



2Q16 Conference Call

August 12, 2016
Webcast: www.petroriososa.com.br

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01:00 p.m. (Brasília Time)
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12:00 p.m. (US EST)
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The conference call will be held in Portuguese, with simultaneous translation into English.

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2Q16
Earnings
Release

2Q16 EARNINGS RESULTS

Rio de Janeiro, August 11, 2016 – Petro Rio S.A. (“PetroRio” or “Company”, BM&FBovespa: PRIO3 and TSX-V: PRJ) announces its results for the second quarter of 2016 (“2Q16”). The financial and operational information below, except if otherwise indicated, is presented on a consolidated basis and in Brazilian Reais (R\$) according to the International Financial Reporting Standards (“IFRS”), including its direct subsidiaries: Petro Rio O&G Exploração e Produção de Petróleo Ltda. (former HRT O&G Exploração e Produção de Petróleo Ltda.), Petro Rio Internacional S.A., HRT America Inc. and their respective subsidiaries and branches.

2Q16 HIGHLIGHTS

- PRODUCTION OF 799,333 BARRELS IN THE QUARTER, REBOUNDED TO 2Q15 LEVELS
- OPERATIONAL EFFICIENCY OF 96.6%
- TOTAL NET REVENUES OF R\$ 103.4 MILLION, 149% HIGHER THAN 1Q16 AND 7% ABOVE 2Q15 WHILE EBITDA REACHED R\$ 5.9 MILLION
- PETRORIO REACHED THE LOWEST LIFTING COST (US\$ 28.17/BBL) SINCE THE BEGINNING OF ITS OPERATION, 21% BELOW 1Q16 AND 17% LOWER THAN 2Q15
- WELL INTERVENTIONS IN POLVO FIELD RESULTED ON PRODUCTIVITY GAINS OF APPROXIMATELY 20%
- 1,500 DAYS WITHOUT LOST-TIME INJURIES, A BENCHMARK IN THE OIL & GAS INDUSTRY

MANAGEMENT REPORT

PetroRio achieved important results in the second quarter of 2016. The Company successfully concluded the first phase of the redevelopment program of Polvo Field, significantly increasing its production while registered the lowest lifting cost since the beginning of its operations. Additionally, PetroRio reached the expressive milestone of 1,500 days without lost-time injuries and posted positive EBITDA of R\$ 5.9 million, even with Brent averaging less than US\$ 50/bbl.

The first phase of Polvo Field’s redevelopment was completed in the end of July. Since the operational start-up of the three wells that underwent interventions, average daily production has stabilized at approximately 9,100 bbl versus our previous estimate of 7,500 bbl, representing a productivity gain of around 20%. In case we are able to maintain this productivity gain in the long term, it has the potential to extend the field’s working life by one year and increase our estimates of proven reserves by more than one million barrels. In addition to the increase in oil production and the consequent dilution of fixed costs, we expect to achieve annual savings of approximately US\$ 1 million due to lower consumption of diesel as a result of the field’s expected higher natural gas production. The project’s investments year-to-date amount to US\$ 14.4 million, of which US\$ 9.3 million were spent in 2Q16, slightly above our original estimate of US\$ 12.5 million. Altogether, we conducted

interventions in two producing wells and revitalized a third one that had been abandoned in 2008. New good-quality reservoirs were successfully accessed, mostly sandstone, and based on the final assessment of the results the Company will consider the feasibility of drilling new wells.

In addition to Polvo Field's optimization, we highlight PetroRio's innovative capacity as the Company will become the first in Brazil to use a new technology for oil containment and collection in case of oil spills. Our new Individual Emergency Plan (PEI) was recently approved by the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) and contemplates the use of a new equipment, Side Collector, that has already been installed in the dedicated vessel Astro Pargo. At the same time the equipment increases oil collection capacity, it eliminates the need for a second dedicated vessel, thus promoting expected annual cost savings of approximately US\$ 3 million.

These results reflect the entrepreneurial culture focused on results that will consolidate PetroRio as Brazil's largest independent oil production company.

In the second quarter, daily production averaged 8,780 bbl, 23% up relative to 1Q16 and resumed 2Q15 levels, thanks to the positive impact of the interventions in Polvo Field during the quarter and given an operational efficiency of 96.6%.

The Company executed two offtakes in the second quarter. Sales totaled 766,734 barrels with revenue amounting to R\$ 103.3 million and lifting cost of US\$ 28.17/bbl, down by 21% on 1Q16 and 17% lower than in 2Q15, despite the appreciation of the Brazilian Real against the U.S. dollar in 2016, which increases our foreign-currency denominated costs. Although the price of Brent averaged less than US\$ 50/bbl, EBITDA was positive by R\$ 5.9 million and included non-cash expenses of R\$ 6.3 million related to the write-down of four onshore rigs whose sale are under negotiation. The net loss of R\$ 51.0 million in 2Q16 was strongly affected by the negative FX impact of R\$ 39.8 million mainly due to the Company's cash position that is mostly allocated in U.S. dollars. We highlight though that our consolidated cash position in dollar terms increased by US\$ 8 million in 1H16, reaching US\$ 135 million in the end of June, as a result of our efficient cash management. Maintaining the financial health is essential for our strategic focus on acquisitions.

Over the first semester of 2016, oil prices have significantly recovered. After reaching its lowest level of US\$ 28/bbl in January, Brent surpassed the US\$ 50/bbl barrier in 2Q16, averaging US\$ 47/bbl, 30% higher than in 1Q16. This strong recovery was initially driven by several factors, including (a) unexpected supply disruptions, mainly in Nigeria, Iraq and Libya, (b) the drop of U.S. onshore production in response to the sharp decline in prices, and (c) the depreciation of the U.S. dollar and its positive impact on commodities in general.

After a brief period of relative flat prices, we saw in the beginning of 2Q16 the start of a new rally fueled by (a) a sharper production decline, not easily reverted, in important producing countries such as Colombia, Mexico and China, (b) along with enduring geopolitics tension in key producing regions, (c) the wildfire in Alberta, Canada, which significantly affected the production of the Canadian Oil Sands reservoirs, and (d) the seasonal stronger demand in the summer of the northern hemisphere. In the end of June, however, the upward trend in oil prices lost strength with events such as the Brexit that widely contaminated asset prices with a higher pessimism towards the macroeconomic scenario. Additionally, the resilient high inventories of oil and oil products together with fears of a rebound on the US onshore production, following the rising rig counts, dropped prices again to less than US\$ 45/bbl.

Oil price volatility has been very high and should remain like that in the upcoming months. Nevertheless, we still strongly believe in a recovery in the medium and long term. Our optimism is based on the thesis that current prices are insufficient to stimulate the necessary

investments to maintain supply at current levels, given the natural decline of mature fields, and to balance demand that even at a slow pace should continue to grow. In 2016, production of more than ten countries not members of OPEC has already significantly declined while in 2015 this group comprised only the USA and Mexico.

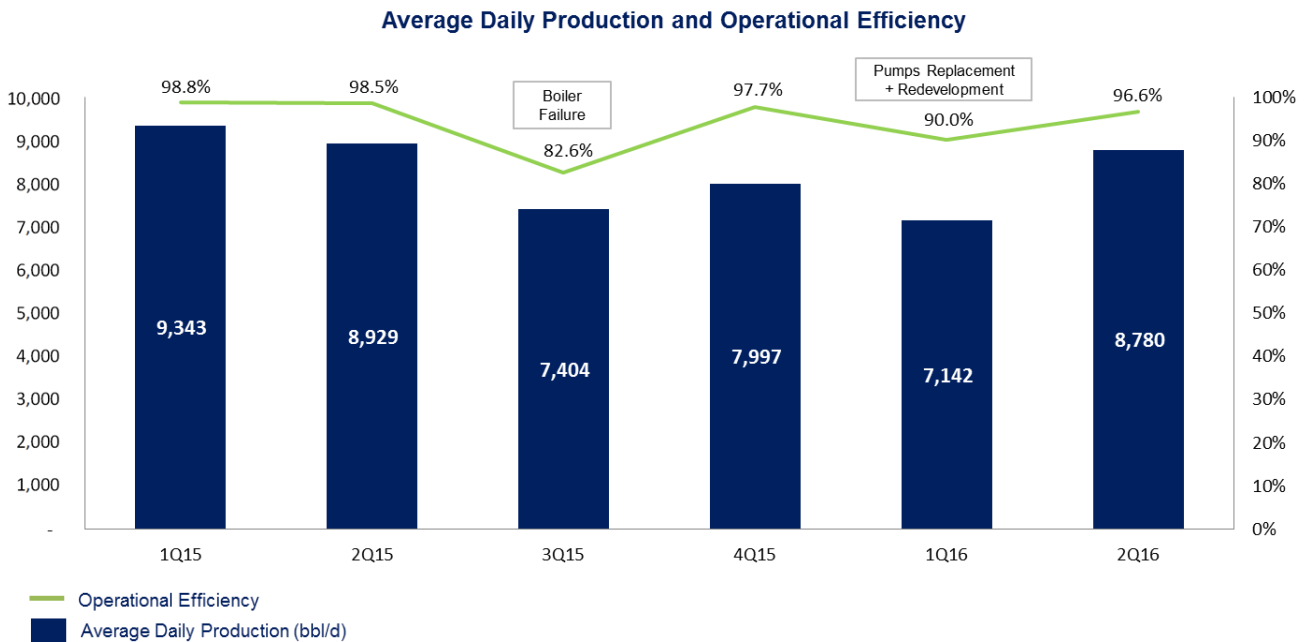
As a result, we are confident in maintaining our growth strategy through acquisitions of producing fields. The current scenario offers good opportunities both in Brazil and abroad, and PetroRio is strategically positioned as one of the sector's main candidates for value creation given its solid balance sheet, highly qualified technical staff and capital allocation discipline.

Lastly, as already announced, on July 14, 2016 we completed 1,500 days without lost-time injuries in the Polvo A fixed platform, which is equivalent to more than four years or approximately one million working hours. PetroRio is currently a reference in the Oil & Gas industry. This important milestone demonstrates our commitment to reflect the principles of economic, environmental and social sustainability in our values and culture.

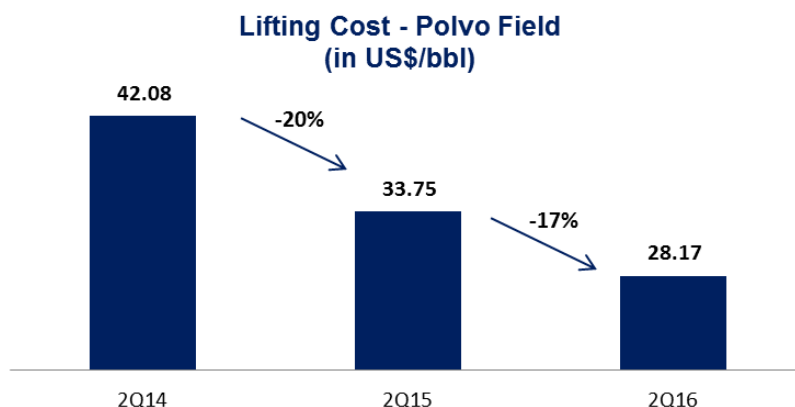
OPERATING PERFORMANCE

POLVO FIELD

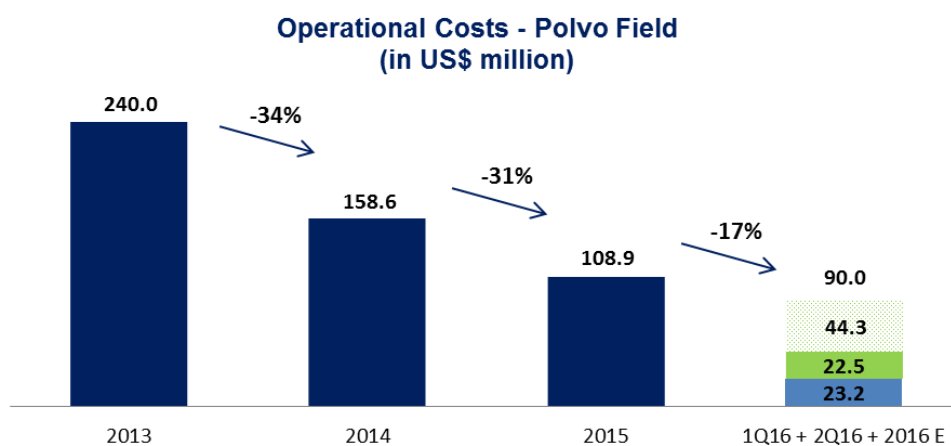
Oil production totaled 799,333 barrels in 2Q16, averaging a daily production of 8,780 barrels, 23% higher than 1Q16 and rebounding to 2Q15 levels. The productivity gain in 2Q16 was influenced by Polvo Field's redevelopment program and the increased operational efficiency of 96.6% that profited from the lower impact from interventions and the lower incidence of operational failures. Since the operational start-up of the three wells which underwent interventions, daily production stabilized at around 9,100 bbl. We present below our oil average production since 1Q15:



In line with our cost control strategy, 2Q16 lifting cost declined to US\$ 28.17/bbl, the lowest since the beginning of our operations in Polvo Field. Despite the increase of our foreign currency-denominated costs due to the strong appreciation of the Brazilian Real against the U.S. dollar in 2016, 2Q16 lifting cost fell by 17% over 2Q15 and 21% over 1Q16.



Polvo Field's operating costs in 2Q16 were US\$ 22.5 million and totaled US\$ 45.7 million in 1H16, in line with the annual target of US\$ 90 million established for 2016 and representing a significant cut of 17% comparing to 2015.



FINANCIAL PERFORMANCE

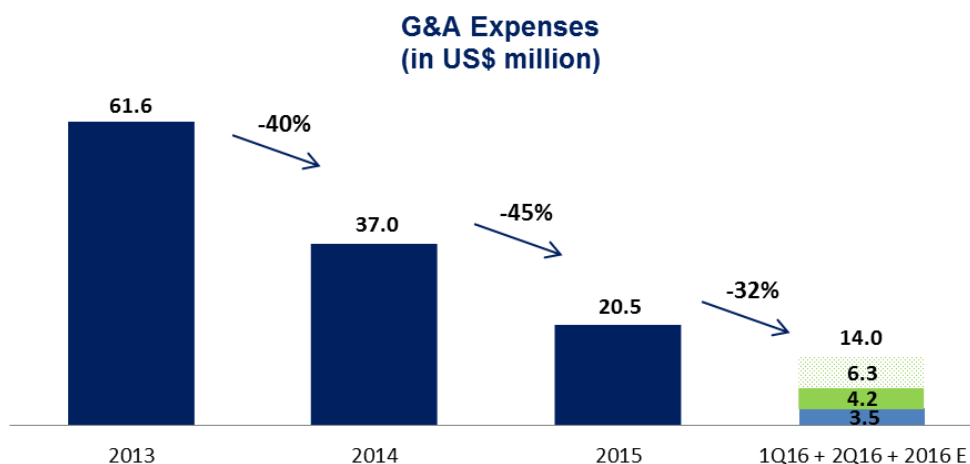
R\$ million

Proforma Income Statement	2Q15	1Q16	2Q16
Offtakes (bbl)	622,774	380,255	766,734
Gross selling price (US\$)	50.52	36.29	45.41
Revenues	96.808	41.509	103.381
Cost of Goods Sold	(63.834)	(50.376)	(84.843)
Royalties	(9.580)	(4.947)	(7.868)
Results of Operations	23.394	(13.814)	10.670
G&A, G&G and Project expenses	(19.000)	(15.245)	(15.017)
Other revenues/expenses	33.024	(2.168)	10.265
EBITDA	37.418	(31.227)	5.918
<i>EBITDA margin</i>	38.7%	-75.2%	5.7%
Depreciation and amortization	(43.684)	(11.581)	(21.399)
Financial income	(12.127)	(22.219)	(35.877)
Income and social contribution	2.158	(0.360)	0.336
Profit (loss)	(16.235)	(65.387)	(51.022)

In 2Q16, the Company executed two offtakes, totaling 766,734 barrels at the gross average price of US\$ 45.41/bbl, and ended the quarter with 554,000 barrels in inventory, equivalent to R\$ 75.6 million. In July, we executed another offtake totaling 305,000 barrels.

EBITDA was positive by R\$ 5.9 million in 2Q16, fueled by the 25% increase in the gross sale price and the reduction in COGS per barrel. This reduction will become even more evident in 3Q16, when the offtakes will correspond to a higher share of the volume produced in 2Q16.

General and administrative expenses (G&A) amounted to US\$ 4.2 million in 2Q16, 28% less than the US\$ 5.4 million posted in 2Q15. The slight increase over 1Q16 was basically influenced by the foreign exchange appreciation. In the first six months, G&A expenses totaled US\$ 7.7 million, within our annual target of US\$ 14 million, which represents a reduction by more than 30% compared to last year.



The positive result of R\$ 10.2 million registered in other operating revenue came influenced particularly by gains of R\$ 21.3 million refers to the reversion of a loss provision related to the market-to-market of the oil inventory, partially offset by the accounting write-down of R\$ 6.3 million related to four onshore rigs whose sale are under negotiation.

The net result of 2Q16 was negative in R\$ 51.0 million, strongly affected by the impact of the foreign exchange variation of R\$ 39.8 million on the Company's cash position, most of which allocated in U.S. dollars.

TOTAL CASH, CASH EQUIVALENTS AND INVESTMENTS

At the end of 2Q16, PetroRio's consolidated cash position, including cash equivalents and investments in marketable securities, was R\$ 439 million, most of which allocated abroad, in U.S. dollars. Although impacted by the appreciation of the Brazilian Real against the US dollar, our cash position remained stable compared to the end of 2015 and in dollar terms presented a slight increase in 1H16.

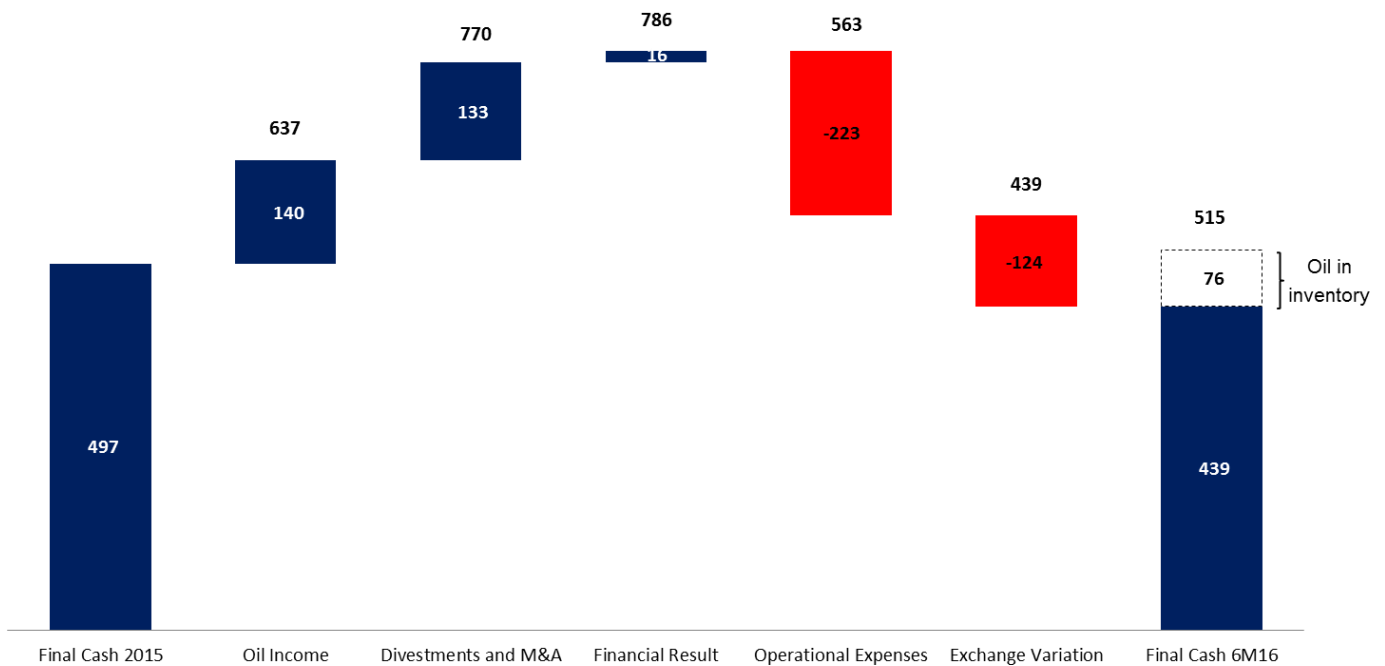
Cash variation in the first semester was influenced by the following aspects:

- Inflow of R\$ 140 million related to oil sales;
- Divestments/M&A of R\$ 133 million with (a) the inflow of R\$ 113 million related to the reimbursement of payments made in advance to the Bijupirá and Salema fields, (b) R\$ 15.4 million (US\$ 5 million) from Rosneft related to the farm-out in the Solimões

Basin and (c) R\$ 3.5 million (US\$ 1 million) related to the reimbursement for the non-utilization of the letter of credit acquired with Glencore;

- Production costs, operating expenses and payment of royalties totaling R\$ 223 million;
- Negative impact of R\$ 124 million from exchange variation;
- Financial results of R\$ 16 million.

1H16 CASH FLOW (in R\$ million)



* USD/BRL FX Rate on June 30, 2016: R\$ 3,21

BALANCE SHEET

(in thousands of R\$)

ASSETS

Current assets	Jun 30, 2016	Dec 31, 2015
Cash and cash equivalents	28,069	283,951
Marketable securities	411,334	213,090
Accounts receivable	83,690	244,499
Taxes recoverable	27,916	26,801
Derivative financial instruments	86	-
Advances to suppliers	26,944	28,291
Prepaid expenses	5,750	722
Inventories	75,590	25,279
Other credits	3,153	3,546
Total Current assets	662,532	826,179
Non-current assets available for sale	53,588	73,644
	716,120	899,823
Non-current assets		
Long term assets		
Advances to suppliers	12,596	12,596
Deposits and pledges	11,982	11,594
Recoverable taxes	19,872	20,084
Deferred taxes	1,237	1,226
Property, plant and equipment	48,051	69,949
Intangible assets	188,598	161,766
Total fixed assets	282,336	277,215
Total assets	998,456	1,177,037

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liability	Jun 30, 2016	Dec 31, 2015
Suppliers	49,348	52,469
Labor obligations	6,239	7,373
Taxes and social contribution	10,995	13,082
Debentures	706	664
Advances from partners	6,630	7,658
Other liabilities	831	4,177
Total Current liability	74,749	85,423
Non-current liability		
Suppliers	12,710	12,710
Debentures	31,430	31,461
Provision for abandonment (ARO)	46,837	68,033
Provision for contingencies	53,820	60,879
Deferred taxes and social contributions	4,122	4,087
Other liabilities	262	339
Total Noncurrent liability	149,181	177,509
Equity		
Capital	3,265,216	3,265,185
Capital reserves	101,720	101,720
Accumulated translation adjustment	364,249	387,451
Accumulated losses	(2,840,250)	(2,950,672)
Loss for the year	(116,409)	110,421
Total Equity	774,526	914,106
Total liabilities and equity	998,456	1,177,037

INCOME STATEMENT

(in thousands of R\$)

	Quarter June 30, 2016	Quarter June 30, 2015
Net revenues	103,381	96,808
Cost of products/services	(84,843)	(63,834)
Depreciation and amortization	(21,365)	(42,827)
Royalties	(7,868)	(9,580)
Gross profit	(10,695)	(19,433)
Operating income (expenses)		
Geology and geophysics expenses	(206)	(170)
Personnel expenses	(4,242)	(5,910)
General and administrative expenses	(2,969)	(2,540)
Expenses with third party services	(7,307)	(9,555)
Taxes and fees	(293)	(825)
Depreciation and amortization expenses	(34)	(857)
Income from transactions with permanent assets	(6,712)	18,416
Other operating income (expenses), net	16,977	14,608
Financial results	(35,877)	(12,127)
Income before income and social contribution taxes	(51,358)	(18,393)
Income and social contribution taxes		
Current	-	866
Deferred	336	1,292
	336	2,158
Income (loss) from continuing operations	(51,022)	(16,235)
Income from discontinued operation	-	-
Loss for the year	(51,022)	(16,235)

STATEMENT OF CASH FLOW

(in thousands of R\$)

	June 30, 2016*	June 30, 2015*
Loss for the period (before tax)	(116,385)	(72,395)
Adjusts for		
Depreciation and amortization	32,980	48,535
Financial income	(170,740)	(49,436)
Financial expense	223,220	116,139
Share-based compensation	-	3
Loss/write-off of fixed assets	1	3,043
Provision for contingencies/losses	(17,353)	13,753
Provision for impairment	6,291	(18,416)
	(41,986)	41,226
(Increase) decrease in assets		
Accounts receivable	119,642	(1,862)
Taxes recoverable	(1,167)	(4,911)
Prepaid expenses	(5,056)	(2,113)
Advances to suppliers	(2,594)	(1,131)
Inventory	(24,827)	(44,863)
Advances to/from partners in oil & gas operation	-	702
Other credits	(230)	(2,733)
Subtotal	85,768	(56,911)
Increase (decrease) in liabilities		
Suppliers	338	(27,451)
Labor charges	(1,115)	(1,521)
Income and social contribution charges	(4,776)	(71)
	(71)	-
Advances to/from partners in oil & gas operation	(753)	2,974
Other liabilities	(2,617)	1,535
Subtotal	(8,994)	(24,534)
Net cash used in operating activities	34,788	(40,219)
Cash flows from investment activities		
(Investment in) Redemption of securities	(234,381)	73,197
Deposited in court/guarantees	(388)	(170)
Asset held for sale	-	17,491
(Purchase) sale of fixed assets	597	2,399
(Purchase) sale of intangible assets	(55,114)	234
(Purchase) of noncurrent assets	-	(78,541)
Net cash used in investing activities	(289,286)	14,610
Cash flows from financing activities		
Debentures and loans	(1,880)	(3,160)
Derivative transactions	(5,158)	-
Net cash flow from financing activities	(7,038)	(3,160)
Exchange variation	5,654	5,992
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents - beginning of year	283,951	350,634
Cash and cash equivalents - end of year	28,069	327,857
Net increase in cash and cash equivalents	(255,882)	(22,777)

Sedar Profile # 00031536

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

About PetroRio

PetroRio is one of the largest independent companies in the oil and gas production in Brazil. It is the operator of the Polvo Field, located in the Campos Basin, which has Brazil's seventh largest daily production of barrels of oil equivalent (boe). PetroRio is the owner of "Polvo A" fixed platform and a 3.000HP drilling rig, currently in operation in this Field, being the platform connected to the "Polvo FPSO" vessel, with capacity to segregate hydrocarbons and water treatment, oil storage and offloading. Polvo Field license covers an area of approximately 134km², with several prospects with potential for further explorations.

The Company's corporate culture seeks to increase production through the acquisition of new production assets, the re-exploration of assets, increased operational efficiency and reduction of production costs and corporate expenses. PetroRio's main objective is to create value for its shareholders with growing financial discipline and preserving its liquidity, with full respect for safety and the environment. For further information, please visit the Company's website: www.petroriosa.com.br.

Disclaimer

This news release contains forward-looking statements. All statements other than statements of historical fact contained in this news release are forward-looking statements, including, without limitation, statements regarding our drilling and seismic plans, operating costs, acquisitions of equipment, expectations of finding oil, the quality of oil we expect to produce and our other plans and objectives. Readers can identify many of these statements by looking for words such as "expects", "believe", "hope" and "will" and similar words or the negative thereof. Although management believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. By their nature, forward-looking statements require us to make assumptions and, accordingly, forward-looking statements are subject to inherent risks and uncertainties. We caution readers of this news release not to place undue reliance on our forward-looking statements because a number of factors may cause actual future circumstances, results, conditions, actions or events to differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements and the assumptions underlying the forward-looking statements.

The following risk factors could affect our operations, as well as our ability to complete the proposed acquisition: the contingent resource and prospective resource evaluation reports involving a significant degree of uncertainty and being based on projections that may not prove to be accurate; inherent risks to the exploration and production of oil and natural gas; limited operating history as an oil and natural gas exploration and production company; drilling and other operational hazards; breakdown or failure of equipment or processes; contractor or operator errors; non-performance by third party contractors; labor disputes, disruptions or declines in productivity; increases in materials or labor costs; inability to attract sufficient labor; requirements for significant capital investment and maintenance expenses which PetroRio may not be able to finance; cost overruns and delays; exposure to fluctuations in currency and commodity prices; political and economic conditions in Brazil; complex laws that can affect the cost, manner or feasibility of doing business; environmental, safety and health regulation which may become stricter in the future and lead to an increase in liabilities and capital expenditures, including indemnity and penalties for environmental damage; early termination, non-renewal and other similar provisions in concession contracts; and competition. We caution that this list of factors is not exhaustive and that, when relying on forward-looking statements to make decisions, investors and others should also carefully consider other uncertainties and potential events. The forward-looking statements herein are made based on the assumption that our plans and operations will not be affected by such risks, but that, if our plans and operations are affected by such risks, the forward-looking statements may become inaccurate.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this news release are made as of the date of this news release. Except as required by applicable securities laws, we do not undertake to update such forward-looking statements.