

## **Quarterly information – ITR**

**Petro Rio S.A.**

**June 30, 2020**

**Independent Auditors' Report on the Review  
of the Quarterly Information**

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A free translation from Portuguese into English of Report on the review of quarterly information prepared in Brazilian currency in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity)

## **Independent auditor's review report on quarterly information**

### **The Shareholders, Board of Directors and Officers**

**Petro Rio S.A.**

**Rio de Janeiro - RJ**

### **Introduction**

We have reviewed the accompanying individual and consolidated interim financial information, contained in the Quarterly Information Form (ITR) of Petro Rio S.A. for the quarter ended June 30, 2020, comprising the statement of financial position as of June 30, 2020 and the related statements of profit or loss and of comprehensive income for the three and six months period then ended, of changes in equity and of cash flows for the six month period then ended, including the explanatory notes.

Management is responsible for preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement NBC TG 21 - Interim Financial Reporting, and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the fair presentation of this information in conformity with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of the Quarterly Information Form (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and international standards on review engagements (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 auditing standards 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 and consolidated 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 quarterly information referred to above are not prepared, in all material respects, in accordance with NBC TG 21 and IAS 34 applicable to the preparation of Quarterly Information Form (ITR), and presented consistently with the rules issued by the Brazilian Securities and Exchange Commission (CVM).

## **Other matters**

**Restatement of the individual and consolidated interim financial information**  
We draw attention to Note 2 to the interim financial information, which has been amended and is restated to reflect the matter described in such note. On July 31, 2020, we issued an unmodified review report on the Company's interim financial information, which is now being restated. Our conclusion remains unmodified, given that the interim financial information and the amounts corresponding to the previous periods were retrospectively adjusted.

## **Statements of value added**

The abovementioned quarterly information includes the individual and consolidated statement of value added (SVA) for the six months period ended June 30, 2020, prepared under Company's Management responsibility and presented as supplementary information by IAS 34. These statements have been subject to review procedures performed together with the review of the quarterly information with the objective to conclude whether they are reconciled to the interim financial information and the accounting records, as applicable, and if its format and content are in accordance with the criteria set forth by NBC TG 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, consistently with the overall individual and consolidated interim financial information.

Rio de Janeiro, August 27, 2020.

**ERNST & YOUNG**

**Auditores Independentes S.S.**

**CRC-2SP015199/O-6**

Pia Leocádia de Avellar Peralta  
Accountant CRC-1RJ101080/O-0



## Balance sheet

June 30, 2020 and December 31, 2019

(In thousands of reais - R\$)

		Parent company		Consolidated	
	Note	06/30/2020	12/31/2019	06/30/2020	12/31/2019
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	3	2,424	4,911	319,688	459,396
Securities	4	-	-	24,081	226,301
Restricted cash	5	-	-	276,071	52,223
Accounts receivable	6	-	-	210,437	374,598
Oil inventories	23	-	-	244,397	120,101
Inventory of consumables		-	-	5,601	5,373
Derivative financial instruments	27	-	-	12,538	9,354
Recoverable taxes	7	2,955	2,905	140,727	116,773
Advances to suppliers	8	51	38	54,333	52,171
Advances to partners	18	-	-	101,187	86,278
Prepaid expenses		1,496	287	11,013	10,333
Other receivables		36	52	-	189
		6,962	8,193	1,400,073	1,513,090
<b>Non-current assets</b>					
Advances to suppliers	8	-	-	12,596	12,596
Scrow and secured deposits		4,776	5,491	27,993	27,249
Recoverable taxes	7	-	-	34,733	32,384
Deferred taxes	16	17,319	2,196	189,150	160,313
Related parties	21	8,465	6,409	-	-
Right-of-use (Lease CPC 06.R2 IFRS 16)	15	-	-	438,896	452,067
Investments	9	2,833,347	2,268,485	-	-
Property, plant and equipment	10	1,731	1,951	3,746,097	2,602,523
Intangible assets	11	-	-	811,048	689,529
		2,865,638	2,284,532	5,260,513	3,976,661
<b>Total assets</b>		<b>2,872,600</b>	<b>2,292,725</b>	<b>6,660,586</b>	<b>5,489,751</b>

See the accompanying notes to the financial statements.



## Balance sheet

June 30, 2020 and December 31, 2019

(In thousands of reais - R\$)

		Parent company		Consolidated	
	Note	06/30/2020	12/31/2019	06/30/2020	12/31/2019
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Suppliers	12	3,711	1,010	139,859	87,232
Labor obligations		987	794	50,663	39,359
Taxes and social contributions	13	5,363	4,650	48,114	83,441
Loans and financing	14	-	-	1,373,731	1,224,306
Advances from partners	18	-	-	-	40
Contractual Charges (Lease IFRS 16)	15	-	-	295,247	223,049
Other liabilities		19	-	19	12,356
		10,080	6,454	1,907,633	1,669,783
<b>Non-current liabilities</b>					
Suppliers	12	-	-	14,410	13,233
Loans and financing	14	-	-	708,873	421,270
Provision for abandonment (ARO)	17	-	-	922,015	763,633
Provision for contingencies	29	220	-	74,091	65,613
Related parties	21	282,127	121,929	-	-
Contractual Charges (Lease IFRS 16)	15	-	-	450,697	389,433
Other liabilities		-	-	1,701	1,685
		282,347	121,929	2,171,787	1,654,867
<b>Non-controlling interest</b>		-	-	993	759
<b>Shareholders' equity</b>					
Capital	20	3,326,998	3,316,411	3,326,998	3,316,411
Capital reserves		231,245	228,027	231,245	228,027
Cumulative Translation Adjustment		713,624	150,335	713,624	150,335
Accumulated losses		(1,530,431)	(2,372,777)	(1,530,431)	(2,372,777)
Income (loss) for the period		(161,263)	842,346	(161,263)	842,346
		2,580,173	2,164,342	2,580,173	2,164,342
<b>Total liabilities and shareholders' equity</b>		2,872,600	2,292,725	6,660,586	5,489,751

See the accompanying notes to the financial statements.



## Statements of comprehensive income

Six-month periods ended June 30, 2020 and 2019

(In thousands of reais - R\$)

	<b>Consolidated</b>	
	<b>06/30/2020</b>	<b>06/30/2019</b>
<b>Retained earnings (loss)</b>	<b>(161,263)</b>	41,858
Other comprehensive income		
Translation adjustment on investment abroad	<b>563,289</b>	6,645
Equity valuation adjustments	-	7,441
<b>Other comprehensive income for the period</b>	<b>563,289</b>	14,086
<b>Total other comprehensive income for the period</b>	<b>402,026</b>	55,944

See the accompanying notes to the financial statements.



## Statements of comprehensive income

Three-month periods ended June 30, 2020 and 2019

(In thousands of reais - R\$)

	<b>Consolidated</b>	
	<b>04/01/2020- 06/30/2020</b>	<b>04/01/2019- 06/30/2019</b>
<b>Retained earnings (loss)</b>	<b>(99,802)</b>	164,762
Other comprehensive income	-	-
Translation adjustment on investment abroad	<b>116,364</b>	(10,925)
Equity valuation adjustments	-	(14,138)
<b>Other comprehensive income for the period</b>	<b>116,364</b>	(25,063)
	-	-
<b>Total comprehensive income for the year</b>	<b>16,562</b>	139,699

See the accompanying notes to the financial statements.





## Statements of income

Six-month periods ended June 30, 2020 and 2019

(In thousands of reais, except earnings/losses per share)

	Note	Parent company		Consolidated	
		06/30/2020	06/30/2019	06/30/2020	06/30/2019
<b>Net revenue</b>	22	-	-	<b>535,455</b>	687,306
Costs of products/services	23	-	-	<b>(432,562)</b>	(364,980)
<b>Gross revenue</b>		-	-	<b>102,893</b>	322,326
<b>Operating revenues (expenses)</b>					
Geology and geophysics expenses		-	-	<b>(219)</b>	570
Personnel expenses		<b>(2,745)</b>	(4,111)	<b>(15,180)</b>	(21,436)
General and administrative expenses		<b>(678)</b>	(838)	<b>(18,815)</b>	(14,125)
Expenses with Outsourced Services		<b>(3,912)</b>	(1,752)	<b>(28,258)</b>	(13,662)
Taxes and rates		<b>(1,409)</b>	(975)	<b>(3,799)</b>	(3,850)
Depreciation and amortization expenses		<b>(243)</b>	(182)	<b>(88,527)</b>	(3,460)
Equity in income of subsidiaries	9	<b>(117,343)</b>	129,125	-	-
Other operating revenue (expenses), net	24	<b>(1,580)</b>	(8)	<b>204,707</b>	(32,265)
<b>Operating income (loss) before financial income (loss)</b>		<b>(127,910)</b>	121,259	<b>152,802</b>	234,098
Financial revenues	25	<b>1,672</b>	3,522	<b>759,345</b>	129,877
Financial expenses	25	<b>(50,146)</b>	(81,190)	<b>(1,087,472)</b>	(281,670)
<b>Income before income tax and social contribution</b>		<b>(176,384)</b>	43,591	<b>(175,325)</b>	82,305
Current income tax and social contribution		-	(1,733)	<b>(14,775)</b>	(42,105)
Deferred income tax and social contribution		<b>15,121</b>	-	<b>28,837</b>	1,658
<b>Consolidated Income (loss) for the period</b>		<b>(161,263)</b>	41,858	<b>(161,263)</b>	41,858
<b>Earnings (loss) per share - basic and diluted</b>					
Basic		<b>(1.193)</b>	0.318	<b>(1.193)</b>	0.318
Diluted		<b>(1.193)</b>	0.318	<b>(1.193)</b>	0.318

See the accompanying notes to the financial statements.



## Statements of income

Three-month periods ended June 30, 2020 and 2019  
(In thousands of reais, except earnings/losses per share)

	Note	Parent company		Consolidated	
		04/01/2020- 06/30/2020	04/01/2019- 06/30/2019	04/01/2020- 06/30/2020	04/01/2019- 06/30/2019
<b>Net revenue</b>	22	-	-	<b>312,293</b>	548,233
Costs of products/services	23	-	-	<b>(225,736)</b>	(269,365)
<b>Gross revenue</b>		-	-	<b>86,557</b>	278,868
<b>Operating revenues (expenses)</b>				-	-
Geology and geophysics expenses		-	-	<b>(68)</b>	(67)
Personnel expenses		<b>(109)</b>	(1,180)	<b>(4,626)</b>	(10,863)
General and administrative expenses		<b>(442)</b>	(161)	<b>(9,320)</b>	(11,175)
Expenses with Outsourced Services		<b>(3,371)</b>	(917)	<b>(11,797)</b>	(6,871)
Taxes and rates		<b>(1,027)</b>	(627)	<b>(1,503)</b>	(3,151)
Depreciation and amortization expenses		<b>(122)</b>	(96)	<b>(46,956)</b>	(2,066)
Equity in income of subsidiaries	9	<b>(96,828)</b>	171,384	-	-
Other operating revenue (expenses), net	24	<b>(1,364)</b>	(3)	<b>89,603</b>	(32,573)
<b>Operating income (loss) before financial income (loss)</b>		<b>(103,263)</b>	168,400	<b>101,890</b>	212,102
Financial revenues	25	<b>362</b>	815	<b>105,078</b>	68,899
Financial expenses	25	<b>(12,022)</b>	(3,486)	<b>(329,722)</b>	(80,553)
<b>Income before income tax and social contribution</b>		<b>(114,923)</b>	165,729	<b>(122,754)</b>	200,448
Current income tax and social contribution		-	(967)	<b>(2,633)</b>	(36,707)
Deferred income tax and social contribution		<b>15,121</b>	-	<b>25,585</b>	1,021
<b>Consolidated Income (loss) for the period</b>		<b>(99,802)</b>	164,762	<b>(99,802)</b>	164,762
<b>Earnings (loss) per share - basic and diluted</b>					
Basic		<b>(0.738)</b>	1.253	<b>(0.738)</b>	1.253
Diluted		<b>(0.738)</b>	1.253	<b>(0.738)</b>	1.253

See the accompanying notes to the financial statements.



## Statements of changes in shareholders' equity

Six-month periods ended June 30, 2020 and 2019

(In thousands of reais – R\$)

	Capital	Capital reserve	Equity valuation adjustment	Cumulative Translation Adjustment	Accumulated loss	Total
<b>Balances at January 1, 2019</b>	<b>3,273,114</b>	<b>67,094</b>	<b>(79,314)</b>	<b>94,057</b>	<b>(2,372,777)</b>	<b>982,174</b>
Paid-up capital	34,132	-	-	-	-	34,132
Granted/realized stock option	-	82,874	-	-	-	82,874
Translation adjustment on investment abroad	-	-	-	6,645	-	6,645
Gain (loss) with financial instruments	-	-	7,441	-	-	7,441
Income for the period	-	-	-	-	41,858	41,858
Income in sale of treasury shares	-	31,793	-	-	-	31,793
Treasury shares	-	11,687	-	-	-	11,687
<b>Balances at June 30, 2019</b>	<b>3,307,246</b>	<b>193,448</b>	<b>(71,873)</b>	<b>100,702</b>	<b>(2,330,919)</b>	<b>1,198,604</b>
<b>Balances at January 1, 2020</b>	<b>3,316,411</b>	<b>228,027</b>	<b>-</b>	<b>150,335</b>	<b>(1,530,431)</b>	<b>2,164,342</b>
Paid-up capital	10,587	-	-	-	-	10,587
Stock options granted	-	3,218	-	-	-	3,218
Translation adjustment on investment abroad	-	-	-	563,289	-	563,289
Loss for the period	-	-	-	-	(161,263)	(161,263)
<b>Balances at June 30, 2020</b>	<b>3,326,998</b>	<b>231,245</b>	<b>-</b>	<b>713,624</b>	<b>(1,691,694)</b>	<b>2,580,173</b>

See the accompanying notes to the financial statements.



## Statements of cash flows

Six-month periods ended June 30, 2020 and 2019

(In thousands of reais – R\$)

	Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
<b>Cash flows from operating activities</b>				
<b>Income (loss) for the period (before taxes)</b>	<b>(176,384)</b>	<b>43,591</b>	<b>(175,325)</b>	<b>82,305</b>
Depreciation and amortization	243	182	351,579	121,783
Financial revenues	(328)	(2,876)	(371,006)	(124,077)
Financial expenses	49,866	81,172	940,694	258,796
Share-based compensation	1,931	4,907	3,218	7,655
Equity in income of subsidiaries	117,343	(129,125)	-	-
Loss/Write-off of non-current assets	-	-	-	-
Provision for contingencies/losses	220	-	(2,678)	2,194
Provision for impairment	-	-	9,544	(10)
Reduction in provision for abandonment	-	-	(95,417)	(5,522)
	<b>(7,109)</b>	<b>(2,149)</b>	<b>660,609</b>	<b>343,124</b>
<b>(Increase) decrease in assets</b>				
Accounts receivable	-	-	186,482	(581)
Recoverable taxes	(71)	(3)	(10,070)	23,777
Prepaid expenses	(1,209)	(1,199)	(666)	(10,396)
Advances to suppliers	-	46	6,491	(5,395)
Oil inventories	-	-	(51,455)	21,422
Inventory of consumables	-	-	(229)	461
Related parties	(508)	(2,455)	-	-
Advance to partners in oil and gas operations	-	-	44,657	(16,447)
Scrow and secured deposits	715	507	(693)	(3,672)
Other receivables	52	(1)	140	676
<b>Increase (decrease) in liabilities</b>				
Suppliers	2,607	918	19,263	30,081
Labor obligations	157	250	12,466	6,336
Taxes and social contributions	729	(2,338)	(57,602)	2,654
Related parties	110,485	23,593	-	-
Contingencies	-	-	2,346	(3,244)
Advances from partners in oil and gas operations	-	-	2	-
Other liabilities	17	-	(20,307)	(14,758)
<b>Net cash from operating activities</b>	<b>105,865</b>	<b>17,169</b>	<b>791,434</b>	<b>374,038</b>
<b>Cash flows from investment activities</b>				
(Investment) Redemption of securities	-	29,721	202,294	447,909
(Investment) Restricted cash redemption	-	-	(170,326)	(48,424)
(Investment) Redemption in abandonment fund	-	-	-	(1,472)
(Increase) decrease in property, plant and equipment	(23)	(503)	(114,362)	(49,504)
(Increase) decrease in intangible assets	-	-	-	16,392
(Increase) decrease in investments	(118,916)	(101,301)	-	-
(Acquisition) of oil and gas assets	-	-	(603,492)	(1,546,228)
Non-current assets available for sale	-	-	-	292
<b>Net cash invested in investment activities</b>	<b>(118,939)</b>	<b>(72,083)</b>	<b>(685,886)</b>	<b>(1,181,035)</b>
<b>Cash flows from financing activities</b>				
Loans and financing	-	-	(225,658)	1,026,825
Contractual charges (Lease IFRS 16) - Principal	-	-	(85,608)	(65,538)
Contractual charges (Lease IFRS 16) - Interests	-	-	(23,297)	(29,414)
Debentures	-	(839)	-	(839)
Derivative transactions	-	-	12,103	-
(Purchase) sale of own Company's shares (held in treasury)	-	43,480	-	43,480
(Decrease) Paid-up capital	10,587	12,055	10,587	12,055
<b>Net cash (invested in) from financing activities</b>	<b>10,587</b>	<b>54,696</b>	<b>(311,873)</b>	<b>986,569</b>
Translation adjustment	-	-	66,616	26,314
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,487)</b>	<b>(218)</b>	<b>(139,709)</b>	<b>205,886</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,911</b>	<b>232</b>	<b>459,397</b>	<b>186,993</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>2,424</b>	<b>14</b>	<b>319,688</b>	<b>392,879</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,487)</b>	<b>(218)</b>	<b>(139,709)</b>	<b>205,886</b>

See the accompanying notes to the financial statements.



## Statements of added value

(supplementary information for IFRS purposes)

Six-month periods ended June 30, 2020 and 2019

(In thousands of reais – R\$)

	<b>Parent company</b>		<b>Consolidated</b>	
	<b>06/30/2020</b>	<b>06/30/2019</b>	<b>06/30/2020</b>	<b>06/30/2019</b>
<b>Revenues</b>				
Oil & Gas sales	-	-	<b>535,455</b>	687,306
	-	-	<b>535,455</b>	687,306
<b>Inputs and services</b>				
Third party's services and other	<b>(3,912)</b>	(1,752)	<b>(28,258)</b>	(13,662)
Geology and geophysics expenses	-	-	<b>(219)</b>	570
Costs of services	-	-	<b>(140,369)</b>	(183,705)
<b>Gross added value</b>	<b>(3,912)</b>	(1,752)	<b>366,609</b>	490,509
<b>Retentions</b>				
Depreciation and amortization	<b>(243)</b>	(182)	<b>(351,579)</b>	(121,783)
<b>Net added value</b>	<b>(4,155)</b>	(1,934)	<b>15,030</b>	368,726
<b>Transferred value added</b>				
Net financial income (loss)	<b>(48,474)</b>	(77,668)	<b>(328,127)</b>	(151,793)
Equity in income of subsidiaries	<b>(117,343)</b>	129,125	-	-
Deferred taxes	<b>15,122</b>	-	<b>28,837</b>	1,658
Rents, royalties and other	<b>(2,259)</b>	(846)	<b>156,751</b>	(109,342)
<b>Added value payable</b>	<b>(157,109)</b>	48,677	<b>(127,509)</b>	109,249
<b>Distribution of added value</b>				
Personnel	<b>2,745</b>	4,111	<b>15,180</b>	21,436
Taxes	<b>1,409</b>	2,709	<b>18,574</b>	45,955
Interest attributable to Group's shareholders	<b>(161,263)</b>	41,857	<b>(161,263)</b>	41,858
<b>Distributed added value</b>	<b>(157,109)</b>	48,677	<b>(127,509)</b>	109,249

See the accompanying notes to the financial statements.



## Notes to the quarterly information

**June 30, 2020**

*(In thousands of reais, unless otherwise indicated)*

### 1. Operations

Petro Rio S.A. (PetroRio), was established on July 17, 2009. Headquartered in the city of Rio de Janeiro, its main purpose is to hold interests in other companies as partner, shareholder or quotaholder, in Brazil and abroad, with a focus on exploration, development and production of oil and natural gas.

For the purpose of this report, Petro Rio S.A and its subsidiaries are denominated, individually or jointly, as the "Company" or "Group", respectively.

Its significant operations are carried out by means of subsidiaries Petro Rio O&G Exploração e Produção de Petróleo Ltda. ("PetroRioOG"), Brasoil Manati Exploração Petrolífera S.A. ("Manati") and Petro Rio Jaguar Petróleo Ltda ("Jaguar") are the production of oil and natural gas, operating in Campos Basin - RJ and Camumu Basin - BA, Manati.

Polvo Field – 100%

PetroRioOG is the operator and holds 100% of the Polvo Field concession contract, acquired from BP Energy do Brasil Ltda. ("BP") – 60% in 2014 and from Maersk Energia Ltda. ("Maersk") – 40% in 2015.

The Polvo Field is in the southern portion of the Campos Basin (offshore) some 100 km east of the city of Cabo Frio in the state of Rio de Janeiro. The license covers an area of approximately 134 km<sup>2</sup> with several prospects for future exploration. Average daily output during the 2Q20 was of roughly 9.5 thousand bbl (8.5 thousand bbl for the 2Q19).

In April 2018, the Company started the Second Phase of the Revitalization Plan for the Polvo Field, continuing the successful Phase 1 in the 1Q16, which resulted in a 20% increase in production and volumes of proven developed reserves. Phase 2 consisted of drilling three new wells to reach undeveloped proved reserves (1P) and probable reserves (2P). Of the three new oil wells planned to be drilled, performed and were successfully completed. The first well operations started-up on May 20, 2018, while the second one started-up on July 30, 2018, and the third on November 1, 2018, as detailed in Note 11.

Manati Field – 10%

In March 2017, PetroRioOG concluded the transaction for the acquisition of 100% of the shares of Brasoil do Brasil Exploração Petrolífera S.A. ("Brasoil"). Brasoil is a holding company, indirectly holding a 10% interest in the rights and obligations of the Manati Field concession contract, in the production phase, in addition to a 10% interest in the Camarão Norte Field, under development, which is under return process by the consortia to National Agency of Petroleum, Natural Gas and Biofuels (ANP) and a 100%



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interest in the concessions of Blocks FZA-Z-539 and FZA-M-254, both in the exploration phase. (Note 11c).

The Manati Field is in the Camamu Basin, on the coast of the State of Bahia. The license covers an area of approximately 76 km<sup>2</sup>. Average daily output during the 2Q20 was of roughly 1.1 million cubic meters of natural gas (3.1 million cubic meters of natural gas for the 2Q19). The reduced amount in relation to the same period of 2018 is due to the decrease in gas withdrawal from Petrobras, with 100% of the production from Manati Field contracted. This halt, which started in late February 2020, was due to the decrease in natural gas consumption owing to the COVID-19 pandemic.

Frade Field – 70%

On March 25, 2019 and October 01, 2019, after complying with the precedent conditions and obtaining the necessary approvals, the Company completed the acquisition of 51.74% and 18.26%, respectively, of interest in the concession of Frade Field, in the operational assets of the Field, and assumed the operation of the Field, according to Note 11.

Furthermore, on November 28, 2019, the Company signed a purchase and sale agreement with Petrobras for the acquisition of the remaining 30% interest in the Field, so the Company will have an interest of 100% at Frade Field. The conclusion of this transaction is subject to the fulfillment of precedent conditions, such as approval by the Administrative Council for Economic Defense (CADE) and by the National Agency of Petroleum, Natural Gas and Biofuels (ANP).

The Frade Field is in the northern region of the Campos Basin, about 120 kilometers from the coast of the State of Rio de Janeiro. The license covers an area of approximately 154 km<sup>2</sup>, with an average water depth of 1,155 m. The Field produced approximately 19,000 bbl of oil per day in the second quarter of 2020 (19 thousand bbl of oil per day in the second quarter of 2019).

FPSO OSX-3 and *Tubarão Martelo*

On February 3, 2020, the Company entered into a contract for the acquisition of the OSX-3 vessel (Floating, Production, Storage and Offloading – FPSO), built in 2012 with a processing capacity of 100 thousand bbl of oil per day and storage capacity of 1.3 million bbl, in the amount of US\$ 140 million, with a portion of the funds (US\$ 100 million) being financed by Prisma Capital. FPSO currently operates the Tubarão Martelo Field (Dommo Energia) and is intended to be used for the operation of Polvo through the connection with the Polvo A Fixed Platform. The revenue generated by the lease of FPSO OSX-3 is US\$ 129,315 per day.

On the same date, a contract was signed on the same date for the acquisition of 80% of Tubarão Martelo Field, as well as the Field operation, fully owned by Dommo



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Energia. The completion of this acquisition depends on approvals from CADE (Administrative Council for Economic Defense) and ANP (National Petroleum Agency).

## 2. Preparation basis and presentation of the financial statements

### 2.1. Statement of conformity

The individual and consolidated quarterly information was prepared and are presented in accordance with accounting practices adopted in Brazil, which includes the provisions of Brazilian Corporation Law, Procedures, Guidance and Interpretations issued by Accounting Pronouncement Committee - CPC and approved by the Brazilian Securities Commission - CVM and by the Federal Accounting Council - CFC, which are in conformity with international accounting standards issued by *International Accounting Standards Board - IASB*.

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

The Management confirms that all relevant pieces of information characteristic of quarterly information are being evidenced and correspond to those used by Management.

### 2.2. Basis of preparation

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

### 2.3. Basis of consolidation and investments in subsidiaries

The consolidated quarterly information includes quarterly information of the Company and its subsidiaries. Control is achieved when the Company has the power to control financial and operating policies of an entity to gain benefits from its activities.

The income of the subsidiaries acquired, sold or merged during the period are included in the consolidated income and comprehensive income information from the effective date of acquisition, disposal or merger, as applicable. Accordingly, income from new subsidiaries Jaguar, Frade LLC and Frade BV was considered in the Company's consolidated income beginning as of March 25, 2019 and PetroRio White Shark and IONC as of October 1, 2019, date on which purchase and sale transactions were concluded.

In the individual quarterly information of the Company, the quarterly information of the direct and indirect subsidiaries is recognized under the equity method.





## Notes to the quarterly information

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When necessary, subsidiaries' quarterly information accounting policies are adjusted to those of the Group. All transactions, balances, revenues and expenses among the Group's companies are fully eliminated in consolidated quarterly information.

The Company's consolidated financial statements include:

		Interest			
		03/31/2020		12/31/2019	
		Direct	Indirect	Direct	Indirect
<b>Fully consolidated companies</b>					
Petro Rio O&G Exploração e Produção de Petróleo Ltda.	"PetroRioOG"	100.00%	-	100.00%	-
Petrório USA Inc.	"PrioUSA"	100.00%	-	100.00%	-
Petro Rio Internacional S.A.	"Priointl"	1.23%	98.77%	1.26%	98.74%
Petrório Luxembourg Holding Sarl	"Lux Holding"	-	100.00%	-	100.00%
Petrório Netherlands BV	"Netherlands"	-	100.00%	-	100.00%
Walvis Petroleum (Pty) Ltd.	"Walvis"	-	100.00%	-	100.00%
Petrório Canada Inc.	"Canadá"	-	100.00%	-	100.00%
Luderitz Petroleum (Pty) Ltd.	"Luderitz"	-	100.00%	-	100.00%
Petrório Luxembourg Sarl	"Lux Sarl"	-	100.00%	-	100.00%
Cumoxi Investments (Pty) Ltd.	"Cumoxi"	-	100.00%	-	100.00%
Kunene Energy (Pty) Ltd.	"Kunene"	-	100.00%	-	100.00%
Orange Petroleum Ltd.	"Orange"	-	100.00%	-	100.00%
Petro Rio do Brasil Exploração Petrolífera S.A.	"Brasoil"	-	100.00%	-	100.00%
Brasoil OPCO Exploração Petrolífera Ltda.	"Opco"	-	99.99%	-	99.99%
Brasoil Manati Exploração Petrolífera S.A.	"Manati"	-	100.00%	-	100.00%
Brasoil Coral Exploração Petrolífera Ltda.	"Coral"	-	100.00%	-	100.00%
Petro Rio Energia Ltda.	"PrioEnergia"	-	100.00%	-	100.00%
Petro Rio Comercializadora de Energia Ltda	"Comercializadora"	-	100.00%	-	100.00%
Brasoil Round 9 Exploração Petrolífera Ltda.	"Round 9"	-	100.00%	-	100.00%
Brasoil Finco LLC	"Finco"	-	100.00%	-	100.00%
Petro Rio Jaguar Petróleo Ltda	"Jaguar"	-	100.00%	-	100.00%
Frade B.V.	"Frade B.V."	-	70%	-	70%
Petro Rio White Shark Petróleo Ltda	"White Shark"	-	100.00%	-	100.00%
Inpex Offshore North Campos, Ltd.	"IONC"	-	100.00%	-	100.00%

### 2.4. Accounting policies adopted

We hereby declare that the accounting policies adopted in the preparation of this quarterly information are consistent with those used in the most recent annual financial statements (year ended December 31, 2019). Thus, this quarterly information should be read together with information disclosed in financial statements for the year ended December 31, 2019.

### 2.5. Functional currency and presentation currency

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



## Notes to the quarterly information

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### 2.6. Standards and new and reviewed interpretations already issued

In the preparation of quarterly information, the Company's Management consider, when applicable, the new reviews and interpretations of IFRS and technical pronouncements, issued by IASB and CPC. For the accounting periods ended June 30, 2020, there was no change that affected the Company's quarterly information.

### 2.7. Effects of adopting CPC 23 (IAS 8) - Accounting policies, estimate changes and error correction.

#### 2.7.1 Change in accounting estimate

In the 1Q20, the Company, through an independent international certifying agency (DeGolyer and MacNaughton), conducted a reevaluation of reserves at Polvo, Frade and Manati fields. Said revaluation indicated an increase in the useful life of the fields and, therefore, a reduction in the depreciation rates and an extension of the terms for calculating the provision for abandonment and of CPC 06R2 - IFRS16.

The studies have already considered the effects of the Covid-19 pandemic, which reduced oil prices in the short term.

At Polvo Field, the revaluation indicated the increase of useful life of the field until the end of 2026, and an increase of the developed proven reserves by approximately 3 million bbl.

At Frade Field, the revaluation indicated the increase of useful life of the field until the end of 2030, and an increase of the developed proven reserves by approximately 7 million bbl (70%)

Finally, the revaluation in Manati pointed to an increase in the useful life of the field until the end of 2026, with an increase of 132 million m<sup>3</sup> (in its developed proven reserves).

#### 2.7.2 Restatement of prior years

The amounts corresponding to the balance sheets, Parent Company and consolidated, on December 31, 2019 and the Parent Company and consolidated statement of income, comprehensive income for the periods of three and six months ended on June 30, 2019 and the changes in equity, cash flows and added value for the six-month period ended June 30, 2019, for comparison purposes, were restated in the respective financial statements filed on August 25, 2020. For this reason, the Company is restating this interim financial information, so that it can incorporate the restated comparative balances. We emphasize that this restatement does not have any impact on the balances relating to June 30, 2020, previously filed on August 3, 2020.



## Notes to the quarterly information

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### 2.8. Completion of quarterly information

The Company's management authorized the restatement of this quarterly information on August 27, 2020.

### 3. Cash and cash equivalents

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Cash	-	-	70	39
Banks	2,424	4,911	319,618	459,357
	<b>2,424</b>	<b>4,911</b>	<b>319,688</b>	<b>459,396</b>
National	76	855	3,339	4,890
Abroad	2,348	4,056	316,349	454,506

The balance of cash and cash equivalents consists of funds for the purpose of business working capital, applied in highly liquid instruments in Brazil (committed) and abroad (fixed income securities or current account deposits), without risk of significant change of the principal, and yields upon redemption.

### 4. Securities

	Consolidated	
	03/31/2020	12/31/2019
Bank deposit certificates (i)	21,759	121,906
Time Deposit (ii)	-	104,395
Repurchase and resale agreements (Debentures) (iii)	2,322	-
<b>Total - Securities</b>	<b>24,081</b>	<b>226,301</b>

- I. Fixed income investments (CDB) in reais, with average yield of 70% of the CDI;
- II. Position of Time Deposit in dollar, which corresponds to a fixed-income investment with daily liquidity, earning interest at 1.6% p.a.;
- III. Repurchase and resale agreements (debentures) remunerated on average at 75% of CDI rate;

The Company carries out the risk management of securities through appropriate policy and procedure practices, as described in Note 26.

## Notes to the quarterly information

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### 5. Restricted cash

	<b>Consolidated</b>	
	<b>06/30/2020</b>	<b>12/31/2019</b>
Frade Acquisition - 51.74% (i)	<b>19,624</b>	52,223
FPSO OSX-3 Acquisition - 80% (ii)	<b>256,447</b>	-
	<b>276,071</b>	52,223

- (i) The Company, in compliance with purchase and sale agreement for acquisition of 51.74% of interest in concession of Frade Field (Note 11), makes monthly deposits in a restricted account (Escrow) that is released to the seller according to terms agreed-upon for debt payment. In the first quarter, the second amount of the financing was paid on March 11, 2020, amounting to US\$ 43,140 thousand (R\$ 224,274).
- (ii) Pursuant to note 14, the Company acquired a bridge loan for the acquisition of the FPSO of Tubarão Martelo Field through the subsidiary Lux Sarl. As a collateral for this bridge loan, the Company had to deposit the amount of US\$ 46,831 thousand (R\$ 256,447) in the escrow account in the name of Prisma Capital. Upon the settlement of the bridge loan, which is scheduled for July 2020 through a long-term loan agreement, the amount will be returned to PetroRio.

### 6. Accounts receivable

	<b>Consolidated</b>	
	<b>06/30/2020</b>	<b>12/31/2019</b>
Petrobras (i)	<b>15,471</b>	22,878
Petrochina (ii)	<b>87,831</b>	93,824
Dommo Energia (iii)	<b>106,927</b>	-
Trafigura	-	257,896
Other	<b>208</b>	-
<b>Total</b>	<b>210,437</b>	374,598
Total local currency	<b>15,471</b>	22,878
Total foreign currency	<b>194,966</b>	351,720

- (i) Balance receivable referring to sales of condensed gas and oil carried out by Manati and Frade in May and June 2020 of approximately 10.2 million m<sup>3</sup> of gas, corresponding to a revenue of R\$ 8,892 for Manati and R\$ 665 for Frade, and Manati balance referring to amount not withdrawn from March to June 2020 (take or pay) in the amount of R\$ 5,913.
- (ii) Balance receivable remaining from the sale of oil in June 2020, referring to approximately 447,000 bbl of oil, which generated a revenue of R\$ 87,831.
- (iii) Balance receivable related to the FPSO OSX-3 lease agreement with Dommo Energia for the operation of the Tubarão Martelo Field, corresponding to the period from January to June 2020.



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The Company assessed the impacts of the COVID-19 and understands that these facts do not affect the balances receivable presented. Only the take or pay amount (i) is being discussed with Petrobrás and the other consortium members of the Manati Field, although it was partially received (48% of total issued).

### 7. Recoverable taxes

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Income tax and social contribution (i)	<b>2,932</b>	2,887	<b>17,380</b>	29,052
PIS and COFINS (ii)	-	1	<b>121,123</b>	89,494
ICMS	-	-	<b>34,170</b>	28,548
Tax abroad (VAT) (iii)	-	-	<b>1,900</b>	1,248
Other	<b>23</b>	17	<b>887</b>	815
<b>Total</b>	<b>2,955</b>	2,905	<b>175,460</b>	149,157
Current assets	<b>2,955</b>	2,905	<b>140,727</b>	116,773
Non-current assets	-	-	<b>34,733</b>	32,384

- (i) Primarily refers to withholding income tax on financial investments and negative balance of IRPJ/CSLL (Corporate Income Tax / Social Contribution on Net Revenue) and prepaid income tax and social contribution.
- (ii) PIS/COFINS credits on inputs used in operation;
- (iii) Taxes in the refund process of the Namibian subsidiaries during the exploration period.

### 8. Advances to suppliers

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
Geoquasar Energy (i)	-	-	<b>12,596</b>	12,596
BW (Prosafé) guarantee (ii)	-	-	<b>34,771</b>	26,575
Petrobras	-	-	<b>1,684</b>	2,262
Sotreq	-	-	-	2,206
Nitshore	-	-	<b>468</b>	1,388
BJ Services Brasil	-	-	<b>2,637</b>	2,436
Asa Assessoria	-	-	<b>4,013</b>	1,772
Agility do Brasil	-	-	-	4,098
Schlumberger	-	-	<b>436</b>	-
Reação Institute	-	-	<b>425</b>	-
Westcon	-	-	<b>480</b>	480
Miros Scotland	-	-	<b>406</b>	-
Gevisa	-	-	<b>401</b>	-
Other	<b>51</b>	38	<b>8,612</b>	10,954
<b>Total</b>	<b>51</b>	38	<b>66,929</b>	64,767
Total current assets	<b>51</b>	38	<b>54,333</b>	52,171
Total non-current assets	-	-	<b>12,596</b>	12,596



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- (i) The advances to Geoquasar refer to operating costs assumed by PetroRioOG and contractual payments in advance. As a counterparty to these advances, the Company has maintained the provision under “Long term suppliers” caption recorded, in the amount of R\$ 12,961 (Note 12). The settlement of these amounts, both assets and liabilities, awaits court decision.
- (ii) The advances to BW (Prosafe) - US\$ 5,671 (R\$ 31,054) and R\$ 3,717 refer to contractual commitments and are held as a financial collateral from lease agreements and operation of FPSO Polvo.

## 9. Investments

On June 30, 2020, the Company presented the following main interest held in direct subsidiaries:

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

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

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

On October 07, 2015, PetroRio paid-up capital of PetroRioOG, in the amount of R\$197,269, with shares of PTRIntl; now, PetroRioOG holds 98.3% of interest in PrioIntl capital.

In December 2016, PetroRioOG entered into a purchase and sale agreement for the acquisition of 52.40% of Brasoil Exploração Petrolífera S.A. (“Brasoil”), conditional upon the non-exercise, by non-controlling shareholders, of the right of first offer, which expired in January 2017. In February 2017, non-controlling shareholders decided to adhere to the tag-along clause, and PetroRioOG now holds a 100% interest in Brasoil. The transaction was completed on March 20, 2017.

Brasoil is a holding company which holds an indirect interest of 10% in the rights and obligations set forth in the concession contract of Manati Field, which, on its turn, currently producing about 2.7 million cubic meters of natural gas per day (3.8 million cubic meters of natural gas in 2019), ranking as the 8th largest natural gas field in Brazil.



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In addition to its interest in Manati field, other relevant assets of Brasoil include the indirect 100% interest in the concessions of Pirapema Field and FZA-M-254 Block, both located at the mouth of the Amazon River.

Due to restructurings of the Company's organization chart, Brasoil and all associated companies were transferred from PetroRioOG to Lux Holding, as capital contribution

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

The subsidiary, headquartered in Rio de Janeiro is engaged 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) interest in other companies.

All Group's companies located outside of Brazil, except for PrioUSA, are consolidated under a single corporate structure having PrioIntl as head office in Brazil.

Currently, the main Companies controlled by PrioIntl are Lux Holding and Netherlands, companies that have large-sized assets in operation or held for sale, Brasoil Manati, which was contributed by PetroRioOG in June 2019, and Lux Sarl, which as for September 2016 started to trade the oil produced in the Polvo field. The acquisition of Petrório Lux Energy S.à.r.l. (formerly BP Energy América LLC and merged in December 2017 by Lux Holding) was part of the acquisition of Polvo field and owner of a 3,000 HP drilling rig, which is the equipment needed for operations in this field. Moreover, under this corporate structure are subsidiaries located in Canada and the Republic of Namibia.

As mentioned in Notes 1, Petrório, through its subsidiary Lux Holding, entered into purchase and sale agreements for the acquisition of a 18.26% and 51.74% interest on October 26, 2018 and January 30, 2019, respectively, in the Frade Field concession and Field operating assets, through the acquisition of companies Frade Japão Petróleo Ltda, Inpex Offshore North Campos, Ltd., Chevron Brasil Upstream Frade Ltda. and Chevron Frade LLC.

On March 25, 2019, the acquisition of the 51.74% interest was completed, and the Company also became the operator of Frade Field. The acquisition of the 18.26%, which dependent on precedent conditions and internal and external approvals was completed on October 1, 2019. The Company now holds a 70% interest in the asset, which will be increased from the remaining 30% after the conclusion of the purchase and sale transaction signed on November 20, 2019 with Petrobras.

- **Petrório USA Inc ("PrioUSA")**

Established on March 4, 2011, former HRT America Inc., incorporated under the laws of the State of Delaware and headquartered in Houston, USA. Subsidiary was basically established to provide geology and geophysics services to other subsidiaries of the





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Group, mainly to PrioIntl and its subsidiaries. It currently has no activities and is in the process of liquidation.

### Portfolio of concessions

On June 30, 2020 the Company's subsidiaries were participants in the following concessions in Brazilian basins:

Country	Basin	Block	Field	Concessionaire	%	Status	Phase
Brazil	Campos	BM-C-8	Polvo	PetroRioOG	100%	Operator	Production
Brazil	Camamu	BCAM-40	Manati	Manati	10%	Non-operator	Production
Brazil	Campos	Frade	Frade	Jaguar	70%	Operator	Production
Brazil	Camamu	BCAM-40	Camarão Norte	Manati	10%	Non-operator	Development
Brazil	Foz do Amazonas	FZA-M-254	-	Manati	100%	Operator	Exploration
Brazil	Foz do Amazonas	FZA-M-539	Pirapema	Manati	100%	Operator	Exploration
Brazil	Ceará	CE-M-715	-	Jaguar	50%	Operator	Exploration

The BCAM-40 Block Consortium started and waits for the process of returning the discovery of Camarão Norte, located in south of the Manati Field, in the Camamu-Almada Basin, to the National Agency of Petroleum, Natural Gas and Biofuels (ANP). The Company has a 10% interest in the discovery of Camarão Norte, which was declared a commercial undertaking in 2009. After evaluating several development plans and potential unitization to the adjacent area, the consortium concluded that the area was not economically feasible and decided to return it.

The acquisition of Jaguar expanded the concessions portfolio with 70% Frade Field, in partnership with Petróleo Brasileiro S.A. with 30%, and with 50% of the Exploratory Block CE-M-715, in Ceará Basin, in partnership with Ecopetrol.

#### a) Relevant information on investees as of June 30, 2020

	PetroRioOG	PrioIntl	PrioUSA
Direct interest	100.00%	1.23%	100.00%
Indirect interest	0.00%	98.77%	0.00%
Shareholders' equity	2,797,568	2,896,623	64
Income (loss) for the period	(118,726)	125,463	(165)
Total assets	4,131,839	6,395,076	404

#### b) Breakdown of investments

	Parent company	
	06/30/2020	12/31/2019
PetroRioOG	2,797,568	2,241,194
PrioUSA	64	68
PrioIntl	35,715	27,223
	<b>2,833,347</b>	<b>2,268,485</b>



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### c) Changes in investment

	PetroRioOC	PrioIntl	PrioUSA	Total
<b>Balance at January, 2019</b>	<b>1,001,913</b>	<b>4,230</b>	<b>(61)</b>	<b>1,006,082</b>
Capital increase/decrease	199,246	-	259	199,505
Equity in income of subsidiaries	911,962	21,894	(123)	933,733
Equity evaluation adjustments	72,078	809	-	72,887
Conversion adjustments	55,995	290	(7)	56,278
<b>Balance at December 31, 2019</b>	<b>2,241,194</b>	<b>27,223</b>	<b>68</b>	<b>2,268,485</b>
Capital increase/decrease	118,753	-	163	118,916
Equity in income of subsidiaries	(118,726)	1,547	(164)	(117,343)
Conversion adjustments	556,347	6,945	(3)	563,289
<b>Balance at June 30, 2020</b>	<b>2,797,568</b>	<b>35,715</b>	<b>64</b>	<b>2,833,347</b>

## 10. Property, plant and equipment (Consolidated)

### a) Breakdown of the balance

	Depreciation rate %	Cost	Depreciation	Translation adjustment	Balance at 06/30/2020	Balance at 12/31/2019
<b>In operation</b>						
Platform and Drilling rig - Polvo	UOP *	101,439	(103,367)	30,632	<b>28,704</b>	23,925
Oil & gas assets - Manati	UOP *	46,160	(41,050)	-	<b>5,110</b>	6,388
Oil & gas assets - Frade ***	UOP *	1,910,253	(383,287)	487,617	<b>2,014,583</b>	1,735,177
FPSO OSX-3	5	785,949	(24,218)	34,820	<b>796,551</b>	-
Machinery and equipment	10	8,009	(3,116)	-	<b>4,893</b>	6,215
Furniture and fixtures	10	6,258	(4,808)	-	<b>1,450</b>	1,559
Communication equipment	20	674	(291)	-	<b>383</b>	446
IT equipment	20	6,044	(3,229)	-	<b>2,815</b>	2,992
Leasehold improvements	4	6,710	(228)	-	<b>6,482</b>	6,597
Surplus of Oil & gas assets - Frade	UOP *	270,491	(66,939)	92,732	<b>296,284</b>	239,341
Development expenditures	UOP *	338,582	(107,177)	-	<b>231,405</b>	187,963
Maintenance of wells	33	60,687	(30,131)	-	<b>30,556</b>	30,533
<b>In progress</b>						
Property, plant and equipment in progress**		62,972	-	(43,744)	<b>19,228</b>	3,638
Maintenance of wells - Polvo		29	-	-	<b>29</b>	4,301
Acquisition of asset		-	-	-	-	49,096
Spare parts		50,880	-	4,073	<b>54,953</b>	50,069
Material for well revitalization/re-entry - Frade ***		252,671	-	-	<b>252,671</b>	254,283
<b>Total</b>		<b>3,907,808</b>	<b>(767,841)</b>	<b>606,130</b>	<b>3,746,097</b>	<b>2,602,523</b>

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

\*\* Construction in progress refers basically to expenditures with administrative facilities and revitalization/drilling campaigns.

\*\*\* With the completion of Frade acquisition, the Company then consolidates 70% of the assets related to the field, which include, in addition to the expenses related to producing wells, FPSO Frade and all submarine equipment. In addition, Frade consortium prepared for the Field Revitalization Plan by acquiring materials and equipment that are classified as assets in progress, as well as FPSO equipment and submarines that are waiting drilling of more wells to start operation.



## Notes to the quarterly information June 30, 2020

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### b) Changes in balance

	Balance at 01/01/2020	Additions	Write-offs	Depreciation	Impairment	Transfers	Translation adjustment	Balance at 06/30/2020
<b>In operation</b>								
Platform and Drilling rig - Polvo	23,925	-	-	(3,479)	-	-	8,258	28,704
Oil & gas assets - Manati	6,388	747	(1,724)	(302)	3	-	-	5,112
Oil & gas assets - Frade	1,735,177	120	(4,270)	(180,967)	-	8,171	456,349	2,014,580
FPSO OSX-3	-	-	-	(24,218)	-	785,949	34,820	796,551
Machinery and equipment	6,215	-	-	(1,322)	-	-	-	4,893
Furniture and fixtures	1,559	-	-	(110)	-	-	-	1,449
Communication equipment	446	-	-	(63)	-	-	-	383
IT equipment	2,992	-	-	(426)	-	250	-	2,816
Leasehold improvements	6,597	-	-	(115)	-	-	-	6,482
Surplus of Oil & gas assets - Frade	239,341	-	-	(26,625)	-	-	83,569	296,285
Development expenditures	187,963	48,426	-	(18,024)	-	13,040	-	231,405
Maintenance of wells	30,533	-	-	(9,335)	-	9,358	-	30,556
<b>In progress</b>								
Property, plant and equipment in progress	3,638	29,888	-	-	-	(18,612)	4,314	19,228
Maintenance of wells	4,301	5,085	-	-	-	(9,358)	-	28
Acquisition of asset	49,096	603,492	-	-	-	(788,757)	136,169	-
Spare parts	50,069	1,303	-	-	-	-	3,581	54,953
Material for revitalization of wells - Frade	254,283	-	(1,570)	-	-	(41)	-	252,672
<b>Total</b>	<b>2,602,523</b>	<b>689,061</b>	<b>(7,564)</b>	<b>(264,986)</b>	<b>3</b>	<b>-</b>	<b>727,060</b>	<b>3,746,097</b>

	Balance at 01/01/2019	Additions	Write-offs	Depreciation	Impairment	Transfers	Translation adjustment	Jaguar Acquisition	Acquisition on - Frade LLC	White Shark Acquisition	Acquisition - IONC	Balance at 12/31/2019
<b>In operation</b>												
Platform and Drilling rig - Polvo	29,366	-	-	(6,467)	-	-	1,026	-	-	-	-	23,925
Oil & gas assets - Manati	6,400	2,510	(51)	(2,495)	24	-	-	-	-	-	-	6,388
Oil & gas assets - Frade	-	104,570	(162,398)	(156,844)	-	-	29,609	1,191,598	-	284,162	444,480	1,735,177
Machinery and equipment	2	-	-	(1,793)	-	-	-	8,006	-	-	-	6,215
Furniture and fixtures	649	1,073	(28)	(157)	-	-	-	22	-	-	-	1,559
Communication equipment	172	360	-	(86)	-	-	-	-	-	-	-	446
IT equipment	1,762	1,819	(17)	(611)	-	-	-	39	-	-	-	2,992
Leasehold improvements	4	6,750	(2)	(114)	-	(41)	-	-	-	-	-	6,597
Surplus of Oil & gas assets - Frade	-	-	-	(40,557)	-	-	9,408	-	252,688	-	17,802	239,341
Development expenditures	175,889	56,018	(5,812)	(38,132)	-	-	-	-	-	-	-	187,963
Maintenance of wells	26,309	20,459	(4,049)	(12,186)	-	-	-	-	-	-	-	30,533
<b>In progress</b>												
Property, plant and equipment in progress	6,937	74,620	(77,637)	-	-	-	(3,283)	-	-	-	3,001	3,638
Maintenance of wells	-	4,301	-	-	-	-	-	-	-	-	-	4,301
Acquisition of asset	-	50,731	-	-	-	-	(1,635)	-	-	-	-	49,096
Spare parts	22,857	32,984	(6,158)	-	-	-	386	-	-	-	-	50,069
Material for revitalization of wells - Frade	-	4,185	(11,805)	-	-	41	-	203,329	-	58,533	-	254,283
<b>Total</b>	<b>270,347</b>	<b>360,380</b>	<b>(267,957)</b>	<b>(259,442)</b>	<b>24</b>	<b>-</b>	<b>35,511</b>	<b>1,402,994</b>	<b>252,688</b>	<b>342,695</b>	<b>465,283</b>	<b>2,602,523</b>

# Notes to the quarterly information

**June 30, 2020**

(In thousands of reais, unless otherwise indicated)

## 11. Intangible assets (Consolidated)

### a) Breakdown of the balance

	Amortization rate (%)	Consolidated	
		06/30/2020	12/31/2019
Oil & Gas assets			
Acquisition cost - Polvo	(*)	<b>313,787</b>	321,346
Acquisition cost - Manati	(*)	<b>263,035</b>	263,035
Subscription bonus - FZA-M-254		<b>5,968</b>	5,968
Subscription bonus - FZA-Z-539		<b>8,022</b>	8,022
Subscription bonus - Frade	(*)	<b>50,850</b>	50,850
Subscription bonus - Ceará	(*)	<b>31,358</b>	31,358
Goodwill on acquisition of Brasoil		<b>27,483</b>	20,228
Capital gain in the acquisition of the Frade concession	(*)	<b>785,855</b>	578,339
Client portfolio	(*)	<b>13,188</b>	9,682
Advance for acquisition of asset		<b>38,990</b>	30,230
Software and others	20	<b>9,033</b>	9,033
		<b>1,547,569</b>	1,328,091
Accumulated amortization		<b>(736,521)</b>	(638,562)
Total		<b>811,048</b>	689,529

(\*) Acquisition costs/subscription bonuses and exploration expenses are amortized by the unit of production method, considering the production of each concession and the volume of reserves when exploration/redevelopment processes will be completed.

### b) Changes in balance

	Balance at 01/01/2020	Additions	Write-offs	Amortization	Translation adjustment	Balance at 06/30/2020
Acquisition cost - Polvo	46,772	-	(7,559)	(4,584)	-	<b>34,629</b>
Acquisition cost - Manati	36,888	-	-	(2,217)	-	<b>34,671</b>
Subscription bonus - FZA-M-254	5,968	-	-	-	-	<b>5,968</b>
Subscription bonus - FZA-Z-539	8,022	-	-	-	-	<b>8,022</b>
Subscription bonus - Frade	4,832	-	-	(429)	-	<b>4,403</b>
Subscription bonus - Ceará	31,358	-	-	-	-	<b>31,358</b>
Goodwill on acquisition - Brasoil	20,228	-	-	-	7,254	<b>27,482</b>
Capital gain in the acquisition of the Frade concession	500,919	-	-	(55,724)	174,900	<b>620,095</b>
Client portfolio	4,038	-	-	(274)	1,392	<b>5,156</b>
Advance for acquisition of asset	274	8,760	-	-	-	<b>9,034</b>
Software and others	30,230	-	-	-	-	<b>30,230</b>
	<b>689,529</b>	<b>8,760</b>	<b>(7,559)</b>	<b>(63,228)</b>	<b>183,546</b>	<b>811,048</b>

	Balance at 01/01/2019	Additions	Write-offs	Jaguar Acquisition	White Shark Acquisition	Amortization	Translation adjustment	Balance at 12/31/2019
Acquisition cost - Polvo	50,067	9,440	-	-	-	(12,735)	-	<b>46,772</b>
Acquisition cost - Manati	51,269	-	-	-	-	(14,381)	-	<b>36,888</b>
Subscription bonus - FZA-M-254	5,968	-	-	-	-	-	-	<b>5,968</b>
Subscription bonus - FZA-Z-539	8,022	-	-	-	-	-	-	<b>8,022</b>
Subscription bonus - Frade	-	-	-	1,037	3,404	391	-	<b>4,832</b>
Subscription bonus - Ceará	-	-	-	31,358	-	-	-	<b>31,358</b>
Goodwill on acquisition - Brasoil	19,777	-	-	-	-	-	451	<b>20,228</b>
Capital gain in the acquisition of the Frade concession	-	-	-	460,416	103,616	(77,420)	14,307	<b>500,919</b>
Client portfolio - Manati	5,560	-	-	-	-	(1,643)	121	<b>4,038</b>
Software and others	286	-	(12)	-	-	-	-	<b>274</b>
Advance for acquisition of asset	-	30,230	-	-	-	-	-	<b>30,230</b>
	<b>140,949</b>	<b>39,670</b>	<b>(12)</b>	<b>492,811</b>	<b>107,020</b>	<b>(105,788)</b>	<b>14,879</b>	<b>689,529</b>



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On conclusion of the 40% Campo de Polvo acquisition in January 2016, PetroRio put in place the first stage of the Polvo revamping plan, intended to extend its useful life by increasing production based on undeveloped proved reserves (1P) and probable reserves (2P), involving three existing wells, two of which operating. The investment classified as development expenditures, recorded in the fiscal year ended December 31, 2016, totaled R\$ 68,042.

In April 2018, the Company started the second phase of the Revitalization Plan for the Polvo Field, continuing the successful first phase. Phase 2 consisted of drilling three new wells and they were completed successfully. The wells, called POL H, POL Z and POL M, started operating on May 20, 2018, July 30, 2018, and November 1, 2018, respectively, following the planned schedule. Development expenditures related to this campaign of 2018 amounted to R\$ 156,227.

In December 2018, the Company, through an independent international certifying agency (DeGolyer and MacNaughton), conducted a reevaluation of Polvo and Manati Field, specifically of proven developed reserves after the start of production of three wells completed in 2018. Reevaluation indicated extension of Polvo field useful life with abandonment in 2025 (in December 2017, the useful life of the Field was estimated up to 2021) with an increment to the proved developed reserve is approximately 10 million bbl.

In Manati, the revaluation indicated the maintenance of useful life of the field up to the end of 2023, although with a decrease of 24 million m<sup>3</sup> (3.5% of the total considered in 2017) in the proven developed reserves.

In June 2019, the Company carried out with the same international certifying entity re-evaluation of Frade Field proven and developed reserves; this re-evaluation indicated reserves of approximately 36 million bbl (100% of the Field).

In the first quarter of 2020, the Company carried out a new certification of reserves with DeGolyer and MacNaughton, which indicated an increase in useful life for the three Fields, as well as an increase in reserves (note 2.7).

### c) Business combination

#### 1. Jaguar and Frade LLC

On March 25, 2019, the Company concluded the transaction for the acquisition of 100% of Jaguar and Frade LLC shares by means of its indirect subsidiary Lux Holding. These companies together hold a 51.74% interest in the consortium that operates Frade Field, 51.74% of FPSO and the Submarine Equipment operating in the Field, and the same percentage over the shares of Empresa Frade B.V., located in Netherlands, legal owner of the assets imported under the special regime (REPETRO).



## Notes to the quarterly information

**June 30, 2020**

*(In thousands of reais, unless otherwise indicated)*

The Company is also the operator of the Frade Field, which may influence the decisions of the consortium and implement cost reductions and synergies to its operation.

Additionally, Jaguar holds a 50% interest in Exploratory Block CE-M-715 concession, in Ceará Basin, west coast, in the municipality of Paracuru, 80km from the coast. Currently, the Company, which has a partnership with Ecopetrol in this block, is awaiting the environmental licensing to start the exploratory drilling.

Despite the essence of the transaction, it was made through two separate purchase and sale contracts, with different prices, considering that the two companies subject to the transaction did not have the same controlling companies. The Company, by means of specialized advisory services, performed the calculation of fair values of assets acquired and liabilities assumed, to allocate the purchase price regarding two purchase and sale contracts, calculating its effects on an individual basis.

The definitive allocation of purchase price recognized in the subsidiary Lux Holding caused the following distribution:

<b>Fair value in US\$</b>	<b>Jaguar</b>	<b>Frade LLC</b>
Final purchase price	120,054	288,014
Allocation of price		
Shareholders' equity on acquisition	16,176	244,726
Surplus over concession contract	118,756	-
Capital gain on FPSO and Subsea equipment	-	65,176
Deferred taxes on surplus	(29,618)	(16,255)
Negative goodwill from bargain purchase (adjusted at deferred tax)	14,740	(5,633)
Deferred taxes on goodwill	-	(1,405)

The deferred income tax liability recognized refers to the projection of taxation on the gain from a bargain purchase, if occurred. The rate used was 24.94%, which is the current rate in Luxembourg, the country where Lux Holding is located. In parallel with the liability recognition, a tax credit was recognized in the same amount, considering that Lux Holding has a sufficient tax loss balance to offset the projected tax, and that in Luxembourg there is not a 30% offsetting limit on the tax due. In other words, 100% of the tax, if any, will be offset.

### 2. White Shark and IONC

On October 1, 2019, the Company concluded the transaction for the acquisition of 100% of White Shark shares by means of its direct subsidiary Lux Holding and 100% of IONC shares. These companies together hold a 18.26% interest in the consortium that operates Frade Field, 18.26% of FPSO and the Submarine Equipment operating in the Field, and the same percentage over the shares of Empresa Frade B.V., located in Netherlands, legal owner of the assets imported under the special regime (REPETRO).

As with the Jaguar/Frade LLC transaction, this acquisition occurred through two separate purchase and sale contracts, with different prices, considering that the two

## Notes to the quarterly information

**June 30, 2020**

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companies subject to the transaction also did not have the same controlling shareholders. The Company, by means of specialized advisory services, performed the calculation of fair values of assets acquired and liabilities assumed, to allocate the purchase price regarding two purchase and sale contracts, calculating its effects on an individual basis.

The definitive allocation of purchase price recognized in the subsidiary Lux Holding caused the following distribution:

<b>Fair value in US\$</b>	<b>White Shark</b>	<b>IONC</b>
Final purchase price	3,032	53,620
Allocation of price		
Shareholders' equity on acquisition	42,552	136,893
Surplus over concession contract	24,824	-
Capital gain on FPSO and Subsea equipment	-	4,265
Deferred taxes on surplus	(6,191)	(1,064)
Negative goodwill from bargain purchase (adjusted at deferred tax)	(58,153)	(86,474)
Deferred taxes on goodwill	(14,503)	(21,832)

The deferred income tax liability recognized refers to the projection of taxation on the gain from a bargain purchase, if occurred. The rate used was 24.94%, which is the current rate in Luxembourg, the country where Lux Holding is located. In parallel with the liability recognition, a tax credit was recognized in the same amount, considering that Lux Holding has a sufficient tax loss balance to offset the projected tax, and that in Luxembourg there is not a 30% offsetting limit on the tax due. In other words, 100% of the tax, if any, will be offset.

## 12. Suppliers

	<b>Parent company</b>		<b>Consolidated</b>	
	<b>06/30/2020</b>	<b>12/31/2019</b>	<b>06/30/2020</b>	<b>12/31/2019</b>
Domestic suppliers	<b>2,580</b>	705	<b>130,650</b>	79,965
Foreign suppliers	<b>1,131</b>	305	<b>23,619</b>	20,500
	<b>3,711</b>	1,010	<b>154,269</b>	100,465
Total current liabilities	3,711	1,010	139,859	87,232
Total non-current liabilities	-	-	14,410	13,233

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### 13. Taxes and social contributions payable

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
IRPJ and CSLL payable	-	-	<b>22,044</b>	52,232
PIS/COFINS/CSLL	<b>42</b>	22	<b>10,563</b>	8,848
Service tax	<b>(13)</b>	-	<b>(467)</b>	963
IRRF on services	<b>541</b>	118	<b>2,147</b>	3,445
ICMS	<b>56</b>	54	<b>(1,432)</b>	2,008
INSS	<b>4,685</b>	4,483	<b>7,077</b>	6,475
Taxes on Equity	-	-	<b>1,481</b>	1,090
FCTS	<b>8</b>	2	<b>935</b>	333
Royalties	-	-	<b>5,455</b>	7,568
Other	<b>44</b>	(29)	<b>311</b>	479
	<b>5,363</b>	4,650	<b>48,114</b>	83,441

### 14. Loans and financing

	12/31/2019	Additions		Payments		Foreign exchange	Translation adjustment	06/30/2020
		Principal	Interest	Principal	Interest			
ICBC (i)	<b>230,829</b>	-	6,120	(58,901)	(5,330)	75,853	-	<b>248,571</b>
Citibank (ii)	<b>200,123</b>	-	987	(206,469)	(987)	-	6,346	-
Trafigura (iii)	<b>189,634</b>	210,320	7,690	(515,485)	(8,558)	116,399	-	-
CCB (iv)	<b>94,802</b>	51,727	3,475	(41,135)	(1,198)	35,461	-	<b>143,132</b>
FINEP (v)	<b>54,313</b>	-	1,668	-	(1,654)	-	-	<b>54,327</b>
Fibra (vi)	<b>40,224</b>	-	1,817	-	-	-	14,575	<b>56,616</b>
Bradesco (vii)	<b>8,172</b>	23,618	320	(8,785)	(173)	4,502	-	<b>27,654</b>
Daycoval (viii)	-	20,725	892	-	-	6,717	-	<b>28,334</b>
Votorantim (ix)	-	45,000	858	(57,069)	(879)	12,090	-	-
Santander (x)	-	52,904	1,064	-	-	12,863	-	<b>66,831</b>
ABC (xi)	-	14,850	256	-	-	2,811	-	<b>17,917</b>
CEF (xii)	-	30,000	419	-	-	1,294	-	<b>31,713</b>
Chevron (xiii)	<b>767,018</b>	-	30,994	(185,243)	(8,833)	-	234,871	<b>838,807</b>
INPEX/Sojitz (xiv)	<b>60,461</b>	-	5,073	(60,831)	(5,073)	-	370	-
Prisma Capital (xv)	-	449,870	20,586	-	-	-	98,246	<b>568,702</b>
<b>Total</b>	<b>1,645,576</b>	<b>899,014</b>	<b>82,219</b>	<b>(1,133,918)</b>	<b>(32,685)</b>	<b>267,990</b>	<b>354,408</b>	<b>2,082,604</b>
Current	1,224,306							1,373,731
Non-current	421,270							708,873

(i) On February 18, 2019, the Company signed an export prepayment agreement with the Chinese bank ICBC in the amount of US\$ 60 million and with a four-year term and currently, the balance is US\$ 42,184. The financing has a Libor cost + 3% p.a.

Furthermore, the Company signed a US\$ 9 million Advance on Foreign Exchange contract on December 2, 2019. The financing has a Libor cost + 2.5% p.a.

(ii) The Company signed an agreement for prepayment of receivables with Citibank, amounting to R\$ 48 million over a 4-month term at Libor + 3% p.a., settled on January 24, 2020.

(iii) The Company signed two export prepayment contracts with Trafigura PTE Ltd, one of which on December 20, 2019, in the amount of US\$ 47 million, at a cost of Libor +





## Notes to the quarterly information

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2.75% p.a. and a 6-month term, and other on January 22, 2020, in the amount of US\$ 50 million, with Libor costs + 2.75% p.a. and a 4-month term.

(iv) The Company signed four Advance on Exchange Agreements with China Construction Bank, the first on June 24, 2019, in the amount of US\$ 5,242, with costs of 5% p.a. and a 1-year term, the second on July 10, 2019, in the amount of US\$ 2,600, with costs of 5.2% p.a. and a 6-month term, the third on November 29, 2019, in the amount of US\$ 15,560, with costs of 5.65% p.a. and a 1-year term, and the fourth on March 9, 2020, in the amount of US\$ 2,160, with costs of 5.65% p.a. and 1-year term.

(v) On November 19, 2018, the Company signed an agreement with Finep for a R\$ 90 million credit facility to be paid in 10 years, including a 2.5-year grace period. Financing cost is TJLP (Long-term interest rate) + 1.5% p.a. Up to June 30, 2020, FINEP released approximately R\$ 54,101.

(vi) On December 6, 2019, the Company signed a contract with Banco Fibra for a credit facility of US \$ 10 million with a term of 1 year and a cost of 7.15% p.a.

(vii) The Company signed three Advance on Exchange Agreements with Banco Bradesco, one on August 28, 2019, in the amount of US\$ 2,000, settled on February 20, 2020, with costs of 3.98% p.a. and a 6-month term, another on March 9, 2020, in the amount of US\$ 2,000, with costs of 3.20% p.a. and a 1-year term, and a third in March 9, 2020, in the amount of US\$ 3,000, with costs of 3.20% p.a. and a 1-year term.

(viii) On January 14, 2020, the Company signed a contract with Banco Daycoval for a credit facility of US\$ 5 million with a term of 1 year and a cost of 7.5% p.a.

(ix) On January 28, 2020, the Company signed a contract with Banco Votorantim for a credit facility of US\$ 10.7 million with a term of 4 months and a cost of 4.7% p.a.

(x) On January 28, 2020, the Company signed a contract with Banco Santander for a credit facility of US\$ 10 million with a term of 4 months and a Libor cost of 2.75% p.a.

(xi) On March 10, 2020, the Company signed a contract with Banco ABC for a credit facility of US\$ 15 million with a term of 6 months and a cost of Libor + 3.15% p.a.

(xii) On April 6, 2020, the Company signed a contract with Caixa Econômica Federal in the amount of R\$ 30 million, with a term of 1 year and a cost of 5.7% p.a.

(xii) On January 29, 2019, the Company entered into a contract, effective as of March 25, 2019, with Chevron Latin America Marketing LLC and Chevron Amazonas LLC for the acquisition of Chevron Brasil Upstream Frade LTDA, Chevron Frade LLC and Frade B.V., in the amount of USD 224,023, with a two-year term. The financing is at Libor + 3% p.a. In June 2020, an amendment to the contract was signed, changing its final term to November 2021, to be settled in 3 installments, the first in November 2020,





## Notes to the quarterly information

**June 30, 2020**

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the second in May 2021 and the last in November 2021, with renegotiated interest of 7% p.a.

(xiv) On October 1, 2019, the Company concluded the acquisition of White Shark and IONC, previously owned by INPEX Corporation and Sojitz Corporation. Out of the total acquisition value, the amount of US\$ 15 million paid only in January 2020, generating a financial expense of US\$1,251.

(xv) On January 27, 2020, the Company signed a contract with an entity of the Prisma Capital fund for a bridge loan in the amount of US\$ 100 million at the cost of 8.95% p.a.

### 15. Lease operations CPC 06 (R2) / IFRS 16

At January 1, 2019, the Company adopted the guidance and procedures of CPC 06 (R2) / IFRS 16, related to lease transactions.

Following the practices presented in note 2.6, the Company initially the effects of the adoption of the CPC 06 (R2) / IFRS 16 as follows:

#### Assets

Partners in oil and gas operations	41,684
Right-of-use (Lease CPC 06.R2 IFRS 16)	1,019,768
<b>Total Assests</b>	<b><u>1,061,452</u></b>

#### Liabilities

Contractual Charges (Lease IFRS 16)	(1,061,452)
<b>Total Liabilities</b>	<b><u>(1,061,452)</u></b>

To calculate this amount, the terms when the assets are necessary for the operation and surcharge on loans, of 5.63% p.a., were taken into consideration for contracts in Dollars. In the first quarter of 2020, the Company reassessed the rates and concluded that, for contracts in reais, the most appropriate rate is 10.0% per annum, thus reopening the 2019 balances to make said adjustment.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitments as at December 31, 2018	1,297,887
Weighted average incremental borrowing rate as at 1 January 2019	6.3429%
<b>Discounted operating lease commitments at January 1, 2019</b>	<b><u>1,061,452</u></b>



## Notes to the quarterly information June 30, 2020

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The right-of-use assets presented refer to the following underlying assets:

<b>Right-of-use assets</b>	
FPSO	796,614
Support Vessels	103,825
Helicopters	29,755
Buildings	57,572
Equipment	32,002
<b>Total</b>	<b>1,019,768</b>

The depreciation of the right-of-use, when related to assets used for the operations, is firstly recognized in inventory and then transferred to income when disposed. Administrative assets are directly recorded in the statement of income, both under the straight-line method, observing the periods when they are used.

Exchange-rate change and inflation adjustment are recorded directly in the Company's statement of income.

The effects presented in the period were:

	<b>Assets</b>	<b>Liabilities</b>
<b>Recognition on January 1, 2019</b>	<b>1,019,768</b>	<b>(1,061,452)</b>
Additions/Reversals	(403,776)	382,798
Currency adjustment	-	(32,825)
Monetary restatement	-	(64,309)
Payments made	-	163,306
Depreciation	(163,925)	-
<b>Balance at December 31, 2019</b>	<b>452,067</b>	<b>(612,482)</b>
Additions/Reversals	64,775	(71,942)
Currency adjustment	-	(147,129)
Monetary restatement	-	(23,297)
Payments made	-	108,906
Depreciation	(77,946)	-
<b>Balance at June 30, 2020</b>	<b>438,896</b>	<b>(745,944)</b>
Current	-	<b>(295,247)</b>
Non-current	<b>438,896</b>	<b>(450,697)</b>

\* Considers 100% of the changes occurred in the first quarter of 2019. For consolidation purposes, only 6 days of monetary and exchange adjustment of the obligations related to Frade Field were considered in PetroRio's statement of income, as the acquisition was completed on March 25, 2019.

## Notes to the quarterly information

**June 30, 2020**

(In thousands of reais, unless otherwise indicated)

Contract maturity		*Pis/Cofins Amount R\$
Maturity of installments	Amount R\$	
2020	197,457	3,482
2021	174,591	6,936
2022	74,979	6,936
2023	74,979	6,936
2024	75,148	6,951
2025	74,979	6,936
2026	74,979	6,936
2027	45,104	4,172
2028	45,227	4,184
2029	45,104	4,172
2030	45,104	4,172
<b>Undiscounted amounts</b>	<b>927,651</b>	<b>61,813</b>
<b>Embedded interest</b>	<b>(181,707)</b>	
<b>Lease liability balance</b>	<b>745,944</b>	

\* Pis/Cofins presented for information purposes only. They are not being considered for discounting the projected lease amounts.

As announced on February 2, 2020, the Company acquired an FPSO that will be used in the Polvo Field in place of the FPSO currently used, which is chartered. Thus, the projection made until the end of the Field's useful life was reviewed, thus reducing the amount of 433,631 regarding lease liabilities and lease, with only prospective effects. The other adjustments made during 2019 are due to the reduction in the number of support boats and the change of logistics base, which occurred with the acquisition of Frade Field. The increase in 2020 is due to the increased reserves and extension of the useful life of the fields, which was reflected in the projected lease amounts.

## 16. Deferred income tax and social contribution

Companies	Tax loss		Tax credit	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
PetroRio	<b>60,760</b>	48,382	<b>20,658</b>	16,450
PetroRioOG	<b>1,319,201</b>	1,195,537	<b>448,528</b>	406,482
PrioIntl	<b>14,790</b>	14,790	<b>5,029</b>	5,029
Brasoil	<b>132,875</b>	139,723	<b>45,178</b>	47,506
Jaguar	<b>1,470,853</b>	1,489,957	<b>500,090</b>	506,585
White Shark	<b>906,364</b>	962,000	<b>308,164</b>	327,080
Lux Holding	<b>3,294,654</b>	3,294,654	<b>821,687</b>	821,687
	<b>7,199,497</b>	<b>7,145,043</b>	<b>2,149,334</b>	<b>2,130,819</b>

The Company has tax losses and negative basis of social contribution generated in Brazil, which may be offset against future taxable profit, limited to 30% every year, except for Lux Holding, which may offset 100% of tax, as Luxembourg legislation. Management opted for recognizing only the amounts corresponding to 30% of the recorded deferred liabilities, which refer to the discount recorded in the acquisition of the Polvo and Frade Field. Other credits, which will be recognized as the future taxable income is being generated.

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

	Parent company		Consolidated	
	06/30/2020	12/31/2019	06/30/2020	12/31/2019
				(restated)
Negative goodwill on fair value recognized assets on in business combinations	-	-	<b>404,236</b>	326,545
Temporary differences	<b>(17,319)</b>	(2,196)	<b>(72,556)</b>	(43,719)
Deferred tax asset credit	-	-	<b>(520,830)</b>	(443,139)
	<b>(17,319)</b>	(2,196)	<b>(189,150)</b>	(160,313)

## 17. Provision for abandonment (ARO)

Changes in the balance of provision for abandonment of wells in the Polvo, Manati and Frade Field are shown below:

	Polvo	Manati	Frade
<b>Balance at December 31, 2018</b>	<b>171,337</b>	<b>38,815</b>	-
Frade Acquisition (51.74%)	-	-	561,338
Frade Acquisition (18.26%)	-	-	271,059
Decrease/Increase	9,440	2,396	(185,527)
Currency adjustment	7,385	1,338	26,721
Price-level restatement	7,510	1,825	32,411
<b>Balance at December 31, 2019</b>	<b>195,672</b>	<b>44,374</b>	<b>706,002</b>
Decrease	(19,673)	(5,426)	(83,175)
Currency adjustment	63,581	11,255	224,109
Monetary restatement	3,310	726	21,573
<b>Balance at June 30, 2020</b>	<b>242,890</b>	<b>50,929</b>	<b>868,509</b>
(-) Maersk's guarantee / Brasoil's abandonment fund	(187,525)	(52,788)	-
<b>Net balance of liabilities</b>	<b>55,365</b>	<b>(1,859)</b>	<b>868,509</b>
<b>Total consolidated balance</b>			<b>922,015</b>

The estimated abandonment costs were provisioned for the period ended June 30, 2020.

For Polvo field, this provision corresponds to PetroRio interest of 100%, and reflects the estimated present value discounted at the rate of 5.44% p.a. and updated according to the inflation rate (US) of average 2% p.a. In addition, amounts are adjusted by the changes in the USD rate. 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.

Regarding Manati field, a new abandonment study was approved in November 2018, which reduced the total provision by approximately US\$ 48 million (100%), with a decrease of R\$ 5,426 in the Company's balance sheet, corresponding to a 10% interest in Manati. 20% of the provision for abandonment are represented by costs in reais, updated at the inflation rate of 4.01% per annum and discounted at the risk-free rate of 8.43% per annum. The other costs, estimated in US Dollars, are updated at the



## Notes to the quarterly information

**June 30, 2020**

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inflation rate of 2% per annum and discounted at the rate of 5.44%, before translation into Reais.

To assure the consortium's ability to settle the abandonment obligations in the Manati field, the operator Petrobras collects monthly installment regarding estimated abandonment expenditures from consortium members. The contributed amounts are invested and will be used to pay the abandonment costs when they occur. On June 30, 2020, the Company maintained a balance of R\$ 52,788.

For Frade field, this provision corresponds to PetroRio interest of 70%, and reflects the estimated present value discounted at the rate of 5.59% p.a. The main expenses included in these surveys are the removal of the FPSO, abandonment of wells (e.g.: drilling rig lease, cementation, pipe and pipeline removal, placement of buffers), environmental remediation and removal of seabed equipment (e.g. Christmas tree, anchoring blocks).

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

	<b>Consolidated</b>	
	<b>06/30/2020</b>	<b>12/31/2019</b>
<b>Operated blocks</b>		
Blocks operated (GALP - PEL 23 Namibia)	<b>633</b>	466
Petrobras - Frade *	<b>108,137</b>	81,904
Ecopetrol - Ceará	<b>(148)</b>	(277)
<b>Total operated blocks</b>	<b>108,622</b>	82,093
Non-operated blocks (Petrobras - Brasoil Manati)	<b>(7,435)</b>	4,145
<b>Total advances to/from partners</b>	<b>101,187</b>	86,238
<b>Total current liabilities</b>	-	(40)
<b>Total current assets</b>	<b>101,187</b>	86,278

### 19. Impairment

The Company periodically monitors changes in economic and operating expectations that may indicate impairment or loss of its recoverable value. If such evidence is identified, calculations are performed to verify whether the net book value exceeds the recoverable value and, in such case, a provision for devaluation is recorded adjusting the book value to the recoverable value.

Due to the impacts caused by the COVID-19 pandemic worldwide, the demand for oil decreased sharply, thus reducing the oil prices practiced in international markets. The relevant decrease in the Brent price, directly linked to the company's revenues, are indicative of a possible loss in the recoverable value of the assets.

The Company made calculations to verify the recoverable value of its assets against the recorded values and did not detect the need for recognition of a provision.



## Notes to the quarterly information

**June 30, 2020**

*(In thousands of reais, unless otherwise indicated)*

### 20. Shareholders' equity

#### 20.1 Capital

On June 30, 2020 the Company's subscribed and paid-in capital totaling R\$ 3,463,530 is comprised of 143,185,890 shares, all nominative, book-entry with no par value. The Company had Global Depositary Shares ("GDSs") traded in the TSX Venture Exchange (TSX-V) in Toronto, Canada, at a rate of two GDSs for each common share, however, on January 27, 2017, all Global Depositary Shares ("GDSs") were de-listed. Holders who have not convert the GDSs into PetroRio common shares up to May 27, 2017 had the GDSs compulsorily canceled and received their cash amounts by selling shares by custodian agent.

During the Annual and Special Shareholders' Meeting held on April 29, 2016, occasion a proposal was approved putting in place a repurchase program for as many as 3,300,000 common shares issued by the Company within 18 months, without reducing capital and to be held in treasury, canceled and/or for subsequent disposal. On December 22, 2017, at a new Special Shareholders' Meeting, the proposal for implementation of the program to buy back up to 1,000,000 shares was approved, to be performed in 18 months, without reducing capital, for maintaining in treasury, cancellation and/or subsequent disposal. On March 1, 2019, the Special General Meeting approved the splitting shares issued by the Company, at the ratio of 1/10, so that each share issued by the Company is represented by 10 (ten) shares.

On June 30, 2020, balance of Petro Rio S.A. common shares in Treasury Shares account, rectifying Shareholders' Equity, is 9,524,760 shares at acquisition cost of R\$ 49,463.

The Company's authorized capital is R\$10 billion.

The Company recorded R\$ 136,694 referring to share issuance costs in a capital reducing account and which comprise the balance shown of R\$ 3,326,998.

Shareholder	Number of common shares	% of interest*
Aventti Strategic Partners LLP	33,949,240	23%
One Hill Capital LLC	16,747,010	12%
Sentinel Investments Holdings LLC	11,375,280	8%
Other Shareholders	82,614,130	57%
<b>Total</b>	<b>144,685,660</b>	<b>100%</b>

\*According to information disclosed in reference form.

The Company's capital was subject to changes in 2020, due to a R\$ 10,587 increase through the exercise of stock options granted to employees, as follows:

## Notes to the quarterly information

**June 30, 2020**

*(In thousands of reais, unless otherwise indicated)*

### 20.2 Share-based remuneration plan

The Board of Director, within the scope of its duties and in accordance with the stock option plan, approved the grant of preferred stock option to Company's employees. Stock options fair value was estimated on concession date, using the Black-Scholes pricing model. The dates of Board of Directors' meetings and the assumptions used in the pricing model are listed below:

	Program I	Program II	Program III	Program IV
Grant date by Board of Directors	01/25/2018	02/28/2018	11/05/2018	11/05/2018
Total stock options granted	329,557	12,169	33,481	152,744
Share price on granting date	91.50	72.50	118.00	118.00
Strike Price	54.70	48.62	54.70	54.70
Weighted fair value on concession date	41.87	31.30	66.52	70.00
Estimated volatility of share price	73.99%	51.07%	55.58%	72.41%
Risk-free rate of return	8.83%	7.55%	7.13%	8.75%
Option validity (in years)	3	2	2	4

  

	Program V	Program VI	Program VII	Program VIII	Program IX
Grant date by Board of Directors	02/28/2019	02/28/2019	02/28/2019	03/20/2020	03/20/2020
Total stock options granted	24,665	105,790	79,026	730,665	512,600
Share price on granting date	150.98	150.98	150.98	12.40	12.40
Strike Price	86.27	86.27	97.06	17.36	19.53
Weighted fair value on concession date	66.70	63.05	68.30	3.51	4.49
Estimated volatility of share price	52.54%	52.54%	69.46%	77.01%	66.17%
Risk-free rate of return	7.14%	7.14%	8.25%	5.60%	7.65%
Option validity (in years)	2	2	4	2	4

For the period ended June 30, 2020, the Company has a balance recorded in shareholders' equity - income (loss) from share-based remuneration in the amount of R\$ 32,231, and the counterpart being in the statement of income as personnel cost since the granting.

Out of the options granted, 1,499,770 options were exercised on January 1, 2020, with the full payment of R\$ 10,587 in the Company's capital.

### 20.3 Earnings per share

Pursuant to CPC 41 (IAS 33), the Company presents some information on earnings per share for the six-month periods ended June 30, 2020 and 2019. Basic earnings per share are calculated by dividing income (loss) for the period attributed to the Parent 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 Parent company's common shareholders by the weighted average number of common shares available for the period, plus the weighted average number of common shares that would be issued on conversion of all potential diluted common shares into common shares, excluding treasury shares in the period.





## Notes to the quarterly information June 30, 2020

(In thousands of reais, unless otherwise indicated)

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

Basic and diluted earnings per share	04/01/2020- 06/30/2020	04/01/2019- 06/30/2019	01/01/2020- 06/30/2020	01/01/2019- 06/30/2019
<b>Numerator (in thousands of reais)</b>				
(Loss) Income for the period attributable to Group's shareholders	<b>(99,802)</b>	164,762	<b>(161,263)</b>	41,858
<b>Denominator (in thousands of shares)</b>				
(+) Weighted average number of common shares adjusted by dilution effect	<b>144,686</b>	140,965	<b>144,686</b>	140,965
(-) Treasury shares	<b>(9,525)</b>	(9,506)	<b>(9,525)</b>	(9,506)
	<b>135,161</b>	131,459	<b>135,161</b>	131,459
<b>Basic earnings and diluted per share</b>	<b>(0.738)</b>	1.253	<b>(1.193)</b>	0.318

## 21. Related party transactions

	Parent company	
	03/31/2020	12/31/2019
Loan PetroRio S.A x PetroRio Internacional	<b>2</b>	2
Accounts payable - PetroRio O&G x PetroRio S.A (i)	<b>6,178</b>	4,454
Service agreement PetroRio x Lux Holding (ii)	<b>987</b>	726
Apportionment administrative expenses Brasoil Manati	<b>92</b>	76
Apportionment administrative expenses Frade	<b>1,207</b>	1,151
Loan - PetroRio S.A vs. PetroRio Luxembourg Sarl (iii)	<b>(169,874)</b>	(121,929)
Mútuo PetroRio S.A. vs White Shark (iv)	<b>(66,484)</b>	-
Mútuo PetroRio S.A vs Manati	<b>(45,770)</b>	-
	<b>(273,662)</b>	(115,520)
<b>Total non-current assets</b>	<b>8,465</b>	6,409
<b>Total non-current liabilities</b>	<b>(282,127)</b>	(121,929)

- (i) Balance of share-based remuneration plan between PetroRio and PetroRioOG.
- (ii) Refers to contract entered into by PetroRio and PetroRio Lux Energy S.à.r.l., which establishes that PetroRio Lux Energy S.à.r.l. must reimburse PetroRio of all expenses incurred for management of its assets (platform), such as salaries, rent of physical space and equipment, telephone, Internet and software.
- (iii) Balance referring to loan contracts executed into in the first semester of 2019 by PetroRio and Lux Sarl, with 6-month term and Libor interest rate + 3% p.a., which will be settled upon distribution of dividends by Lux Sarl itself.
- (iv) Balance related to the loan contract signed on January 31, 2020 between PetroRio and White Shark, with an indefinite period and interest rate of 80% of the CDI, at 3.52% p.a.

### Management remuneration

The Company's management remuneration in the period ended June 30, 2020 was R\$ 3,354 (R\$ 4,142 on June 30, 2019).



## Notes to the quarterly information

**June 30, 2020**

(In thousands of reais, unless otherwise indicated)

### 22. Net revenue

Net revenue is broken down as follows:

	01/01/2020-06/30/2020				01/01/2019-06/30/2019			
	Polvo	Manati	Frade	Total	Polvo	Manati	Frade	Total
Gross revenue	165,220	24,926	349,900	540,046	370,185	45,525	280,440	696,150
Deductions	-	(4,591)	-	(4,591)	-	(8,844)	-	(8,844)
<b>Net revenue</b>	<b>165,220</b>	<b>20,335</b>	<b>349,900</b>	<b>535,455</b>	<b>370,185</b>	<b>36,681</b>	<b>280,440</b>	<b>687,306</b>

  

	04/01/2020-06/30/2020				04/01/2019-06/30/2019			
	Polvo	Manati	Frade	Total	Polvo	Manati	Frade	Total
Gross revenue	87,831	8,892	217,115	313,838	250,652	21,184	280,414	552,243
Deductions	-	(1,684)	139	(1,545)	-	(4,017)	-	(4,010)
<b>Net revenue</b>	<b>87,831</b>	<b>7,208</b>	<b>217,254</b>	<b>312,293</b>	<b>250,652</b>	<b>17,167</b>	<b>280,414</b>	<b>548,233</b>

### 23. Costs of products sold and services rendered

	Consolidated			
	04/01/2020-06/30/2020	04/01/2019-06/30/2019	01/01/2020-06/30/2020	01/01/2019-06/30/2019
FPSO/Platform	-	(12,571)	(11,453)	(24,380)
Logistics	(12,660)	(16,820)	(23,400)	(23,026)
Consumables	(15,505)	(31,104)	(33,585)	(44,817)
Operation and maintenance	(13,911)	(32,931)	(36,905)	(45,688)
Personnel	(12,644)	(22,022)	(25,941)	(25,068)
SMS	(1,040)	(3,000)	(2,234)	(4,674)
Other costs	(95)	(13,721)	(6,851)	(16,052)
Royalties and special interest	(21,131)	(48,719)	(53,359)	(62,952)
Amortization CPC 06 (R2)	(21,050)	(43,443)	(46,425)	(58,545)
Depreciation and amortization	(127,700)	(45,034)	(192,409)	(59,778)
<b>Total</b>	<b>(225,736)</b>	<b>(269,365)</b>	<b>(432,562)</b>	<b>(364,980)</b>

On June 30, 2020, the Polvo's oil inventories in the amount of R\$ 162,409 is representative of 1,140,000 bbl – quantity not reviewed by the independent auditors (on June 30, 2019 the oil inventories in the amount of R\$ 62,278 corresponded to 420,000 bbl) and Frade's oil inventory in the amount of R\$ 81,989, corresponds to 759,000 bbl – amount not reviewed by the independent auditors (on June 30, 2019, the Oil inventories in the amount of R\$ 31,486 corresponded to 225,000 bbl).

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### 24. Other operating revenue (expenses), net

	Parent company				Consolidated			
	04/01/2020- 06/30/2020	04/01/2019- 06/30/2019	01/01/2020- 06/30/2020	01/01/2019- 06/30/2019	04/01/2020- 06/30/2020	04/01/2019- 06/30/2019	01/01/2020- 06/30/2020	01/01/2019- 06/30/2019
Reduction in the provision for abandonment (rate/curve change)	-	-	-	-	-	-	95,417	-
Reversal (Provision) for impairment	-	-	-	-	6,349	5	3	10
Reversal (provision) for contingencies	-	-	280	-	3,387	(2,177)	5,705	(2,177)
Loss on investments in subsidiary (dividends)	-	-	-	-	-	(4,140)	-	(5,030)
Income from transactions with permanent assets	-	-	-	-	-	-	-	593
Tax credits (PIS and COFINS/INSS/ICMS)	-	-	-	-	7,696	225	42,908	531
Provision for non-recovery - Namibia VAT	-	-	-	-	-	(18,381)	-	(18,381)
Frade acquisition success rate	-	-	-	-	-	(11,447)	-	(11,447)
Provision of abandonment adjustment	-	-	-	-	-	5,522	-	5,522
Rental revenues from FPSO OSX-3*	-	-	-	-	104,710	-	104,710	-
Depreciation of FPSO OSX-3*	-	-	-	-	(24,218)	-	(24,218)	-
Labor indemnities from previous years	(1,364)	-	(1,364)	-	(8,612)	-	(15,299)	-
Indirect Overhead - Frade	-	-	-	-	406	-	1,352	-
Other revenues (expenses)	-	(3)	(496)	(8)	(115)	(2,180)	(5,871)	(1,886)
<b>Total</b>	<b>(1,364)</b>	<b>(3)</b>	<b>(1,580)</b>	<b>(8)</b>	<b>89,603</b>	<b>(32,573)</b>	<b>204,707</b>	<b>(32,265)</b>

\*With the acquisition of FPSO OSX-3, Lux Sarl took over the charter contract of this vessel with Dommo Energia S.A. in the amount of US\$ 129,315 per day. The amount recorded corresponds to the 5-month lease, since the amendment signed in April retroacted the lease to the effective date of the FPSO acquisition. Moreover, the Company recorded a straight-line depreciation for the period. This revenue is a non-recurring event for the Company, since upon the completion of the acquisition of 80% of the Tubarão Martelo field by PetroRio (note 30.2), said revenue will be eliminated from the Company's income, with the Field's cost of production.

### 25. Financial Net Results

	Parent company				Consolidated			
	04/01/2020- 06/30/2020	04/01/2019- 06/30/2019	01/01/2020- 06/30/2020	01/01/2019- 06/30/2019	04/01/2020- 06/30/2020	04/01/2019- 06/30/2019	01/01/2020- 06/30/2020	01/01/2019- 06/30/2019
<b>Financial revenues</b>	<b>362</b>	<b>815</b>	<b>1,672</b>	<b>3,522</b>	<b>105,078</b>	<b>68,899</b>	<b>759,345</b>	<b>129,877</b>
Revenue from realized financial investment	13	156	41	193	3,036	2,427	11,932	7,339
Revenue from exchange-rate change	337	801	1,605	3,184	60,918	54,905	352,938	107,232
Gain from realization of financial instruments	-	18	-	18	-	2,144	-	2,144
Gain in realization of derivatives	-	-	-	-	35,425	7,478	254,497	10,399
Marked at fair value - financial instruments	-	127	-	127	-	127	-	127
Marked at fair value of derivatives	-	-	-	-	-	793	134,572	1,107
Other financial revenues	12	(287)	26	-	5,699	1,025	5,406	1,529
<b>Financial expenses</b>	<b>(12,022)</b>	<b>(3,486)</b>	<b>(50,146)</b>	<b>(81,190)</b>	<b>(329,722)</b>	<b>(80,553)</b>	<b>(1,087,472)</b>	<b>(281,670)</b>
Loss on realized financial investment	-	-	-	-	(226)	(319)	(226)	(850)
Expense on foreign exchange rate	(8,647)	(326)	(44,409)	(3,075)	(184,456)	(38,931)	(868,355)	(113,230)
Interest on loans/debentures	(2,841)	(237)	(4,889)	(662)	(54,206)	(18,372)	(91,215)	(21,496)
Commission on bank guarantees	-	-	-	-	(336)	(227)	(899)	(227)
Marked at fair value - financial instruments	-	1,382	-	(68,171)	-	1,382	-	(68,142)
Marked at fair value - Derivatives	-	-	-	-	-	(6)	-	(6)
Loss from realization of financial instruments	-	(4,032)	-	(8,652)	-	(4,032)	-	(20,332)
Loss in realization of derivatives	-	-	-	-	(72,950)	(1,059)	(85,407)	(16,172)
Expenses with interest on leases	-	-	-	-	(10,503)	(14,728)	(20,743)	(28,098)
Other financial expenses	(534)	(273)	(848)	(630)	(7,045)	(4,261)	(20,627)	(13,117)



## Notes to the quarterly information

**June 30, 2020**

*(In thousands of reais, unless otherwise indicated)*

### 26. Segment information (Consolidated)

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

	06/30/2020	12/31/2019
<b>Current assets</b>		
Brazil	552,841	515,540
Abroad	847,232	997,551
<b>Non-current assets</b>		
Brazil	2,334,309	2,869,218
Abroad	2,926,204	1,103,048
<b>Revenue</b>	<b>06/30/2020</b>	<b>06/30/2019</b>
Brazil	221,513	637,082
Abroad	318,533	59,724

### 27. Objectives and policies for financial risk management

The main financial liabilities of PetroRio refer to trade accounts payable to suppliers for goods and services to be used in its hydrocarbon exploration and production operations, debentures convertible into shares, and the financial security agreements. On the other hand, cash and cash equivalents are recorded in assets, as described in Notes 3 and 4.

The Company is exposed to market (interest and exchange rates), credit and liquidity risks, and its strategy is to make a portion of its investments in fixed and variable income assets, foreign exchange transactions, interest, swaps, derivatives, sundry commodities and other financial instruments for speculative purposes in various industries in Brazil and abroad in the short, medium and/or long term, to maximize the profitability and seek a higher return to its shareholder. By adopting this strategy, the Company is exposed to the risks inherent to such investments, and to fluctuations in the prices of these assets, which may negatively impact the Company's cash position.

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

#### Market risk

Market risk is the possibility of losses arising from the effect of the fluctuation of market values of financial instruments and commodities. The company constantly monitors the market and, when necessary, contracts derivative transactions to neutralize the impacts of these commodity price oscillations.



## Notes to the quarterly information

**June 30, 2020**

(In thousands of reais, unless otherwise indicated)

### Derivative financial instruments - Hedge

In the 2Q20, the Company entered into derivative agreements aimed at providing hedge against the risk of volatility in oil prices for sales of 2020.

Basically, the transaction protected the Company, which obtained minimum price (floor) of US\$ 65 per barrel. The contracts settled in March will be financially executed in the second quarter. Balances are broken down as follows:

Operation	Type	Maturity	Settlement	Strike	Quantity	Price	Position	
						Engagement	US\$ thousand	In thousands of reais
Purchase	PUT	01/31/2020	01/31/2020	65.00	(451)	(0.28)	630	2,714
Purchase	PUT	03/31/2020	03/31/2020	65.00	(500)	(2.88)	15,554	81,216
Purchase	PUT	03/31/2020	03/31/2020	65.00	(975)	(2.88)	30,329	164,597
Purchase	PUT	04/30/2020	04/30/2020	65.00	(250)	(3.78)	1,359	7,377
Purchase	PUT	05/31/2020	05/31/2020	65.00	(341)	(4.63)	11,072	60,630
Purchase	PUT	06/30/2020	-	65.00	(250)	(5.32)	6,055	33,157
Purchase	PUT	07/31/2020	-	40.00	(2,400)	(2.39)	(6,501)	(32,487)
						<b>(5,167)</b>	<b>58,498</b>	<b>317,204</b>

### 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.

### Interest rate sensitivity

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

Operation	Risk	Probable scenario	Scenario (I) 25%	Scenario (II) 50%
Impact on the securities	Decrease in CDI	(179)	(294)	(409)

For the earnings from financial investments and securities the CDI projections disclosed by BM&FBOVESPA for the six-month period as from June 30, 2020 were taken into account under the probable scenario (CDI 3.46%), a 25% reduction in the projected CDI was taken into account under scenario I and a 50% reduction was taken into account under scenario II, both in relation to the probable scenario.

### Exchange risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities and net investments in foreign subsidiaries. The table below shows the sensitivity to a change that may occur in the exchange rate and the impact on the Company's shareholders' equity, before taxation.

## Notes to the quarterly information

**June 30, 2020**

*(In thousands of reais, unless otherwise indicated)*

Operation	Risk	Probable scenario	Scenario (I) 25%	Scenario (II) 50%
Impact on financial investments	Decrease in US Dollar	195	(35,744)	(71,489)
Provision for abandonment (ARO)	Increase in US Dollar	(1,589)	(290,582)	(581,164)
Loans	Increase in US Dollar	(2,847)	(520,651)	(1,041,302)

For calculation of the amounts included in the above scenarios the average exchange rate projection disclosed by BM&FBOVESPA for the six-month period as from June 30, 2020 (US\$ 1/R\$ 5.4835). Under scenario I, this projection was increased by 25% and under scenario II, the curve was increased by 50%, both against the probable scenario.

### Credit risk

The Company is exposed to credit risk in its operating activities and bank and/or financial institution deposits, foreign exchange transactions and other financial instruments. In order to mitigate such risks, the Group adopts a conservative management by 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.

As for the credit risk of its sales transactions, the Company is analyzing the financial and equity position of its customers together with the service provider (trader), which also intermediates the oil sale transactions. During the six-month period ended June 30, 2019, sales of oil were carried out to Trafigura and Petrochina and gas sales to one single client (Petrobrás); however, they present an irrelevant credit risk, considering that its background does not show any delays or defaults.

### Liquidity risk

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

### Consolidated

Period ended June 30, 2020	up to 12 months	1-5 years	Total
<b>Liabilities</b>			
Loans and financing	(826,131)	(1,256,473)	<b>(2,082,604)</b>
Suppliers	(139,859)	(14,410)	<b>(154,269)</b>
Labor obligations	(50,663)	-	<b>(50,663)</b>
Taxes and social contributions	(48,114)	-	<b>(48,114)</b>
Provision for abandonment	-	(922,015)	<b>(922,015)</b>
Provision for contingencies	-	(74,091)	<b>(74,091)</b>
Contractual Charges (Lease IFRS 16)	(295,247)	(450,697)	<b>(745,944)</b>
Other liabilities	(19)	(1,701)	<b>(1,720)</b>
	<b>(1,360,033)</b>	<b>(2,719,387)</b>	<b>(4,079,420)</b>

## Notes to the quarterly information

### June 30, 2020

(In thousands of reais, unless otherwise indicated)

<b>Year ended December 31, 2019</b>	<b>up to 12 months</b>	<b>1-5 years</b>	<b>Total</b>
<b>Liabilities</b>			
Loans and financing	(1,224,306)	(421,270)	<b>(1,645,576)</b>
Suppliers	(130,513)	(13,233)	<b>(143,746)</b>
Labor obligations	(39,359)	-	<b>(39,359)</b>
Taxes and social contributions	(83,441)	-	<b>(83,441)</b>
Advance from partners	(40)	-	<b>(40)</b>
Provision for abandonment	-	(763,633)	<b>(763,633)</b>
Provision for contingencies	-	(65,613)	<b>(65,613)</b>
Contractual Charges (Lease IFRS 16)	(205,782)	(363,419)	<b>(569,201)</b>
Other liabilities	(12,356)	(1,685)	<b>(14,041)</b>
	<b>(1,695,797)</b>	<b>(1,628,853)</b>	<b>(3,324,650)</b>

#### Parent company

<b>Period ended June 30, 2020</b>	<b>up to 12 months</b>	<b>1-5 years</b>	<b>Total</b>
<b>Liabilities</b>			
Suppliers and other	(3,711)	-	<b>(3,711)</b>
Labor obligations	(987)	-	<b>(987)</b>
Taxes and social contributions	(5,363)	-	<b>(5,363)</b>
Provision for contingencies	-	(220)	<b>(220)</b>
Other liabilities	(19)	-	<b>(19)</b>
	<b>(10,080)</b>	<b>(220)</b>	<b>(10,300)</b>

<b>Year ended December 31, 2019</b>	<b>up to 12 months</b>	<b>1-5 years</b>	<b>Total</b>
<b>Liabilities</b>			
Suppliers and other	(1,010)	-	<b>(1,010)</b>
Labor obligations	(794)	-	<b>(794)</b>
Taxes and social contributions	(4,650)	-	<b>(4,650)</b>
	<b>(6,454)</b>	-	<b>(6,454)</b>

#### **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:

- Level 1: fair value measurement uses prices quoted (not corrected) in active markets, based on equal assets and liabilities.
- 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).
- Level 3: fair value measurement is derived from valuation techniques that include an asset or liability that are not included in an active market.



## Notes to the quarterly information

**June 30, 2020**

*(In thousands of reais, unless otherwise indicated)*

	06/30/2020				12/31/2019			
	Parent company		Consolidated		Parent company		Consolidated	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>								
Loans and receivables								
Accounts receivable (i)	-	-	210,437	210,437	-	-	374,598	374,598
Related parties	8,465	8,465	-	-	6,409	6,409	-	-
Fair value through profit or loss								
Cash and cash equivalents (ii)	2,424	2,424	319,688	319,688	4,911	4,911	459,396	459,396
Securities (ii)	-	-	24,081	24,081	-	-	226,301	226,301
<b>Financial liabilities</b>								
Amortized cost:								
Suppliers (i)	3,711	3,711	154,269	154,269	1,010	1,010	100,465	100,465
Loans and financing (ii)	-	-	2,082,604	2,082,604	-	-	1,645,576	1,645,576

Market values ("fair value") estimated by management were determined by level 2 for those financial instruments:

(i) The amounts related to the balance of accounts receivable and suppliers does not have significant differences in the fair value since the receivable/payment turnover not exceed 60 days.

(ii) The fair value measurements are obtained by directly observable variables (as well as prices) or indirectly (derived from prices).

## 28. Insurance (Not reviewed by the independent auditors)

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

The Company is covered against major risks such as Energy Package, which includes: Physical Damage over offshore assets, Operator's Extra Expenses (OEE - Well Control, Extra Expense/Reboring and Infiltration and Pollution, Cleaning and Contamination) and Offshore Liability (TPL) and Cargo/equipment coverage related to the Polvo field operations and D&O (Directors & Officers Liability) policy for directors and subordinates.

The insurance policies in force at June 30, 2020 cover the insured amount of R\$ 20,231,817. In addition, the Company also contracts insurance for Operator' Extra Expenses, whose main exposures covered are as follows:



## Notes to the quarterly information

**June 30, 2020**

*(In thousands of reais, unless otherwise indicated)*

<b>Insurance/Modality</b>	<b>Amount insured</b>
Physical damages (Oil inventories)	459,984
Fixed Platform	996,632
Offshore Platform	122,115
FPSO Frade	2,840,018
Subsea Equipment	2,674,483
Offshore property (Pipeline)	159,899
Onshore properties (Pipeline)	64,069
Onshore Treatment Station	95,282
OEE production (Well control)	1,807,080
Offshore Civil Liability + Surplus	2,436,820
Cargo (Polvo)	5,000
D&O	40,000
P&I	4,107,000
General liability	5,000
Equity	12,000
Energy Package (TPL)	547,600
Customs Guarantee	1,026
Legal guarantee	57,583
Life insurance	1,176
PEM guarantee insurance - ANP	71,071
Travel Insurance Travel Guard	1,506
FPSO OSX-3 Hull and Machine FPSO OSX-3	3,723,680
FPSO OSX-3 Removal and Wreckage	931
Sue & Labour FPSO OSX-3	931
FPSO OSX-3 Salvage Expenses	931
<b>Total insured</b>	<b>20,231,817</b>

The Company's insurance are contracted in accordance with the respective risk management and insurance policies in force and, given its nature, are not included in the scope of our independent auditors.

## 29. Contingencies

Management of the Company and its subsidiaries, based on the opinion of its legal advisors regarding the possibility of success in several lawsuits, believes that the provisions recorded in the balance sheet on June 30, 2020 and December 31, 2019 in the amounts of R\$ 74,091 and R\$ 65,613, respectively, are sufficient to cover losses considered probable and reasonably estimated.

### Provisions recorded

Currently, the Company is party to lawsuits with probable risk, which are basically labor claims that add up to R\$ 17,313 and tax claims of R\$ 14,094, civil claim in the amount of R\$ 33,366 and contingency due to Frade's incident in the amount of R\$ 9,318.





## Notes to the quarterly information

**June 30, 2020**

*(In thousands of reais, unless otherwise indicated)*

Changes in provisions:

	<b>12/31/2019</b>	<b>Additions</b>	<b>Decreases</b>	<b>Inflation adjustment</b>	<b>Foreign exchange</b>	<b>06/30/2020</b>
Tax	13,974	239	(119)	-	-	14,094
Labor	18,191	3,259	(4,137)	-	-	17,313
Civil	24,268	862	(436)	-	8,672	33,366
TAC	9,180	-	-	138	-	9,318
<b>Total</b>	<b>65,613</b>	<b>4,360</b>	<b>(4,692)</b>	<b>138</b>	<b>8,672</b>	<b>74,091</b>

### Tuscany Arbitration

In September 2017, the Company reversed the provision for contingency recorded in its balance sheet, in the amount of R\$ 43,920, referring to the arbitration proceeding instituted by Tuscany Perforations Brasil Ltda. and Tuscany Rig Leasing S.A. against PetroRioOG. By means of an annulment suit filed by its lawyers and judged on September 28, 2017, the decision of the arbitration proceeding was annulled.

The sentence of the arbitration procedure was handed down on February 5, 2015, condemning the Company to pay the amounts of R\$ 106 and US\$ 13,507 thousand. An applicable appeal was filed on March 9, 2015 and September 02, 2015. The Company was notified by the Court of Arbitration, which upheld the decision. As of October 7, 2015, the Company filed an annulment suit, aiming at dissolving the arbitral award, based on violation of full defense and the arbitration clause that forbade decision by equity and obtained an injunction in the second degree, removing the effects of an arbitration decision. A judgment of inadmissibility was handed down, and the Company filed the appropriate appeal. As of September 28, 2017, the appeal was provided by the Court to annul the arbitration decision for another to be rendered, after producing the necessary expert evidence. The parties filed an appeal for motion to clarify the judgment.

### Incidents in Frade

Because of the incident of November 2011 at Frade Field, the Company was notified by ANP in years 2011 and 2012. Additionally, on November 21, 2011, the Company received a fine from IBAMA (Brazilian Institute for the Environment and Renewable Natural Resources) in the amount of R\$ 50,000 and on December 23, 2011, other fine in the amount of R\$ 10,000. These fines, of R\$ 37,762 and R\$ 7,095, respectively, were paid in July 2013, at their restated amount, after negotiation with IBAMA. The differences between the provisioned amounts and the payments made have been reversed to the statement of income.

In September 2012, ANP issued 6 fines referring to the incident at Frade Field occurred in November 2011, totaling R\$ 35,160. The Consortium waived the right to appeal and paid this amount during the 10-day appeal period, the fine being reduced by 30%. On September 21, 2012, the Frade Field Consortium paid the total amount of R\$ 24,612.



## Notes to the quarterly information

**June 30, 2020**

*(In thousands of reais, unless otherwise indicated)*

The Company was cited in two public civil lawsuits filed by the Federal Public Prosecutor's Office (MPF) of Campos dos Goytacazes alleging environmental damage caused by oil leak, amounting to R\$ 20 billion each. This civil suit was filed with the 1<sup>st</sup> Federal Court of Rio de Janeiro. At the end of 2012, the Company accrued the amount of R\$ 95,000 related to the preventive and compensatory measures of the Term of Adjustment of Conduct (TAC), which was approved and signed in September 2013 with the MPF, ANP and IBAMA. This agreement supersedes the two civil lawsuits, which were initialed filed by the MPF.

The Company's management only maintains a provision for TAC, amounting to R\$ 9,318, corresponding to the Company's interest in Frade Field. The amounts of this provision are monetarily restated every month.

### Other suits

According to the Group's legal advisors, risk of loss in other lawsuits is "possible" in the amount of R\$ 834,524, divided into Tax (R\$ 524,300), Labor (R\$ 37,955) and Civil (R\$ 282,309) or "remote". Pursuant to accounting practices adopted in Brazil and IFRS, Management decided not to form a provision for contingencies for these lawsuits, with likelihood of possible and remote loss.

## 30. Subsequent Events

### 30.1 COVID-19

In light of the current uncertain and volatile environment related to the spread of COVID-19, and the recent drop in Brent oil prices, the Company has adopted several precautionary measures, and revised its business plan, having decided to delay all non-essential investments (CAPEX) in its current assets and reduce costs (OPEX and G&A) to weather the current scenario. These measures include:

- Immediate reduction of POB (People on Board) and extension of onboard periods (with the purpose of reducing travel periods) for all assets the Company operates, keeping personnel movement to a minimum necessary in order to operate safely and efficiently;
- Increased availability of protective equipment, and sanitation and hygiene products in onshore and offshore facilities directly associated to the Company's production, particularly in locations with higher exposure;
- Increased frequency of communication and awareness to all employees and service providers stationed in onshore and offshore locations;
- Adoption of rapid tests and screening procedures at the airport, with support from registered nurses, of personnel boarding the platforms. This includes 48h monitoring before embarking to identify potential cases;



## Notes to the quarterly information

**June 30, 2020**

*(In thousands of reais, unless otherwise indicated)*

- Employees located at corporate headquarters and onshore locations are working remotely (work-from-home);
- 100% of planned CAPEX for March to December 2020 has been postponed, with the exception of approximately US\$ 10 million related to operational safety maintenance.
- OPEX reduction to US\$ 12.5 million per month (100% of Polvo + 100% of Frade).
- Recommissioning certain TBMT and Polvo FPSO storage tanks, to increase the Company's nominal oil storage capacity to 3.5 million barrels, granting more flexibility on offtakes depending on market conditions.
- Payroll reduction for onshore employees by 25% and corporate directors by 50%;
- All international travel is suspended. Domestic travel is exclusive to employees critical to offshore facilities who reside in other states;
- All events have been suspended.

### **30.2 Update on the acquisition of 80% of the Tubarão Martelo Field**

On July 6, 2020, the National Agency of Petroleum, Natural Gas and Biofuels (ANP) approved the assignment of the 80% interest in the Tubarão Martelo Field to Petro Rio, subject to the payment or realization of a guarantee in court of the full ANP credits against Dommo Energia S.A., which promptly deposited the total amount in court, fulfilling the condition in question.

The formalization of the assignment by the ANP to complete the acquisition occurred on August 03, 2020, with PetroRio now owns 80% of the Tubarão Martelo Field.