$ 20.660 of 2013 plan (SOP III), R$ 734 of 2013 plan (SOP IV) and R$ 56 of 2014 plan,with a contra entry in the respective income statement as personnel cost.

### 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 fiscal periods ended June 30, 2015 and June 30, 2014. Basic earnings per share are calculated by dividing net income for the year attributed to the Company's common and preferred shareholders by the weighted average number of common and preferred shares available in the period.

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

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

| Basic and diluted earnings (loss) per share | 04/01/2015 to 06/30/2015 | 04/01/2014 to 06/30/2014 | 01/01/2015 to 06/30/2015 | 01/01/2014 to 06/30/2014 |
|---|---|---|---|---|
| Numerator (in thousands of *Reais* ) | | | | |
| Loss for the period attributed to the Parent Company's shareholders | **(16,235)** | 9,743 | **(69,774)** | 11,442 |
| Denominator (in thousands of shares) | | | | |
| Weighted average number of common shares adjusted by dilution effect | **29,748** | 29,748 | **29,748** | 29,748 |
| Basic earnings and diluted per share | **(0.546)** | 0.328 | **(2.345)** | 0.385 |

## 19. Related party transactions

| | Parent Company | |
|---|---|---|
| | 06/30/2015 | 12/31/2014 |
| Reimbursement of administrative costs Petro Rio x HRTOG | **1,821** | 4,871 |
| **Total noncurrent assets** | **1,821** | 4,871 |
| | | |
| Loan Petro Rio x HRTOG | **-** | (3,134) |
| Loan Petro Rio x África | **(2,151)** | (2,068) |
| Reimbursement of aircraft sale transaction Petro Rio x HRTBV | **(1,933)** | (1,654) |
| **Total current liabilities** | **(4,084)** | (6,856) |

### Reimbursement between related parties

The asset balance of R$ 1,821 concerns the Holding´s reimbursement of administrative costs, which are charged from, partners in oil exploration and production operations.
The remaining balance of the liability refers to the sale of Air Amazonia in 2013. The buyer, which has also acquired some aircraft, transferred to Petro Rio at the end of 2014 the remaining balance, which amounts to R$ 1,933 due to HRTBV, owner of aircraft.

### Loans between related parties

On June 30, 2015, there was as loan agreement between HRT Africa (lender) and PetroRio (borrower) with the balance of R$2,151. This agreement has as updating factor the CDI (Interbank Deposit Certificates). The accumulative effect registered as financial result of the controlling shareholder for the six-month period ended June 30, 2015 was R$ 271.

### Key management personnel compensation

Key management personnel compensation for the period ended June 30, 2015, totaled R$1,057 (R$2,618 on June 30, 2014).

**Debentures**

The Company for the period ending December 31, 2014, issued convertible debentures in a single series, subordinated and unsecured, of private placement, as detailed on Note 13. All debentures issued were subscribed by shareholders.

## 20. Net Revenue

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

## 21. Costs of Products and Services

| | Consolidated | | Consolidated | |
|---|---|---|---|---|
| | **04/01/2015 to 06/30/2015** | **04/01/2014 to 06/30/2014** | **01/01/2015 to 06/30/2015** | **01/01/2014 to 06/30/2014** |
| Floating production storage and offloading – FPSO | (19,965) | (26,337) | (19,965) | (34,672) |
| Logistics | (9,495) | (15,097) | (9,495) | (25,037) |
| Consumables | (12,415) | (6,994) | (12,415) | (12,991) |
| Operation and maintenance | (11,777) | (2,586) | (11,777) | (10,087) |
| Personnel | (2,747) | (2,233) | (2,747) | (4,691) |
| SMS | (4,512) | (1,879) | (4,512) | (5,395) |
| BP transferred oil | - | 698 | - | (35,349) |
| Other costs | (2,923) | 4,827 | (2,923) | (7,015) |
| Royalties | (9,580) | (12,455) | (9,580) | (24,113) |
| Depreciation and amortization | (42,827) | (20,389) | (46,864) | (43,101) |
| Total | **(116,241)** | **(82,445)** | **(120,278)** | **(202,451)** |

On June 30, 2015 the oil in store in the amount of R$63,188 is representative of 424,000 bbl – information not reviewed by the independent auditors (on December 31, 2014 the oil in store in the amount of R$ 8,784 is representative of 57,000 bbl).

On June 30, 2015 was recorded the provision for inventory loss on the basis of market value in the amount of R$ 13,387 under the “other operating income (expenses), net” in the Statements of income.

## 22. Financial income

| | Parent Company | | | |
|---|---|---|---|---|
| | **04/01/2015 to 06/30/2015** | **04/01/2014 to 06/30/2014** | **01/01/2015 to 06/30/2015** | **01/01/2014 to 06/30/2014** |
| **Financial income** | **2,287** | 831 | **4,248** | 1,227 |
| Income from interest earning bank deposits | **1,926** | 827 | **3,525** | 1,143 |
| Foreign exchange variation income | **181** | 82 | **315** | 83 |
| Other financial income | **180** | (78) | **408** | 1 |
| **Financial expenses** | **(3,957)** | (12) | **(6,677)** | (23) |
| Expense on exchange rate change | **(1,482)** | (4) | **(1,828)** | (4) |
| Interest on loans/debentures | **(2,437)** | (6) | **(4,784)** | (6) |
| Other financial expenses | **(39)** | (3) | **(65)** | (13) |

| | Consolidated | | | |
|---|---|---|---|---|
| | **04/01/2015 to 06/30/2015** | **04/01/2014 to 06/30/2014** | **01/01/2015 to 06/30/2015** | **01/01/2014 to 06/30/2014** |
| **Financial expenses** | **55,127** | 12,118 | **115,076** | 22,828 |
| Income from interest earning bank deposits | **2,080** | 4,496 | **3,856** | 7,009 |
| Foreign exchange variation income | **52,970** | 8,114 | **110,537** | 16,166 |
| Other financial income | **77** | (492) | **683** | (347) |
| **Financial expenses** | **(67,254)** | (13,755) | **(143,007)** | (31,575) |
| Expense on exchange rate change | **(53,916)** | (12,803) | **(121,393)** | (16,568) |
| Interest on loans /debentures | **(2,338)** | (523) | **(4,513)** | (14,534) |
| Other financial expenses | **(11,000)** | (429) | **(17,101)** | (473) |

## 23. Guarantees and commitments

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) | 2nd Period | 09/22/2014 | USD 3.1MM<br>1.500 Km seismic 2D or<br>400 Km² seismic 3D | Acquisition of 1.137 km² 3D seismic |
| **023** (blocks 2112B and 2212A) | 2nd Period | 06/05/2015 | USD 2.0MM<br>200 Km² seismic 3D | Acquisition of 5.359 km² 3D seismic and well Moosehead-1 |
| **024** (blocks 2713A and 2713B) | 2nd Period | 08/03/2014 | USD 1.1MM<br>1,000 Km seismic 2D or<br>400 Km² seismic 3D | Acquisition of 1,424 km² 3D seismic and wells Wingat-1 and Murombe-1 |
| **028** (blocks 2813A, 2814B and 2914A) | 1st Period | 05/14/2015 | USD 8.5MM<br>2,000 Km seismic 2D or<br>500 Km² seismic 3D | Acquisition of 1,237 km² 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.

The Company has applied to the Ministry of Mines and Energy of Namibia renewal of PEL 22 and 24 for extension of exploratory period, expired in September and August, respectively, and the extension of the term of the PEL 23 and 28, ending in May and June 2015. Despite the history of renewals granted to PetroRio and the good relationship with the Government of Namibia, since there was no indication, the Company decided to form a provision for loss for the assets located in Africa at the close of the year ended December 31, 2014.

In the transaction to acquire 80% of the Bijupirá and Salema Fields, the Company paid 20% of the total amount with own funds, by way of an advance, and to ensure the remaining 80% to be financed, on January 20, 2015 the Company obtained from Glencore Ltd a letter of credit for US$ 120 million (equivalent to R$ 372,312 on June 30, 2015). The financial cost of this letter of credit recorded as financial expenses on June 30, 2015 was R$ 15,092.

## 24. Segment information

Bearing in mind the Company's new strategy of operating in hydrocarbon production in mature fields such as Bijupira and Salema, while suspending exploratory risk in the concessions in Namibia (Africa) and Solimões in 2014, Management did a revaluation in 2015 and concluded that PetroRio is present in a single segment of operations, namely the exploration and production (E&P) of oil and gas in Brazil and abroad.

### Geographical information

| | 06/30/2015 |
|---|---|
| **Current assets** | |
| Brazil | 445,080 |
| Abroad | 304,126 |
| **Noncurrent assets** | |
| Brazil | 141,703 |
| Abroad | 152,359 |
| **Revenue** | |
| Brazil | 91,589 |
| Abroad | 10,072 |

| | 12/31/2014 |
|---|---|
| **Current assets** | |
| Brazil | 426,625 |
| Abroad | 360,091 |
| **Noncurrent assets** | |
| Brazil | 198,940 |
| Abroad | 74,197 |

| | 06/30/2014 |
|---|---|
| **Revenue** | |
| Brazil | 280,906 |
| Abroad | - |

## 25. Financial risk management objectives and policies

The main financial liabilities of PetroRio refer to trade accounts payable for goods and services to be used in its hydrocarbon exploration and production operations, debentures, and the financial security agreements. On the other hand, cash and cash equivalents are recorded in assets, as described in Notes 3 and 4.
The Company is exposed to market (interest and exchange rates), credit and liquidity risks. The Company's senior management manages these risks by means of appropriate policies and procedures. It is the Company's policy not to participate in negotiation of derivatives for speculative purposes.

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

**Market risk**

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

**Interest rate risk**

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

**Interest rate sensitivity**

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

| Operation | Risk | Probable scenario | Scenario (I) 25% | Scenario (II) 50% |
|---|---|---|---|---|
| Impact on securities | Decrease in CDI | 671 | (78) | (827) |
| Impact on debentures | Increase in CDI | (446) | (1,166) | (2,306) |

For The earnings from financial investments and securities the CDI projections disclosed by BM&FBOVESPA for the period ending December 31, 2015 were taken into account under the probable scenario (CDI 13.92%), a 25% reduction in the projected CDI was taken into account under scenario I and a 50% reduction was taken into account under scenario II in relation to the probable scenario.

### Exchange risk

Currency risk refers to the exposure to oscillations in the levels of commodity price or service contracted (future cash flows) in foreign currency by the Company. 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 (I) 25% | Scenario (III) 50% |
|---|---|---|---|---|
| Impact on financial investments | Decrease in US dollar | 9,136 | (60,968) | (121,937) |
| Provision for abandonment | Increase in US dollar | (6,114) | (40,799) | (81,598) |

For calculation of the amounts included in the above scenarios the average exchange rate projection disclosed by BM&FBOVESPA for the period ending December 31, 2015 (US$ 1/R$ 3.219) was taken into account under the probable scenario. Under scenario I, this projection was increased by 25% and under scenario II, the curve was increased by 50% against the probable scenario.

### Credit risk

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

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

Related to credit risk of its sales operations, the Company analyzes the financial condition of it customer, in conjunction with the provider of marketing services (trader), which also operates as an intermediary in transactions for the sale of oil. In six-month period, ended June 30, 2015 the net revenue was concentrated 100% on one customer (89%, for the six-month period ended June 30, 2014).

## Liquidity risk

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

### Consolidated

| **Period ended June 30, 2015** | **Up to 12 months** | **1 to 5 years** | **Total** |
|---|---|---|---|
| **Liabilities** | | | |
| Suppliers | (40,210) | (12,710) | **(52,920)** |
| Labor charges | (5,918) | - | **(5,918)** |
| Income and social contribution charges | (8,623) | - | **(8,623)** |
| Advances from partners | (67,336) | - | **(67,336)** |
| Debentures | (1,727) | (87,192) | **(88,919)** |
| Asset retirement obligation | - | (163,198) | **(163,198)** |
| Provision for contingencies | - | (39,618) | **(39,618)** |
| Other obligations | (888) | (2,799) | **(3,687)** |
| | **(124,702)** | **(305,517)** | **430,219** |

| **Period ended December 31, 2014 - restated** | **Up to 12 months** | **1 to 5 years** | **Total** |
|---|---|---|---|
| **Liabilities** | | | |
| Suppliers | (50,507) | (12,710) | **(63,217)** |
| Advance for sale of fixed assets | (25,368) | - | **(25,368)** |
| Labor charges | (7,439) | - | **(7,439)** |
| Income and social contribution charges | (8,518) | - | **(8,518)** |
| Advances from partners | (62,495) | - | **(62,495)** |
| Debentures | - | (87,568) | **(87,568)** |
| Asset retirement obligation | - | (138,039) | **(138,039)** |
| Provision for contingencies | - | (33,838) | **(33,838)** |
| Other obligations | - | (2,152) | **(2,152)** |
| | **(154,327)** | **(274,307)** | **(428,634)** |

### Parent Company

| **Year ended June 30, 2015** | **Up to 12 months** | **1 to 5 years** | **Total** |
|---|---|---|---|
| **Liabilities** | | | |
| Suppliers and others | (3,565) | - | **(3,565)** |
| Labor charges | (2,263) | - | **(2,263)** |
| Income and social contribution charges | (5,056) | - | **(5,056)** |
| Related parties | (4,084) | - | **(4,084)** |
| Debentures | (1,727) | (87,192) | **(88,919)** |
| | **(16,695)** | **(87,192)** | **(103,887)** |

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

Fair value of financial assets and liabilities

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

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

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

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

| | 06/30/2015 | | | |
|---|---|---|---|---|
| | Parent Company | | Consolidated | |
| | Book Value | Fair Value | Book Value | Fair Value |
| Financial assets | | | | |
| Loans and receivables | | | | |
| Accounts receivable (i) | 36 | 36 | 3,697 | 3,697 |
| Related parties | 1,821 | 1,821 | - | - |
| Fair value in the result | | | | |
| Cash and cash equivalents (ii) | 25,646 | 25,646 | 327,857 | 327,857 |
| Marketable securities (ii) | 15,042 | 15,042 | 27,781 | 27,781 |
| Financial liabilities | | | | |
| Amortized cost: | | | | |
| Suppliers (i) | 3,565 | 3,565 | 52,920 | 52,920 |
| Related parties | 4,084 | 4,084 | - | - |
| Debentures (ii) | 88,919 | 74,303 | 88,919 | 74,303 |

| | 12/31/2014 | | | |
|---|---|---|---|---|
| | Parent Company | | Consolidated | |
| | Book Value | Fair Value | Book Value | Fair Value |
| Financial assets | | | | |
| Loans and receivables | | | | |
| Accounts receivable (i) | 36 | 36 | 1,835 | 1,835 |
| Related parties | 4,871 | 4,871 | - | - |
| Fair value in the result | | | | |
| Cash and cash equivalents (ii) | 49 | 49 | 350,634 | 350,634 |
| Marketable securities (ii) | 15,042 | 15,042 | 27,781 | 27,781 |
| Financial liabilities | | | | |
| Amortized cost: | | | | |
| Suppliers (i) | 5,113 | 5,113 | 63,217 | 63,217 |
| Related parties | 6,856 | 6,856 | - | - |
| Debentures (ii) | 87,568 | 81,547 | 87,568 | 81,547 |

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)

## 26. Insurance

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

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

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

The insurance policies in force at June 30, 2015 cover the amount of R$ 2,769,718. We set out below the main insurance types and insured amounts:

| Insurance/modality | Amounts insured |
|---|---|
| Physical damages (inventory) | **131,860** |
| Fixed platforms and components | **806,676** |
| Offshore property (pipeline) | **62,052** |
| OEE production (well control) | **465,390** |
| OEE development (well control) | **310,260** |
| Offshore Civil Liability | **775,650** |
| Aircraft (physical damages) | **23,757** |
| Aircraft (civil liability) | **93,078** |
| Cargo (Polvo) | **3,500** |
| D&O | **20,000** |
| Onshore Third Party Liability | **5,000** |
| Property | **2,495** |
| Surety (Solimões) | **70,000** |
| **Total amount insured** | **2,769,718** |

## 27. 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 June 30, 2015 and December 31, 2014 in the amount of R$ 39,618 and R$ 33,838, respectively, are sufficient to cover losses considered probable and reasonably estimated.

**Arbitration proceedings**

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

1. Tuscany Perfurações Brasil Ltda. e Tuscany Rig Leasing S.A. filed a request for arbitration against HRT O&G, in the amounts of US$39,645 thousand (R$ 123,002). The sentence was handed down on February 5, 2015, condemning the Company to pay the amounts of R$1,484 and US$12,130 thousand (R$ 37,635 – PTAX of June 30, 2015). However, an applicable appeal was filed on March 9, 2015 and the company is awaiting trial.

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

**Public Civil Action**

The subsidiary 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$ 7,834. HRT is awaiting sentencing trial. According to the Legal Adviser of the case, it is possible the chance of loss.

Except for the seven labor claims totaling R$ 164, a civil claim for R$ 91 and a tax claim for R$ 245, under the probable risk, according to the Group's legal advisors, the risk of loss from other lawsuits is “possible” (R$ 142,913) or “remote”. Based on this evaluation, management decided not to form a provision for contingencies, in accordance with accounting practices adopted in Brazil and IFRS.

## 28. Subsequent events

### 28.1 Sale of assets and termination of the Solimões operation

On May 18, 2015, the Company executed definitive agreements for the sale and transfer of the total participation and the respective rights and obligations in the Concession Agreements of the oil and gas blocks located in the Solmões Sedimentary Basin in the State of Amazonas to Rosneft Brasil E&P Ltda, (a subsidiary of the Rosneft Oil Company). The total amount of the transaction was US$ 58 million (R$ 179 million) and did not include the four heli-transportable rigs.

The National Agency for Petroleum, Natural Gas and Biofuels (ANP) approved the transaction on July 1, 2015, through Official Letters 560/2015/SEP and 561/2015/SEP (note 6).

### 28.2 Purchase of the Petrobras participation in the Bijupirá and Salema Fields

On July 1, 2015, Petro Rio announced it had entered into a purchase agreement with Petrobras to acquire the rights and obligations of the concession agreements for the Bijupirá and Salema fields (BJSA). As a result, the Company will hold 100% participation and will be the operator for the BJSA fields as from January 1, 2015.

The total amount of the transaction with Petrobras is US$ 25 million (R$ 78 million), subject to adjustment and payable in cash, with 20% paid using own funds, and 80% via a structured finance transaction. This transaction is subject to approval by the National Agency of Petroleum, Natural gas and Biofuels - ANP.

### 28.3 Oil sale

On July 13, 2015, Company has sold approximately 178 thousand barrels of oil (information not reviewed by the independent auditors) to Glencore Ltd., corresponding to the amount of R$ 26.5 million. Cost of sales relating to this transaction amounts to R$ 35.1 million.