



3Q16 Conference Call

November 16, 2016
Webcast: www.petroriososa.com.br

Portuguese

11:00 p.m. (Brasília Time)
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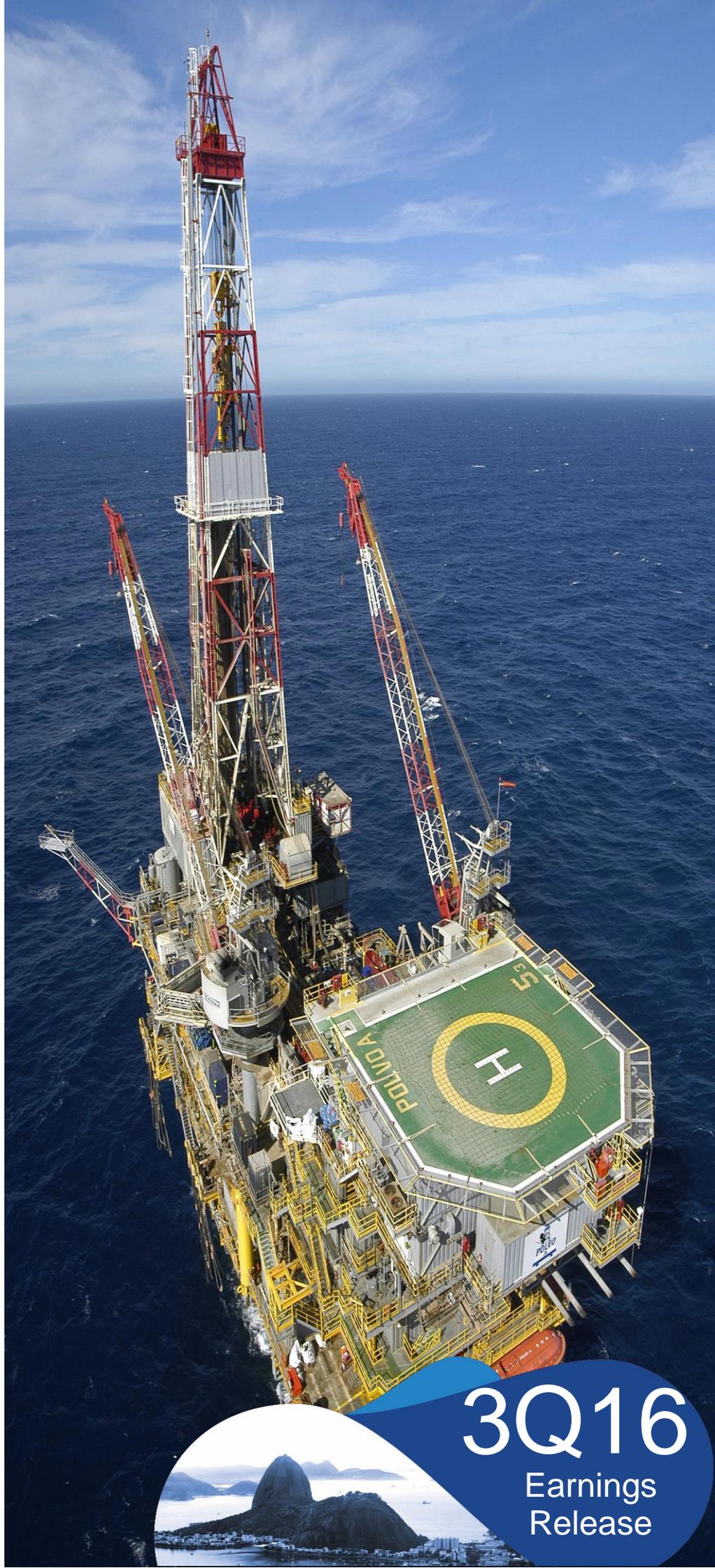
English

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The conference call will be held in Portuguese, with simultaneous translation into English.

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3Q16
Earnings
Release

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

3Q16 HIGHLIGHTS

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

MANAGEMENT REPORT

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

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

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

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

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

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

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

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

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

OPERATING PERFORMANCE

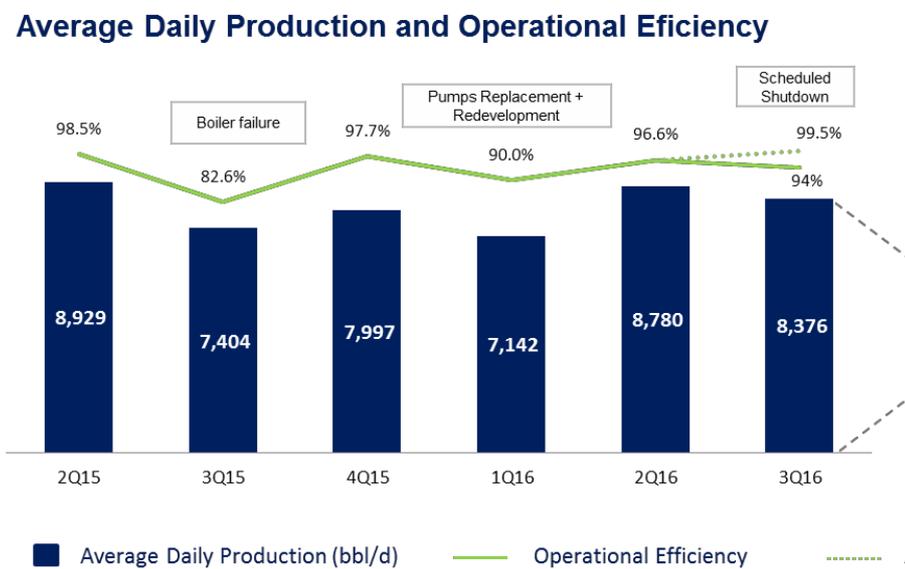
POLVO FIELD

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

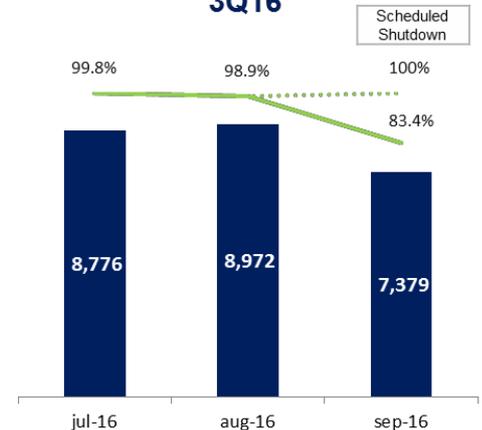
Operational efficiency reached in July and August an exceptional average of 99.3% with few failures and an improved efficiency of the boiler. If we excluded the effect of the maintenance stoppage in September, which reduced our real efficiency to 94%, 3Q16 average would have been even greater than the high levels recorded in the first half of 2015.

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

Average Daily Production and Operational Efficiency



Average Daily Production 3Q16



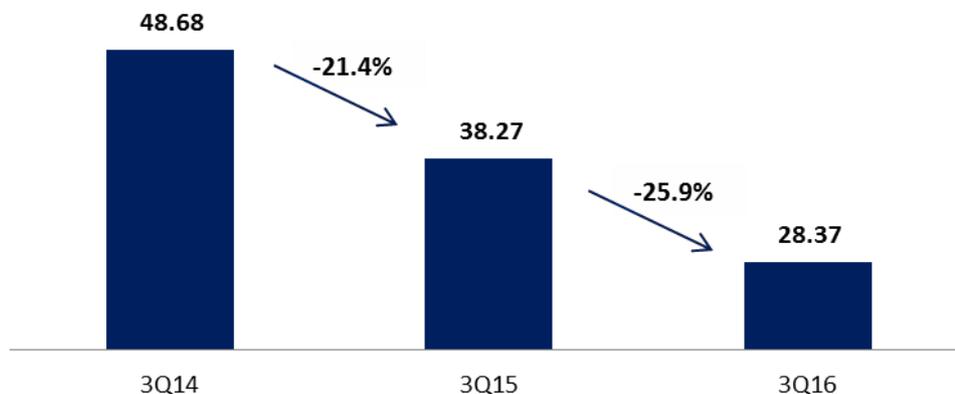
* Operational efficiency excluding the five days of scheduled production stoppage

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

If we compare to previous years, our Lifting Cost fell significantly over 3Q15, -26%, and accumulates an expressive 42% reduction over 3Q14. This result is even more relevant if we consider that production in 3Q14 averaged 9.7kbd versus 8.4kbd in this quarter. In case we adjust our costs per barrel to 2014 production levels, our Lifting Cost would have been lower than US\$ 25/bbl, 50% below 3Q14 cost per barrel. In addition, a significant share of our

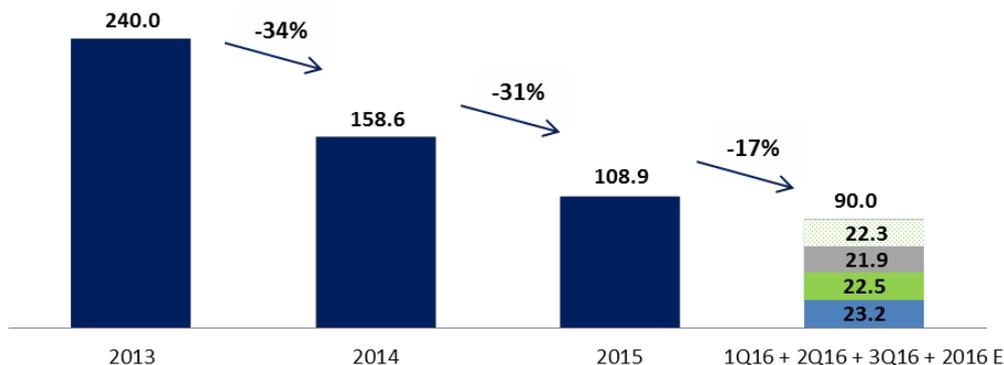
costs is denominated in local currency and, therefore, increased with the strong appreciation of the Brazilian Real against the U.S. dollar in 2016.

Lifting Cost - Polvo Field (in US\$/bbl)



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

Operational Costs - Polvo Field (in US\$ million)



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

FINANCIAL PERFORMANCE

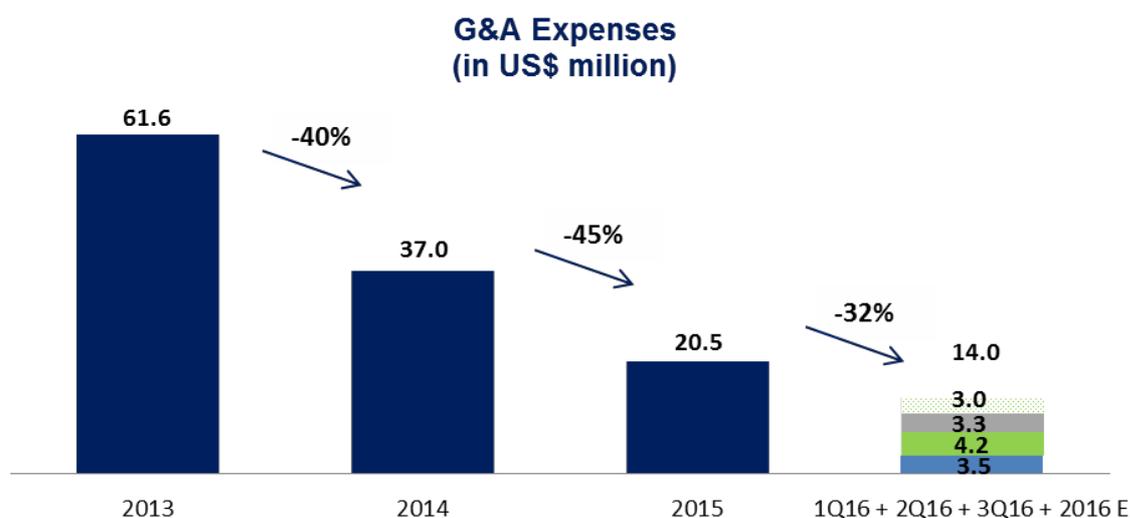
R\$ million

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

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

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

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



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

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

TOTAL CASH, CASH EQUIVALENTS AND INVESTMENTS

At the end of 3Q16, PetroRio's consolidated cash position, including cash equivalents and investments in marketable securities, was R\$ 529 million, most of which allocated abroad and denominated in U.S. dollars. In US dollars, our cash position reached US\$ 162 million at the end of September increasing by US\$ 37 million year-to-date.

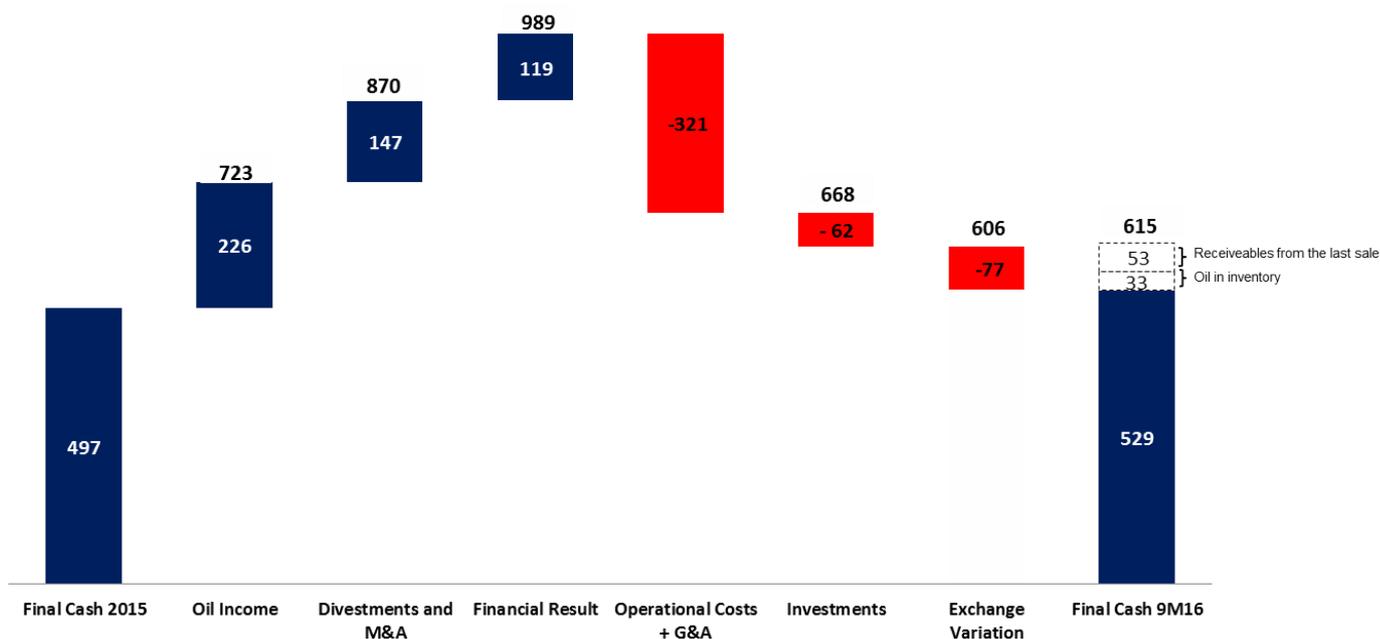
In the third quarter, our operating cash flow was slightly positive due to an increase in working capital with higher receivables in US\$ 16 million (last offtake) despite lower inventories. Investments totaled US\$ 4 million, of which US\$ 1.3 million was allocated to the acquisition of spare equipment while the remaining balance went to interventions and

workovers in the Polvo Field. It is also worth mentioning the expressive appreciation of PetroRio's financial investments by US\$ 25 million in 3Q16 and the sale of an aircraft for US\$ 1.3 million.

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

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

9M16 CASH FLOW (in R\$ million*)



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

BALANCE SHEET

(in thousands of R\$)

ASSETS

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

LIABILITIES

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

INCOME STATEMENT

(in thousands of R\$)

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

STATEMENT OF CASH FLOW

(in thousands of R\$)

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

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

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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.petrorios.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.