Quarterly information – ITR

Petro Rio S.A.

March 31, 2021
Independent Auditors' Report on the Review
of the Quarterly Information

Summary

Independent auditors' report on the review of the 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 March 31, 2021, comprising the statement of financial position as of March 31, 2021 and the related statements of profit or loss and of comprehensive income, of changes in equity and of cash flows for the three 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

Statements of value added

The abovementioned quarterly information includes the individual and consolidated statement of value added (SVA) for the three months period ended March 31, 2021, 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, April 30, 2021.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

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

PetroRio

Balance sheet

March 31, 2021 and December 31, 2020
(In thousands of reais – R$)

	Note	Parent company 03/31/2021	Parent company 12/31/2020	Consolidated 03/31/2021	Consolidated 12/31/2020
Assets					
Current assets					
Cash and cash equivalents	3	**23,623**	27,480	**3,185,031**	809,273
Securities	4	**-**	-	**77,820**	22,793
Restricted cash	5	**-**	-	**110,770**	49,996
Accounts receivable	6	**-**	-	**22,568**	386,165
Oil inventories	24	**-**	-	**375,890**	186,160
Inventory of consumables		**-**	-	**19,891**	8,506
Financial instruments	29	**-**	-	**10,994**	14,926
Recoverable taxes	7	**3,785**	2,648	**105,144**	124,321
Advances to suppliers	8	**2**	16	**62,647**	58,245
Advances to partners	19	**-**	-	**28,153**	86,997
Prepaid expenses		**2,999**	340	**23,233**	25,594
Other receivables		**-**	-	**613**	-
		30,409	30,484	**4,022,754**	1,772,976
Non-current assets classified as held for sale	9	**-**	-	**74,533**	68,439
		30,409	30,484	**4,097,287**	1,841,415
Non-current assets					
Advances to suppliers	8	**-**	-	**12,596**	12,596
Deposits and pledges		**4,392**	5,347	**15,243**	20,317
Recoverable taxes	7	**-**	-	**32,203**	32,848
Deferred taxes	17	**19,962**	14,181	**258,998**	199,942
Related parties	22	**15,005**	8,627	**-**	-
Right-of-Use (Lease CPC 06.R2/IFRS 16)	16	**-**	-	**413,532**	369,836
Investments	10	**5,497,582**	3,642,162	**-**	-
Property, plant and equipment	11	**1,416**	1,486	**3,384,265**	3,359,013
Intangible assets	12	**-**	-	**1,127,624**	956,866
		5,538,357	3,671,803	**5,244,461**	4,951,418
Total assets		**5,568,766**	3,702,287	**9,341,748**	6,792,833

See the accompanying notes to the financial statements.

PetroRio

Balance sheet

March 31, 2021 and December 31, 2020
(In thousands of reais – R$)

	Note	Parent company 03/31/2021	Parent company 12/31/2020	Consolidated 03/31/2021	Consolidated 12/31/2020
Liabilities and shareholders' equity					
Current liabilities					
Suppliers	13	**7,257**	3,940	**119,524**	236,889
Labor obligations		**1,112**	1,304	**41,101**	54,857
Taxes and social contributions	14	**5,311**	5,484	**120,602**	87,741
Loans and financing	15	**-**	-	**1,882,524**	1,519,966
Contractual Charges (Leases - IFRS 16)	16	**-**	-	**189,846**	252,645
		13,680	10,728	**2,353,597**	2,152,098
Liabilities directly linked to non-current assets classified as held for sale	9	**-**	-	**462**	(2,649)
		13,680	10,728	**2,354,059**	2,149,449
Non-current liabilities					
Suppliers	13	**-**	-	**13,448**	13,640
Loans and financing	15	**-**	-	**281,251**	389,753
Provision for abandonment of facilities (ARO)	18	**-**	-	**853,359**	638,504
Provision for contingencies	31	**500**	500	**91,295**	75,809
Related parties	22	**219,361**	540,645	**-**	-
Contractual Charges (Leases - IFRS 16)	16	**-**	-	**412,151**	373,455
Other liabilities		**-**	-	**960**	960
		219,861	541,145	**1,652,464**	1,492,121
Shareholders' equity					
Realized capital	21	**5,305,772**	3,326,900	**5,305,772**	3,326,900
Capital reserves		**321,483**	321,359	**321,483**	321,359
Accumulated translation adjustment		**851,426**	579,820	**851,426**	579,820
Accumulated losses		**(1,077,664)**	(1,530,431)	**(1,077,664)**	(1,530,431)
Income (loss) for the period		**(65,792)**	452,766	**(65,792)**	452,766
Non-controlling interest		**-**	-	**-**	849
		5,335,225	3,150,414	**5,335,225**	3,151,263
Total liabilities and shareholders' equity		**5,568,766**	3,702,287	**9,341,748**	6,792,833

See the accompanying notes to the financial statements.

Statements of income

Three-month periods ended March 31, 2021 and 2020
(In thousands of reais – R$, except earnings/losses per share)

	Note	Parent company		Consolidated	
		03/31/2021	**03/31/2020**	**03/31/2021**	**03/31/2020**
Net revenue	23	**-**	**-**	**655,334**	223,162
Costs of products/services	24	**-**	-	**(236,531)**	(206,826)
Gross revenue		**-**	**-**	**418,803**	16,336
Operating revenues (expenses)					
Geology and geophysics expenses		-	-	**(6,900)**	(151)
Personnel expenses		**(6,211)**	(2,636)	**(23,634)**	(10,554)
General and administrative expenses		**(364)**	(236)	**(3,364)**	(9,495)
Expenses with outsourced services		**(3,059)**	(541)	**(12,131)**	(16,461)
Taxes and rates		**(286)**	(382)	**(5,759)**	(2,296)
Depreciation and amortization expenses		**(122)**	(121)	**(29,992)**	(41,571)
Equity in net income of subsidiaries	10	**(43,382)**	(20,515)	**-**	-
Other operating revenues (expenses), net	25	**(69)**	(216)	**(20,250)**	115,104
Operating income (loss) before financial income (loss)		**(53,493)**	(24,647)	**316,773**	50,912
Financial revenues	26	**2,438**	1,310	**54,154**	654,267
Financial expenses	26	**(20,518)**	(38,124)	**(416,202)**	(757,750)
Income before income tax and social contribution		**(71,573)**	(61,461)	**(45,275)**	(52,571)
Current income tax and social contribution		**-**	-	**(79,573)**	(12,142)
Deferred income tax and social contribution		**5,781**	-	**59,056**	3,252
Loss for the period		**(65,792)**	(61,461)	**(65,792)**	(61,461)
Basic and diluted earnings per share					
Basic		***(0.420)***	*(0.455)*	***(0.420)***	*(0.455)*
Diluted		***(0.420)***	*(0.455)*	***(0.420)***	*(0.455)*

See the accompanying notes to the financial statements.

PetroRio

Statements of comprehensive income

Three-month periods ended March 31, 2021 and 2020
(In thousands of reais – R$)

	Consolidated	
	03/31/2021	**03/31/2020**
Loss for the period	**(65,792)**	(61,461)
Other comprehensive income		
Translation adjustment on investment abroad	**271,606**	446,925
Other comprehensive income for the period	**271,606**	446,925
Total comprehensive income for the period	**205,814**	385,464

See the accompanying notes to the financial statements.

PetroRio

Statements of changes in shareholders' equity

Three-month periods ended March 31, 2021 and 2020
(In thousands of reais – R$)

	Capital	Capital reserve	Accumulated translation adjustment	Accumulated loss	Total	Non-controlling interest	Total Consolidated
Balances at January 1, 2020	**3,316,411**	**228,027**	**150,335**	**(1,530,431)**	**2,164,342**	**-**	**2,164,342**
Paid-up capital	10,587	-	-	-	10,587	-	10,587
Stock options granted	-	1,285	-	-	1,285	-	1,285
Translation adjustment on investment abroad	-	-	446,925	-	446,925	-	446,925
Loss for the period	-	-	-	(61,461)	(61,461)	-	(61,461)
Balances at March 31, 2020	**3,326,998**	**229,312**	**597,260**	**(1,591,892)**	**2,561,678**	**-**	**2,561,678**
Balances at January 1, 2021	**3,326,899**	**321,359**	**579,820**	**(1,077,664)**	**3,150,414**	**849**	**3,151,263**
Paid-up capital	2,062,743	-	-	-	2,062,743	-	2,062,743
Share issuance costs	(83,870)	-	-	-	(83,870)	-	(83,870)
Stock options granted	-	124	-	-	124	-	124
Translation adjustment on investment abroad	-	-	271,606	-	271,606	-	271,606
Loss for the period	-	-	-	(65,792)	(65,792)	-	(65,792)
Acquisition of minority interest	-	-	-	-	-	(849)	(849)
Balances at March 31, 2020	**5,305,772**	**321,483**	**851,426**	**(1,143,456)**	**5,335,225**	**-**	**5,335,225**

See the accompanying notes to the financial statements.

Statements of cash flows

Three-month periods ended March 31, 2021 and 2020
(In thousands of reais – R$)

	Parent company		Consolidated	
	03/31/2021	**03/31/2020**	**03/31/2021**	**03/31/2020**
Cash flows from operating activities				
Loss for the period (before taxes)	**(71,573)**	**(61,461)**	**(45,275)**	**(52,571)**
Depreciation and amortization	122	121	131,950	131,655
Financial revenue	(2,432)	(252)	16,210	(597,423)
Financial expenses	20,343	38,116	390,652	755,341
Share-based remuneration	124	888	124	1,285
Equity in net income of subsidiaries	43,382	20,515	-	-
Provision for contingencies/losses	-	220	6,067	(1,548)
Reduction in provision for abandonment	-	-	946	(95,418)
Provision for impairment	-	-	-	9,544
	(10,034)	**(1,853)**	**500,674**	**150,865**
(Increase) decrease in assets				
Accounts receivable	-	-	377,597	182,992
Recoverable taxes	(1,133)	(2)	19,992	(23,165)
Prepaid expenses	(2,659)	(1,557)	3,117	2,283
Advances to suppliers	14	-	424	4,368
Oil inventories	-	-	(75,403)	8,226
Inventory of consumables	-	-	(11,385)	(2,209)
Related parties	(6,288)	(2,452)	-	-
Advance to partners in oil and gas operations	-	-	74,854	(47,536)
Deposits and pledges	963	715	5,082	(712)
Other receivables	-	52	(613)	140
Increase (decrease) in liabilities				
Suppliers	3,329	2,223	(103,950)	(8,906)
Labor obligations	(192)	(32)	(13,765)	2,355
Taxes and social contributions	(181)	554	(53,494)	(24,338)
Related parties	(341,575)	48,000	-	-
Contingencies	-	-	-	4,707
Other liabilities	-	18	-	(12,318)
Net cash (invested in) from operating activities	**(357,756)**	**45,666**	**723,130**	**236,752**
Cash flows from investment activities				
(Investment in) redemption of securities	2,275	(4,666)	(50,613)	124,272
(Investment in) redemption of restricted cash	-	-	(55,987)	(152,144)
(Investment in) redemption of abandonment fund	-	-	-	(374)
Non-current assets held for sale	(52)	(23)	(3,354)	-
(Purchase) sale of property, plant and equipment	-	-	(43,295)	199,204
(Purchase) sale of intangible assets	-	-	(1,050)	(260,914)
(Increase) decrease in investments	(1,627,196)	(52,200)	-	-
Acquisition of assets - Frade	-	-	(221,799)	(603,492)
Net cash (invested in) from investment activities	**(1,624,973)**	**(56,889)**	**(376,098)**	**(693,448)**
Cash flows from financing activities				
Funding of loans	-	-	568,463	849,332
Repayment of principal on loans	-	-	(500,539)	(488,186)
Interest paid on loans	-	-	(37,628)	(18,619)
Contractual charges (Leases IFRS 16 - Principal)	-	-	(58,209)	(41,499)
Contractual charges (Leases - IFRS 16) - Interest	-	-	(9,632)	(11,459)
Derivative transactions	-	-	-	(4,447)
(Decrease) Paid-up capital	1,978,872	10,587	1,978,872	10,587
Interest of non-controlling shareholders	-	-	(666)	220
Net cash (invested in) from financing activities	**1,978,872**	**10,587**	**1,940,661**	**295,929**
Translation adjustment	-	-	88,065	16,549
Net increase (decrease) in cash and cash equivalents	**(3,857)**	**(636)**	**2,375,758**	**(144,218)**
Cash and cash equivalents at the beginning of the period	27,480	4,911	809,273	459,397
Cash and cash equivalents at the end of the period	23,623	4,275	3,185,031	315,179
Net increase (decrease) in cash and cash equivalents	**(3,857)**	**(636)**	**2,375,758**	**(144,218)**

See the accompanying notes to the financial statements.

PetroRio

Statements of added value

(supplementary information for IFRS purposes)
Three-month periods ended March 31, 2021 and 2020
(In thousands of reais – R$)

	Parent company		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
Revenues				
Oil & Gas sales	**-**	-	**655,334**	223,162
	-	-	**655,334**	223,162
Inputs and services				
Third party's services and other	**(3,059)**	(541)	**(12,131)**	(16,461)
Geology and geophysics expenses	**-**	-	**(6,900)**	(151)
Costs of services	**-**	-	**(90,712)**	(84,514)
Gross added value	**(3,059)**	(541)	**545,591**	122,036
Retentions				
Depreciation and amortization	**(122)**	(121)	**(137,655)**	(131,655)
Net added value	**(3,181)**	(662)	**407,936**	(9,619)
Transferred value added				
Net financial income (loss)	**(18,080)**	(36,815)	**(362,048)**	(103,483)
Equity in net income of subsidiaries	**(43,382)**	(20,515)	**-**	-
Deferred taxes	**5,781**	-	**59,056**	3,252
Rents, royalties and other	**(433)**	(451)	**(61,770)**	73,381
Added value payable	**(59,295)**	(58,443)	**43,174**	(36,469)
Distribution of added value				
Personnel	**6,211**	2,636	**23,634**	10,554
Taxes	**286**	382	**85,332**	14,438
Loss for the period	**(65,792)**	(61,461)	**(65,792)**	(61,461)
Distributed added value	**(59,295)**	(58,443)	**43,174**	(36,469)

See the accompanying notes to the financial statements.

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 Coral Exploração Petrolífera S.A. ("Coral") and Petro Rio Jaguar Petróleo Ltda. ("Jaguar") are the production of oil and natural gas, operating in Campos Basin - RJ and Camamu Basin – BA ("Coral").

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 km2 with several prospects for future exploration. Average daily output during the first quarter of 2021 was of roughly 8.1 thousand barrels (8.6 thousand barrels for the first quarter of 2020).

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 in under return process by the consortia to National Agency of Petroleum, Natural Gas and Biofuels (ANP) and a 100% interest in the concessions of Blocks FZA-Z-539 and FZA-M-254, both in the exploration phase. Note 12.

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^2. Average daily output during the first quarter of 2021 was of roughly 3.3 million cubic meters of natural gas (2 thousand cubic meters of natural gas for the first quarter of 2020). The reduced amount in 2020 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.

According to a relevant fact disclosed on November 5, 2020, on the same date, the Company signed an agreement with Gas Bridge S.A. ("Gas Bridge"), for the sale of the 10% interest held by the Company in Manati Field.

The total amount of the transaction is R$ 144,400 thousand and includes the transfer of all the Company's liabilities in the Manati Field, including its interest in the abandonment of said Field. The transaction is subject to precedent conditions, among which the success of Gas Bridge in the acquisition of Manati operation from Petrobras.

The transaction consists of a fixed installment of R$ 124,400,000 and an earn-out of R$ 20,000,000, subject to certain subsequent regulatory approvals related to the Field.

The effective date of the sale is December 31, 2020. As of this date until the date of completion of the sale transaction, the Company will continue recording all results related to the interest in the field in its balance sheet. However, the cash generation of the field for this period will be included in the sales price adjustment.

With the signing of the agreement in November 2020, the Company started treating this asset in accordance with CPC 31, as Non-current assets classified as held for sale, pursuant to Note 9.

Frade Field – 100%

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.

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, increasing its interest in Frade Field to 100%. The completion of this transaction took place on February 5, 2021, according to Note 12c.

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^2, with an average water depth of 1,155 m. The Field produced approximately 17 thousand barrels of oil per day in the first quarter of 2021 (19 thousand barrels of oil per day in the first quarter of 2020).

FPSO Bravo (formerly "OSX-3") and Tubarão Martelo

On February 3, 2020, the Company entered into a contract for the acquisition of the FPSO Bravo 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 and it will be used for the operation of Polvo through the connection with the Polvo A Fixed Platform. The revenue generated by the lease of FPSO Bravo is US$ 129,315 per day during the period from February 03, 2020 until the conclusion of Tubarão Martelo field's acquisition, which was on August 03, 2020.

Also on February 03, 2020, 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 Energia. On August 3, 2020, after the approvals of the Administrative Council for Economic Defense (CADE) and the National Petroleum Agency (ANP), the acquisition was concluded, with PetroRio taking over the operation of the Field and increasing developed proven reserves by approximately 17 million barrels.

Wahoo Field (64.3%) and Itaipu Field (60%)

On November 19, 2020, a contract was signed with BP Energy do Brasil Ltda. for the acquisition of shares regarding a 35.7% interest in Block BM-C-30 ("Wahoo Field" or "Wahoo"), and a 60% interest in Block BM-C-32 ("Itaipu Field" or "Itaipu"). Once all the necessary approvals are obtained and the operation is completed, the Company will become operator of both pre-salt fields.

Furthermore, on March 4, 2021, the Company signed a contract with Total E&P do Brasil Ltda. for the acquisition of an additional 28.6% interest in Wahoo.

In addition to the Wahoo portion acquired from BP, PetroRio's interest the concession will increase to 64.3%, when the two transactions are concluded, subject to precedent conditions.

The Wahoo Field, with the oil discovery in 2008 and the formation test performed in 2010, fits into the Company's value generation strategy. With the development of the field, the Company will form another production cluster and will share the full infrastructure with Frade Field (including the FPSO), thus enabling the capture of several synergies resulting in another strong and sustainable decrease in the lifting cost, striving to always maintain the highest standards of safety and efficiency.

COVID-19

The Company reviewed its business plan to adjust the scenario of uncertainty and volatility related to the spread of COVID-19 and the drop in Brent oil prices, in addition to adopting several monitoring and prevention measures, that remain in force and will be maintained as long as the pandemic scenario persists.

Among the measures, the highlights were the immediate reduction of People on Board (POB) and extension of the boarding period (aiming at reducing transfers) on the production platforms where the Company operates, keeping only the essential personnel for the safe and efficient Company's production; intensive availability of protection and sanitization items for the onshore and offshore units directly linked to the Company's production activity, especially in the areas most likely to be infected; intensified communication for all employees and third parties working in the production units; adoption of rapid tests and monitoring protocol (screening) at the airports, with the assistance of a nurse, for people who board the Company's production platforms. The initiative includes the monitoring of personnel 48 hours before departure, aiming at identifying suspected cases; the reduction of production costs through renegotiation with suppliers; initiatives for the recommissioning of tanks in the TBMT and Polvo FPSOs, which increased the Company's nominal oil storage capacity, giving offtakes flexibility according to market conditions. suspension of all international trips. National trips were reduced to essential professionals residing in other states for offshore units, preferably via car transportation; and suspension of all face-to-face events.

2. Basis of preparation and presentation of financial statements

2.1. Statement of conformity

The individual and consolidated quarterly information was prepared in accordance with technical pronouncement NBC TG 21 – Interim Statement with international standard IAS 34 - Interim Financial Reporting, issued by the Interim Financial Report issued by International Accounting Standards Board, and it is presented in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of the Quarterly Information - ITR.

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 derivative 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.

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

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.

(In thousands of reais, unless otherwise indicated)

The Company's consolidated financial statements include:

		Interest			
		03/31/2021		12/31/2020	
Fully consolidated companies		**Direct**	**Indirect**	**Direct**	**Indirect**
Petro Rio O&G Exploração e Produção de Petróleo Ltda.	"PetroRioOG"	**100.00%**	-	100.00%	-
Petrorio USA Inc.	"PrioUSA"	**100.00%**	-	100.00%	-
Petro Rio Internacional S.A.	"PrioIntl"	**1.23%**	**98.77%**	1.23%	98.77%
Petrorio Luxembourg Holding Sarl	"Lux Holding"	-	**100.00%**	-	100.00%
Petrorio Netherlands BV	"Netherlands"	-	**100.00%**	-	100.00%
Walvis Petroleum (Pty) Ltd.	"Walvis"	-	**100.00%**	-	100.00%
Petrorio Canada Inc.	"Canadá"	-	**100.00%**	-	100.00%
Luderitz Petroleum (Pty) Ltd.	"Luderitz"	-	**100.00%**	-	100.00%
Petrorio 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%
Petro Rio 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 Finco LLC	"Finco"	-	**100.00%**	-	100.00%
Petro Rio Jaguar Petróleo Ltda	"Jaguar"	-	**100.00%**	-	100.00%
Frade B.V.	"Frade B.V."	-	**100.00%**	-	70%
Petro Rio White Shark Petróleo Ltda	"White Shark"	-	**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, 2020). Thus, this quarterly information should be read together with information disclosed in financial statements for the year ended December 31, 2020.

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.

2.6. Standards and new and reviewed interpretations already issued

In the preparation of quarterly information, the Company's Management considers, when applicable, new reviews and interpretations of IFRS and technical pronouncements, issued by IASB and CPC. There were no changes affecting the Company's quarterly information during the accounting periods ended March 31, 2021.

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 1Q21, the Company, through an independent international certifying agency, DeGolyer and MacNaughton, conducted a reevaluation of reserves at Polvo, Tubarão Martelo, Frade and Manati fields. This revaluation indicated changes in the reserves and useful lives of some fields and, consequently, changes in the depreciation rates and extension of the terms for calculating the provision for abandonment.

The studies considered the effects of the Covid-19 pandemic and the current and future oil price scenarios.

At Polvo Field, the revaluation pointed to the maintenance of useful life until the end of 2026, and an increase of the developed proven reserves by approximately 3.6 million bbl, if compared to the same periods.

In Frade Field, the revaluation pointed to the maintenance of the useful life of the field until the end of 2030, and the same amount of proven reserves developed, but with an increase of approximately 8.2 million barrels, related to the completion of the acquisition of the remaining 30% of the field if the same periods are compared.

At Tubarão Martelo Field, the revaluation indicated an increase in useful life of the field until the end of 2034, and an increase of the developed proven reserves by approximately 3.3 million bbl, if compared to the same periods.

Finally, the revaluation in Manati pointed to a decrease in the useful life of the field until the end of 2025, even with an increase of 57 million m3 in its developed proven reserves.

2.8. Completion of quarterly information

(In thousands of reais, unless otherwise indicated)

The Company's Management authorized the presentation of this quarterly information on April 30, 2021.

3. Cash and cash equivalents

	Parent company		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Cash	-	-	**60**	55
Banks	**23,623**	27,480	**3,184,971**	809,218
	23,623	27,480	**3,185,031**	809,273
Domestic	**40**	52	**21,020**	2,708
Abroad	**23,583**	27,428	**3,164,011**	806,565

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 remunerated current account deposits), without risk of significant change of the principal, and yields upon redemption. In March 2021, values related to the follow-on and sales occurred in the quarter were maintained in these instruments with immediate liquidity.

4. Securities

	Consolidated	
	03/31/2021	12/31/2020
Bank deposit certificates (i)	**77,820**	22,793
Total securities	**77,820**	22,793

i. Checking account automatically remunerated via Bank Deposit Certificate (CDB) in reais (fixed income investments), with an average yield of 70% of the Interbank Deposit Certificate (CDI) rate (balances used to pay suppliers);

The Company carries out the risk management of securities through appropriate policy and procedure practices, as described in Note 29.

5. Restricted cash

	Consolidated	
	03/31/2021	12/31/2020
Frade Acquisition - 51.74% (i)	**77,787**	17,907
Banco Santander (ii)	**16,484**	16,405
Banco Daycoval (iii)	**9,125**	8,317
Banco Fibra (iv)	**7,374**	7,367
	110,770	49,996

i. The Company, in compliance with purchase and sale agreement for acquisition of

51.74% of interest in concession of Frade Field (Note 12), makes monthly deposits in a restricted account (Escrow) that is released to the seller according to terms agreed-upon for debt payment.

ii. The Company maintains cash invested in Bank Deposit Certificates (CDB) as a collateral for the bank guarantee issued with Banco Santander, as required by the financing agreement with Finep.

iii. The Company maintains an interest earning bank deposit abroad as a guarantee for the 2 Advances on Exchange Contract (ACCs) issued with Banco Daycoval.

iv. The Company maintains a linked account as a collateral for the bank guarantee issued with Banco Fibra, as required by the financing agreement with Finep.

(In thousands of reais, unless otherwise indicated)

6. Accounts receivable

	Consolidated	
	03/31/2021	**12/31/2020**
Petrobras (i)	**22,089**	20,594
Petrochina	**-**	126,919
Shell	**-**	237,977
Other	**479**	675
Total	**22,568**	386,165
Total local currency	**22,568**	21,071
Total foreign currency	**-**	365,094

(i) Balance receivable referring to sales of condensed gas and oil carried out by Manati and Frade in February and March 2021 of approximately 17.7 million m^3 of gas, corresponding to revenues of R$ 21,266 for Manati and R$ 66 for Frade, and Manati balance referring to amount not withdrawn in June 2020 (take or pay) of R$ 757.

The Company assessed the impacts of the COVID-19 and understands that these facts do not affect the balances receivable presented.

7. Recoverable taxes

	Parent company		Consolidated	
	03/31/2021	**12/31/2020**	**03/31/2021**	**12/31/2020**
Income tax and social contribution (i)	**3,761**	2,622	**17,587**	13,736
PIS and COFINS (ii)	**1**	1	**82,620**	106,015
ICMS (iii)	**-**	-	**33,924**	34,554
Foreign taxes (VAT) (iv)	**-**	-	**2,064**	1,485
Other	**23**	25	**1,152**	1,379
Total	**3,785**	2,648	**137,347**	157,169
Current assets	**3,785**	2,648	**105,144**	124,321
Non-current assets	**-**	-	**32,203**	32,848

(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) ICMS recoverable referring to oil loans between Frade Field partners and movement of materials upon acquisition of Polvo.

(iv) Taxes (VAT) in the process of refund of the Luxembourg subsidiaries.

(In thousands of reais, unless otherwise indicated)

8. Advances to suppliers

	Parent company		Consolidated	
	03/31/2021	**12/31/2020**	**03/31/2021**	**12/31/2020**
Geoquasar Energy (i)	-	-	**12,596**	12,596
BW (Prosafe) guarantee (ii)	-	-	**36,026**	33,187
Petrobras	-	-	**246**	246
Nitshore	-	-	**468**	468
BJ Services Brasil	-	-	**3,767**	2,637
Asa Assessoria	-	-	**709**	2,358
Bornemann GMBH	-	-	**1,979**	1,805
Workship do Brasil	-	-	**-**	1,245
VME Process Inc	-	-	**1,430**	702
Appleton Marine Inc	-	-	**617**	579
ABB Automacao	-	-	**-**	515
Westcon	-	-	**480**	480
Schlumberger	-	-	**1,839**	413
Miros Scotland	-	-	**579**	406
Gevisa	-	-	**-**	401
GBA Corona	-	-	**352**	338
Siemens Infraestrutura	-	-	**3,860**	-
RMS Pumptools	-	-	**509**	-
MOOG do Brasil	-	-	**483**	-
Nova Coating	-	-	**450**	-
JS Aduaneira	-	-	**391**	-
Almathi Comercial	-	-	**390**	-
Instruval Instrumentos	-	-	**435**	-
Other	**2**	16	**7,637**	12,465
Total	**2**	16	**75,243**	70,841
Total current assets	**2**	16	**62,647**	58,245
Total non-current assets	**-**	-	**12,596**	12,596

(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 13). The settlement of these amounts, both assets and liabilities, awaits court decision.

(ii) The advances to BW (Prosafe) - US$ 5,671 (R$ 32,309) and R$ 3,717 refer to contractual commitments and are held as a financial collateral from lease agreements and operation of FPSO Polvo.

9. Non-current assets classified as held for sale (Consolidated)

In November 2020, the Company entered into an agreement with Gas Bridge S.A. (“Gas Bridge”) for the sale of the 10% interest held by the Company in Manati Field.

The total amount of the transaction is R$ 144,400 thousand and includes the transfer of all the Company’s liabilities in the field, including its interest in the abandonment of said Field. The transaction is subject to precedent conditions, among which the success of Gas Bridge in the acquisition of Manati operation from Petrobras.

(In thousands of reais, unless otherwise indicated)

The transaction consists of a fixed installment of R$ 124,400,000 and an earn-out of R$ 20,000,000, subject to certain subsequent regulatory approvals related to the Field.

The effective date of the sale is December 31, 2020. As of this date until the date of completion of the sale transaction, the Company will continue recording all results related to the interest in the field in its balance sheet. However, the cash generation of the field for this period will be included in the sales price adjustment.

The income (loss) of the Manati Field for the year, proportional to the Company's interest, is as follows:

	Consolidated	
	03/31/2021	03/31/2020
Net revenue from services	**27,265**	13,127
Costs of services	**(6,067)**	(8,636)
Gross revenue	**21,198**	4,491
Operating revenues (expenses)		
Geology and geophysics expenses	-	(9)
Personnel expenses	**(961)**	(551)
General and administrative expenses	**(263)**	(320)
Expenses with outsourced services	**(152)**	(117)
Taxes and rates	-	(5)
Depreciation and amortization expenses	-	(188)
Other operating revenues (expenses), net	**(475)**	3,876
Operating income before financial income (loss)	**19,347**	7,177
Financial revenues	**2,480**	6,455
Financial expenses	**(4,800)**	(9,704)
Income before income tax and social contribution	**17,027**	3,928
Current income tax and social contribution	**(1,358)**	(2,946)
Deferred income tax and social contribution	**207**	3,186
Income from discontinued operation	**15,876**	4,168

The main classes of assets and liabilities classified as held for sale on March 31, 2021 and December 31, 2020 are as follows:

	03/31/2021	12/31/2020
Assets		
Advances to partners	**5,685**	2,349
Property, plant and equipment	**3,490**	3,677
Intangible assets	**65,358**	62,413
Total assets	**74,533**	68,439
Liabilities		
Provision for abandonment of facilities (ARO)	**(509)**	(3,392)
Other liabilities	**971**	743
Total liabilities	**462**	(2,649)
Non-current assets classified as held for sale	**74,071**	71,088

Incurred net cash flows are:

	03/31/2021	03/31/2020
Net cash (invested in) from operating activities	**17,184**	9,011
Net cash (invested in) from investment activities	**1,133**	1,678
Net increase in cash and cash equivalents	**18,318**	10,689

Earnings per share

Basic and diluted earnings per share	03/31/2021	03/31/2020
Numerator (in thousands of reais)		
Income from discontinued operation	**15,876**	4,168
Denominator (in thousands of shares)		
Weighted average number of common shares adjusted by dilution effect	**156,631**	135,161
Basic and diluted earnings per share from discontinued operations:	0.1014	0.0308

10. Investments

On March 31, 2021, the Company presented the following 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 holds 100% in the concession of Polvo Field, 80% in the concession of Tubarão Martelo Field, 64.3% in the concession of Wahoo Field and 60% in the concession of Itaipu Field, the latter two pending approval by the regulatory bodies, as described in note 1.

Since March 2011, PetroRioOG 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.

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

(In thousands of reais, unless otherwise indicated)

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, a company that has large-sized assets in operation; Coral, which was contributed by PetroRioOG in June 2019 and holds 10% of interest in the concession of Manati field, and Lux Sarl, which as for September 2016 started to trade the oil produced in the Polvo field. Lux Holding owns the fixed platform, "Polvo A", and a 3,000 HP drilling rig. Moreover, under this corporate structure are subsidiaries located In Canada and the Republic of Namibia.

As mentioned in Note 1, Petrorio, 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., becoming the operator of Frade Field, with 70% of interest.

In February 2021, the Company now holds a 100% interest in the asset, after the conclusion of the purchase and sale transaction signed on November 28, 2019 with Petrobrás (Notes 1 and 11).

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

Portfolio of concessions

On March 31, 2021, the Company's subsidiaries were participants in the following concessions in Brazilian basins:

Country	Basin	Block	Field	Concessionaire	%	Status	Phase	PEM (*)
Brazil	Fields	BM-C-8	Polvo	PetroRioOG	100%	Operator	Production	-
Brazil	Camamu	BCAM-40	Manati (**)	Manati	10%	Non-operator	Production	-
Brazil	Fields	Frade	Frade	Jaguar	100%	Operator	Production	-
Brazil	Fields	C-M-466	Tubarão Martelo	PetroRioOG	80%	Operator	Production	-
Brazil	Camamu	BCAM-40	Camarão Norte	Manati	10%	Non-operator	Development	-
Brazil	Foz do Amazonas	FZA-M-254	-	Manati	100%	Operator	Exploration	R$ 587
Brazil	Foz do Amazonas	FZA-M-539	Pirapema	Manati	100%	Operator	Exploration	R$ 10,564

(In thousands of reais, unless otherwise indicated)

Brazil	Ceará	CE-M-715	-	Jaguar	50%	Operator	Exploration	R$ 59,200

(*) Minimum exploratory program remaining.

(**) As described in Note 9, the Company entered into an agreement to dispose of this investment, whose transaction closing is subject to the terms and conditions usually adopted in transactions of this nature and the approval of government agencies. Thus, these assets are presented as non-current assets held for sale.

The BCAM-40 Block Consortium started and awaits 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 100% Frade Field, and with 50% of the Exploratory Block CE-M-715, in Ceará Basin, in partnership with Ecopetrol.

a) Relevant information on investees as of March 31, 2021

	PetroRioOG	**PrioIntl**	**PrioUSA**
Direct interest	100.00%	1.23%	100.00%
Indirect interest	0.00%	98.77%	0.00%
Shareholders' equity	5,455,621	3,383,607	241
Income (loss) for the period	(41,724)	(143,743)	114
Total assets	6,760,487	6,963,319	388

b) Breakdown of investments

	Parent company	
	03/31/2021	**12/31/2020**
PetroRioOG	**5,455,621**	3,602,058
PrioUSA	**241**	(39)
PrioIntl	**41,720**	40,143
	5,497,582	3,642,162

c) Changes in investment

	PetroRioOG	**PrioIntl**	**PrioUSA**	**Total**
Balance at January 01, 2020	**2,241,194**	**27,223**	**68**	**2,268,485**
Capital increase/decrease	435,910	-	164	436,074
Equity in net income of subsidiaries	500,762	7,624	(268)	508,118
Conversion adjustments	424,192	5,296	(3)	429,485
Balance at December 31, 2020	**3,602,058**	**40,143**	**(39)**	**3,642,162**
Capital increase/decrease	-	-	160	160
Equity in net income of subsidiaries	(41,724)	(1,772)	114	(43,382)
Conversion adjustments	268,251	3,349	6	271,606

Advance for future capital increase	1,627,036	-	-	1,627,036
Balance at March 31, 2021	**5,455,621**	**41,720**	**241**	**5,497,582**

PetroRio

Notes to the quarterly information
March 31, 2021
(In thousands of reais, unless otherwise indicated)

11. Property, plant and equipment (Consolidated)

a) Breakdown of the balance

	Depreciation rate %	Cost	Depreciation	Translation adjustment	Balance at 03/31/2021	Balance at 12/31/2020
In operation						
Platform and Drilling rig - Polvo	UOP *	101,439	(101,750)	24,534	**24,223**	23,834
Oil & gas assets – Frade ***	UOP *	2,751,928	(755,231)	-	**1,996,697**	1,986,129
FPSO Bravo (Tubarão Martelo)	UOP *	797,445	(99,693)	-	**697,752**	718,235
Machinery and equipment	10	9,487	(5,099)	-	**4,388**	4,633
Furniture and fixtures	10	2,185	(886)	-	**1,299**	1,354
Communication equipment	20	673	(385)	-	**288**	320
IT equipment	20	6,183	(3,869)	-	**2,314**	2,382
Leasehold improvements	4	6,997	(401)	-	**6,596**	6,367
Development expenditures ****	UOP *	350,223	(157,271)	-	**192,952**	204,176
Maintenance of wells	33	65,582	(43,378)	-	**22,204**	27,203
In progress						
Property, plant and equipment in progress **		232	-	-	**232**	237
Maintenance of wells - Polvo		802	-	-	**802**	29
Well drilling costs		126,036	-	750	**126,786**	93,485
Spare parts		55,124	-	4,622	**59,746**	54,261
Material for well revitalization/re-entry - Frade ***		246,709	-	-	**246,709**	234,304
Material for use and consumption (wells)		1,277	-	-	**1,277**	2,064
Total		**4,522,322**	**(1,167,963)**	**29,906**	**3,384,265**	**3,359,013**

*UOP – Units of Production (Unit-of-production depreciation method)
** Construction in progress refers basically to expenditures with administrative facilities;
*** With the completion of Frade acquisition, the Company then consolidates 100% 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.
**** Revitalization/drilling campaigns.

b) Changes in balance

	Balance at 01/01/2021	Frade Acquisition - 30%	Additions	Write-offs	Depreciation	Impairment	Transfers	Translation adjustment	Balance at 03/31/2021
In operation									
Platform and Drilling rig - Polvo	**23,833**	-	-	-	(1,861)	-	-	2,251	**24,223**
Oil & gas assets - Frade	**1,986,130**	104,990	9	-	(101,212)	-	6,780	-	**1,996,697**
FPSO Bravo (Tubarão Martelo)	**718,235**	-	-	-	(20,483)	-	-	-	**697,752**
Machinery and equipment	**4,633**	-	-	(1,062)	(662)	-	1,479	-	**4,388**
Furniture and fixtures	**1,354**	-	-	-	(55)	-	-	-	**1,299**
Communication equipment	**320**	-	-	-	(32)	-	-	-	**288**
IT equipment	**2,382**	-	-	-	(219)	-	151	-	**2,314**
Leasehold improvements	**6,367**	-	-	-	(58)	-	287	-	**6,596**
Development expenditures	**204,176**	-	-	-	(11,224)	-	-	-	**192,952**
Maintenance of wells	**27,203**	-	-	-	(4,999)	-	-	-	**22,204**
In progress									
Property, plant and equipment in progress	**237**		433	-	-	-	(438)	-	**232**
Maintenance of wells - Polvo	**29**	-	773	-	-	-	-	-	**802**
Well drilling costs	**93,484**	-	44,418	(840)	-	-	(11,024)	748	**126,786**
Spare parts	**54,261**	-	-	-	-	-	4,244	1,241	**59,746**
Material for well revitalization/re-entry - Frade	**234,304**	13,530	-	(1,125)	-	-	-	-	**246,709**
Material for use and consumption (wells)	**2,064**	-	1,278	(586)	-	-	(1,479)	-	**1,277**
Total	**3,359,012**	**118,520**	**46,911**	**(3,613)**	**(140,805)**	**-**	**-**	**4,240**	**3,384,265**

(In thousands of reais, unless otherwise indicated)

	Balance at 01/01/2020	Additions	Write-offs	Depreciation	Impairment	Transfers	Translation adjustment	Balance at 12/31/2020
In operation								
Platform and Drilling rig - Polvo	**23,925**	301	-	(7,362)	-	-	6,970	**23,834**
Oil & gas assets - Manati	**6,388**	397	(2,453)	(658)	3	(3,677)	-	**-**
Oil & gas assets - Frade	**1,735,177**	16,482	(21,327)	(362,448)	-	265,646	352,599	**1,986,129**
FPSO Bravo (Tubarão Martelo)	**-**	1,273	-	(79,210)	-	785,949	10,223	**718,235**
Machinery and equipment	**6,215**	-	-	(2,644)	-	1,062	-	**4,633**
Furniture and fixtures	**1,559**	-	-	(220)	-	15	-	**1,354**
Communication equipment	**446**	-	-	(126)	-	-	-	**320**
IT equipment	**2,992**	-	-	(860)	-	250	-	**2,382**
Leasehold improvements	**6,597**	-	-	(230)	-	-	-	**6,367**
Surplus of Oil & gas assets - Frade	**239,341**	-	-	(48,937)	-	(255,494)	65,090	**-**
Development expenditures	**187,963**	103,611	-	(56,894)	-	(30,504)	-	**204,176**
Maintenance of wells	**30,533**	-	-	(17,583)	-	14,253	-	**27,203**
In progress		-	-	-	-	-	-	
Property, plant and equipment in progress	**3,638**	497	-	-	-	(3,898)	-	**237**
Maintenance of wells	**4,301**	5,086	-	-	-	(9,358)	-	**29**
Acquisition of FPSO Bravo (Tubarão Martelo)	**49,096**	603,492	-	-	-	(788,757)	136,169	**-**
Well drilling costs	**-**	70,821	-	-	-	18,813	3,850	**93,485**
Spare parts	**50,069**	1,303	-	-	-	-	2,889	**54,261**
Material for well revitalization/re-entry - Frade	**254,283**	-	(19,938)	-	-	(41)	-	**234,304**
Material for use and consumption (wells)	**-**	-	-	-	-	2,064	-	**2,064**
Total	**2,602,523**	**803,263**	**(43,718)**	**(577,172)**	**3**	**(3,677)***	**577,791**	**3,359,013**

* Amounts transferred to non-current assets classified as held for sale, referring to Manati Campo.

12. Intangible assets (Consolidated)

a) Breakdown of the balance

	Amortization rate (%)	Consolidated	
		03/31/2021	**12/31/2020**
Oil & Gas assets			
Acquisition cost - Polvo	(i)	**313,787**	313,787
Acquisition Cost - Tubarão Martelo	(i)	**264,535**	297,409
Acquisition cost - Frade		**193,908**	-
Subscription bonus - FZA-M-254		**5,968**	5,968
Subscription bonus - FZA-Z-539		**8,022**	8,022
Subscription bonus - Frade	(i)	**50,850**	50,850
Subscription bonus - Ceará	(i)	**31,358**	31,358
Capital gain in the acquisition of the Frade concession	(ii)	**795,987**	724,111
Advance for acquisition of asset	(iii)	**66,659**	64,959
Software and others		**9,033**	9,033
		1,740,107	1,505,497
Accumulated amortization		**(612,483)**	(548,631)
Total		**1,127,624**	956,866

(i) 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.

(ii) Capital gain related to the acquisition of the concession contract for Frade Field, Jaguar and White Shark, amortized using the units produced method, monitoring the asset generating the capital gain.

(iii) Advances for the acquisition of portion of Wahoo Field (64.3%) and Itaipu Field (60%), as described in Note 1.

(In thousands of reais, unless otherwise indicated)

b) Changes in balance

	Balance at 01/01/2021	Frade Acquisition - 30%	Additions	Write-offs	Amortization	Transfer	Translation adjustment	Balance at 03/31/2021
Acquisition cost - Polvo	29,826	-	-	-	(1,643)	-	-	**28,183**
Acquisition Cost - Tubarão Martelo	277,922	-	-	(32,874)	(6,974)	-	-	**238,074**
Acquisition cost - Frade	-	153,843	-	-	(5,896)	40,065	-	**188,012**
Subscription bonus - FZA-M-254	5,968	-	-	-	-	-	-	**5,968**
Subscription bonus - FZA-Z-539	8,022	-	-	-	-	-	-	**8,022**
Subscription bonus - Frade	3,999	-	-	-	(196)	-	-	**3,803**
Subscription bonus - Ceará	31,358	-	-	-	-	-	-	**31,358**
Capital gain in the acquisition of the Frade concession	534,538	-	-	-	(28,064)	-	50,797	**557,271**
Software and others	274	-	-	-	-	-	-	**274**
Advance for acquisition of asset	64,959	-	41,765	-	-	(40,065)	-	**66,659**
Total	**956,866**	**153,843**	**41,765**	**(32,874)**	**(42,773)**	**-**	**50,797**	**1,127,624**

	Balance at 01/01/2020	Additions	Write-offs	Amortization	Transfer	Translation adjustment	Balance at 12/31/2020
Acquisition cost - Polvo	46,772	-	(7,559)	(9,387)	-	-	**29,826**
Acquisition cost - Manati	36,888	-	-	(5,048)	(31,840)	-	**-**
Acquisition Cost - Tubarão Martelo	-	297,409	-	(19,487)	-	-	**277,922**
Subscription bonus - FZA-M-254	5,968	-	-	-	-	-	**5,968**
Subscription bonus - FZA-Z-539	8,022	-	-	-	-	-	**8,022**
Subscription bonus - Frade	4,832	-	-	(833)	-	-	**3,999**
Subscription bonus - Ceará	31,358	-	-	-	-	-	**31,358**
Goodwill on acquisition - Brasoil	20,228	-	-	-	(26,080)	5,852	**-**
Capital gain in the acquisition of the Frade concession	500,919	-	-	(112,153)	-	145,772	**534,538**
Client portfolio - Manati	4,038	-	-	(702)	(4,494)	1,158	**-**
Software and others	274	-	-	-	-	-	**274**
Advance for acquisition of asset	30,230	34,729	-	-	-	-	**64,959**
Total	**689,529**	**332,138**	**(7,559)**	**(147,610)**	**(62,414) ***	**152,782**	**956,866**

* Amounts transferred to non-current assets classified as held for sale, referring to Manati Campo.

In the first quarter of 2021, the Company carried out a new certification of reserves with DeGolyer and MacNaughton, which pointed to a change in the useful life for Tubarão Martelo and Manati, as well as an increase in reserves (Note 2.7).

c) Acquisition of assets

1. Frade - 30%

As of February 5, 2021, the Company concluded the acquisition of 30% interest of Frade Field, through its indirect subsidiaries Jaguar and Lux Holding. Jaguar acquired 30% of the Frade Field concession, FPSO, Submarine Equipment and other assets and liabilities related to the concession, in which it already had 51.74% of the rights and control. Furthermore, Lux Holding acquired 30% of the shares of Frade BV, in which it already held a 51.74% interest and control of the entity.

The core operation was the acquisition of 30% of the assets related to the concession for the final net adjusted value of R$ 221,799 thousand (US$ 41,162 thousand), paid in the form of an advance in November 2019, upon signature of the contract, in the amount of R$ 40,065 thousand (US$ 7,500 thousand), and the remaining balance, in the amount of R$ 181,734 thousand (US$ 33,662 thousand) on February 5, 2021, the completion date, through a payment by Jaguar of R$ 1,396,656 (US$ 259,197 thousand) and a receipt by Lux Holding of R$ 1,214,922 (US$ 225,470 thousand).

The form of the acquisition was through two separate purchase and sale agreements, with different prices and parts.

The amounts paid and received, as well as the allocations of assets and liabilities, are distributed as follows:

			Total	
Allocation of price	**Jaguar**	**Lux Holding**	**In thousands of reais**	**US$ thousand**
Initial consideration	107,768	431,072	**538,840**	**100,000**
Price adjustment	1,328,953	(1,645,994)	**(317,041)**	**(58,838)**
Final consideration paid (received)	**1,436,721**	**(1,214,922)**	**221,799**	**41,162**
Concession (intangible assets)	469,293	(435,322)	**33,971**	**6,304**
FPSO and subsea equipment (PP&E)	692,812	(587,821)	**104,991**	**19,485**
Petroleum stock (current assets)	141,553	(120,102)	**21,451**	**3,981**
Field revitalization material (PP&E)	89,281	(75,751)	**13,530**	**2,511**
Advances to the consortium/suppliers (current assets)	48,576	-	**48,576**	**9,015**
TAC provision (non-current liabilities)	(4,794)	-	**(4,794)**	**(890)**
Frade BV shares (investment)	-	183	**183**	**34**
Advances to the consortium (current assets)	-	3,891	**3,891**	**722**

Moreover, a provision for abandonment was recorded, proportional to the 30% acquisition, in the amount of R$ 159,937, recorded in the "Concession" account under intangible assets, against the provision for abandonment, in liabilities (note 18).

d) Business combination

1. Tubarão Martelo

On August 03, 2020, the Company concluded the transaction for the acquisition of 80% of Tubarão Martelo Field interest by means of its indirect subsidiary PetroRioOG.

The Company became the operator of the Tubarão Martelo Field, which may influence the decisions of the consortium and implement cost reductions and synergies to its operation.

The Company calculated the fair values of the assets acquired and liabilities assumed, as well as the allocation of the purchase price, accounting for their effects individually, based on CPC 15 (R1) – Business combination.

(In thousands of reais, unless otherwise indicated)

The definitive allocation of recognized purchase price caused the following distribution:

Final price (receivable)	(59,762)
Allocation of price	
Concession	110,668
Assumed property, plant and equipment	2,541
Liabilities assumed	(126,286)
Provision for abandonment	(46,685)

The assumed liability of R$ 126,286 refers to amounts payable for the lease of FPSO, that operates the Tubarão Martelo Field (Bravo), payable to Lux Sarl, a subsidiary of Petrorio, not involving cash; therefore, it is not included in the changes presented in the Company's Statement of Cash Flows.

13. Suppliers

	Parent company		**Consolidated**	
	03/31/2021	**12/31/2020**	**03/31/2021**	**12/31/2020**
Domestic suppliers	**3,570**	3,593	**90,660**	183,925
Foreign suppliers	**3,687**	347	**42,312**	66,604
	7,257	3,940	**132,972**	250,529
Total current liabilities	7,257	3,940	119,524	236,889
Total non-current liabilities	-	-	13,448	13,640

14. Taxes and social contributions payable

	Parent company		**Consolidated**	
	03/31/2021	**12/31/2020**	**03/31/2021**	**12/31/2020**
IRPJ and CSLL payable	**-**	-	**85,407**	**52,729**
PIS/COFINS/CSLL	**79**	-	**10,224**	**4,767**
IRRF on services	**542**	709	**655**	**11,851**
ICMS	**56**	56	**1,853**	**1,094**
INSS	**4,568**	4,671	**7,705**	**7,524**
Taxes on Equity	**-**	-	**3,240**	**1,406**
Royalties	**-**	-	**11,354**	**7,795**
Other	**66**	48	**164**	**575**
	5,311	5,484	**120,602**	**87,741**

(In thousands of reais, unless otherwise indicated)

15. Loans and financing

			Additions		Payments					
		12/31/2020	**Principal**	**Interest**	**Principal**	**Interest**	**Allocation**	**FX**	**Translation adjustment**	**03/31/2021**
Citibank	(i)	**41,808**	139,600	511	-	-	-	6,868	-	**188,787**
Trafigura	(ii)	**182,202**	-	1,902	(201,746)	(2,298)	-	19,940	-	**-**
CCB	(iii)	**108,215**	105,431	804	(110,912)	(3,169)	-	8,108	-	**108,477**
FINEP	(iv)	**57,738**	-	1,040	-	(860)	-	-	-	**57,918**
Fibra	(v)	**20,075**	-	335	(21,250)	(431)	-	-	1,271	**-**
Bradesco	(vi)	**26,669**	55,200	185	(28,404)	(890)	-	4,250	-	**57,010**
Daycoval	(vii)	**36,705**	-	767	(38,731)	(1,118)	-	2,377	-	**-**
Santander	(viii)	**65,126**	-	555	(66,396)	(4,357)	-	5,072	-	**-**
C.E.F.	(ix)	**30,961**	-	447	(33,100)	-	-	3,537	-	**1,845**
Chevron	(x)	**733,129**	-	11,201	-	-	-	-	70,880	**815,210**
Prisma Capital	(xi)	**539,437**	-	12,461	-	(24,505)	-	-	51,260	**578,653**
Harvest	(xii)	**23,637**	-	267	-	-	-	4,877	-	**28,781**
Banco do Brasil	(xiii)	**44,017**	-	502	-	-	-	4,252	-	**48,771**
BTG	(xiv)	-	275,575	296	-	-	-	9,290	-	**285,161**
Funding costs	*	-	(7,343)	-	-	-	505	-	-	**(6,838)**
Total		**1,909,719**	**568,463**	**31,273**	**(500,539)**	**(37,628)**	**505**	**68,571**	**123,411**	**2,163,775**
Current		1,519,966								1,882,524
Non-current		389,753								281,251

* Costs with lawyers and advisors for fundraising from Prisma.

		Additions		Payments				
	12/31/2019	**Principal**	**Interest**	**Principal**	**Interest**	**FX**	**Translation adjustment**	**12/31/2020**
ICBC	**230,829**	-	9,691	(296,634)	(10,926)	67,040	-	**-**
Citibank	**200,123**	46,240	1,225	(206,469)	(987)	(4,670)	6,346	**41,808**
Trafigura	**189,634**	387,462	7,992	(515,485)	(8,558)	121,157	-	**182,202**
CCB	**94,802**	51,727	6,770	(68,888)	(5,847)	29,651	-	**108,215**
FINEP	**54,313**	-	6,630	-	(3,205)	-	-	**57,738**
Fibra	**40,224**	20,476	3,669	(56,815)	-	-	12,521	**20,075**
Bradesco	**8,172**	23,618	765	(8,785)	(173)	3,072	-	**26,669**
Daycoval	-	57,844	2,188	(26,959)	(1,907)	5,539	-	**36,705**
Votorantim	-	45,000	858	(57,069)	(879)	12,090	-	**-**
Santander	-	52,904	2,846	-	-	9,376	-	**65,126**
ABC	-	14,850	396	(17,328)	(352)	2,434	-	**-**
C.E.F.	-	30,000	1,324	-	-	(363)	-	**30,961**
Chevron	**767,018**	-	55,168	(266,539)	(17,040)	-	194,522	**733,129**
INPEX/Sojitz	**60,461**	-	5,073	(60,831)	(5,073)	-	370	**-**
Prisma Capital	-	449,870	44,698	-	(23,197)	-	68,066	**539,437**
Harvest	-	26,000	20	-	-	(2,383)	-	**23,637**
Banco do Brasil	-	44,518	106	-	-	(607)	-	**44,017**
Total	**1,645,576**	**1,250,509**	**149,419**	**(1,581,802)**	**(78,144)**	**242,336**	**281,825**	**1,909,719**
Current	1,224,306							1,519,966
Non-current	421,270							389,753

(i) In October 2020, the Company signed a loan agreement in the form of an Advance on Exchange Contract (ACC) of US$ 8 million, with a rate of 3.28%. In March 2021, the Company contracted another Advance on Exchange Contract (ACC) from the Bank in the amount of US$ 25 million, with a term of one year and a cost of 2.63%.

(ii) In December 2020, the Company signed another export prepayment agreement with Trafigura PTE Ltd, in the amount of US$ 35 million, at a cost of Libor + 3.75%. This contract expired in March 2021.

(iii) The Company signed three Advance on Exchange Agreements with China Construction Bank, the first in March 2020, in the amount of US$ 2,160, with costs of 5.65% p.a. and a 1-year term, the second in June 2020, 2020, in the amount of US$ 7,842, with costs of 6.3% p.a. and a 7-month term, and amended a third contract in November 2020, in the amount of US$ 10.5. All these contracts were settled on their respective maturity dates throughout the quarter. In March 2020, the Company contracted another ACC in the amount of US$ 19M, with a term of 1 year and cost of 4%.

(iv) 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. The financing cost is long-term interest rate (TJLP) + 1.5% p.a. Until March 31, 2021, approximately R$ 54,101 were approved by FINEP.

(v) On November 30, 2020, the Company signed an amendment to the credit facility with Banco Fibra, in the amount of US$ 3.8 million and with a term of 1 year and cost of 6.8% per annum. This debt was prepaid in March 2021.

(vi) Two ACC contracts with Banco Bradesco in the amounts of US$ 2,000 and US$ 3,000 were settled upon maturity in March 2021. In the same month, the Company contracted a new contract in the amount of US$ 10,000, with a term of 180 days and a cost of 3.3% pa.

(vii) The Company prepaid two Advances on Foreign Exchange Contracts with Bank Daycoval in the amounts of US$ 5 million and US$ 2 million, with a rate of 8.7%, in March 2021.

(viii) The Company prepaid two Advances on Foreign Exchange Contracts with Banco Santander in the amounts of US$ 10 million and US$ 2 million, with a rate of 5.12%, in March 2021.

(ix) 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. In March 2021, the Company settled the debt principal and the interest was debited from its account in April 2021.

(In thousands of reais, unless otherwise indicated)

(x) 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 cost is 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, the second in May 2021 and the last in November 2021, with renegotiated interest of 7% p.a.

(xi) 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. As of December 21, 2020, the Company signed the long-term extension, where the maturity of the total debt was due in December 2022. This contract has financial covenants which, if not fulfilled twice without due compliance, may cause the contract to expire early. The Net Debt/Adjusted EBITDA ratio (without impacts from IFRS 16 and non-recurring events classified in other revenues and expenses) cannot exceed the following limits in the test periods:

Determination period			Limit
07/01/2020	-	12/31/2020	2.75
01/01/2021	-	06/30/2021	2.25
07/01/2021	-	12/31/2021	1.75
01/01/2022	-	06/30/2022	1.50
07/01/2022	-	12/31/2022	1.35

(xii) On December 23, 2020, the Company signed a contract with Banco Safra in the amount of US$ 5 million with a term of 6 months and a cost of 3.8% p.a.

(xiii) As of November 6, 2020, the Company signed a contract with Banco do Brasil in the amount of US$ 2.75 million, with a term of 6 months and a cost of 5% pa. As of December 29, 2020, the Company signed another contract with Banco do Brasil in the amount of US$ 5.7 million, with a 6-month term and a cost of 4.15% pa.

(xiv) On March 22, 2020, the Company signed a contract with BTG in the amount of US$ 50 million, with a term of one year and a cost of 4.15% p.a.

16. Leases CPC 06 (R2) / IFRS 16

The right-of-use assets represent the following underlying assets:

Right-of-use assets	Cost	Amortization	Balance
FPSO Polvo	796,614	(416,124)	380,490
Support Vessels	103,825	78,028	181,853
Helicopters	29,755	8,009	37,764
Buildings/Support Bases	57,572	28,524	86,096
Equipment	32,002	57,364	89,366
Total	1,019,768	(244,199)	775,569

(In thousands of reais, unless otherwise indicated)

To calculate the amount of the cost, the terms when the assets are necessary for the operation and surcharge on loans, of 5.63% p.a. to contracts in Dollar and 10% p.a. for contracts in Reais were taken into consideration.

The depreciations of the right of use, when related to assets used for the operations, are 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:

	Assets	Liabilities
Balance at January 01, 2020	**452,067**	**(612,482)**
Additions/Reversals	74,633	(86,025)
Currency adjustment	-	(126,294)
Price-level restatement	-	(45,473)
Payments made	-	244,174
Depreciation	(156,864)	-
Balance at December 31, 2020	**369,836**	**(626,100)**
Additions/Reversals	84,944	1,373
Currency adjustment	-	(35,479)
Price-level restatement	-	(9,632)
Payments made	-	67,841
Depreciation	(41,248)	-
Balance at March 31, 2021	**413,532**	**(601,997)**
Current	**-**	**(189,846)**
Non-current	**413,532**	**(412,151)**

Contract maturity		
Maturity of installments	**Amount R$**	***Pis/Cofins Amount R$**
2021	170,093	10,914
2022	78,754	7,285
2023	78,754	7,285
2024	78,933	7,301
2025	78,754	7,285
2026	78,754	7,285
2027	49,510	4,580
2028	49,645	4,592
2029	49,510	4,580
2030	49,510	4,580
Undiscounted amounts	762,217	65,687
Embedded interest	(160,220)	
Lease liability balance	601,997	

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

PetroRio

Notes to the quarterly information
March 31, 2021
(In thousands of reais, unless otherwise indicated)

17. Deferred income tax and social contribution

	Tax loss		Tax credit	
Companies	**03/31/2021**	**12/31/2020**	**03/31/2021**	**12/31/2020**
PetroRio	**84,476**	77,522	**28,722**	26,358
PetroRioOG	**1,300,367**	1,341,630	**442,125**	456,154
PrioIntl	**14,807**	14,807	**5,034**	5,034
Brasoil	**126,021**	131,214	**42,847**	44,613
Jaguar	**1,425,826**	1,472,678	**484,781**	500,711
White Shark	**861,050**	878,408	**292,757**	298,659
Lux Holding	**2,075,658**	3,294,654	**517,669**	821,687
	5,888,205	7,210,913	**1,813,935**	2,153,216

The Company has tax loss carry forwards and negative social contribution tax generated in Brazil and abroad, which may be offset against future taxable profit, limited to 30% every year in Brazil, and without offset limit in Luxembourg. As detailed below, and based on the projected results of the companies, Management recognized and recorded the amounts proportional to future income, as well as the amount related to the negative goodwill recorded in the acquisition of the Polvo Field and the total amount of deferred liabilities recorded in Luxembourg, related to negative goodwill recorded in the acquisition of Frade Field. Other credits, which will be recognized as the future taxable income is being generated.

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

	Parent company		Consolidated	
	03/31/2021	**12/31/2020**	**03/31/2021**	**12/31/2020**
Negative goodwill/surplus in business combination	**-**	-	**200,320**	192,148
Temporary differences	**(19,962)**	(14,181)	**(115,228)**	(25,607)
Tax losses	**-**	-	**(344,090)**	(366,483)
Net balance of (Assets) Liabilities	**(19,962)**	(14,181)	**(258,998)**	(199,942)

	Consolidated										
Realization estimate	**2021**	**2022**	**2023**	**2024**	**2025**	**2025**	**2027**	**2028**	**2029**	**2030**	**Total**
Negative goodwill/surplus in business combination	35,420	30,537	26,354	22,829	19,686	17,050	14,777	12,855	11,139	9,672	**200,319**
Temporary differences	(115,228)	-	-	-	-	-	-	-	-	-	**(115,228)**
Tax losses	(43,439)	(82,324)	(62,607)	(48,333)	(35,109)	(23,833)	(14,777)	(12,855)	(11,139)	(9,673)	**(344,089)**

(In thousands of reais, unless otherwise indicated)

18. Provision for abandonment of facilities (ARO)

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

	Polvo	Manati	Tubarão Martelo	Frade
Balance at December 31, 2019	**195,672**	**44,374**	**-**	**706,002**
Acquisition of Tubarão Martelo (100%)	-	-	233,426	-
Decrease	(25,498)	(6,870)	(12,205)	(582,875)
Currency adjustment	51,003	9,030	(4,850)	191,419
Price-level restatement	11,066	2,461	5,568	43,284
Balance at December 31, 2020	**232,243**	**48,995**	**221,939**	**357,830**
Frade Acquisition (30%)	-	-	-	159,937
Increase / (Decrease)	-	946	(32,659)	-
Currency adjustment	22,492	4,035	18,304	45,212
Price-level restatement	4,640	767	3,044	7,510
Balance at March 31, 2021	**259,375**	**54,743**	**210,628**	**570,489**
(-) Abandonment fund	(187,133)	(55,252)	-	-
Transfer to Liabilities directly linked to non-current assets classified as held for sale	-	509	-	-
Net balance of liabilities	**72,242**	**-**	**210,628**	**570,489**
Total consolidated balance				**853,359**

The estimated abandonment costs were provisioned for the period ended March 31, 2021.

For Polvo field, this provision corresponds to PetroRio interest of 100%, and reflects the estimated present value discounted at the rate of 5.86% 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 6.27% per annum. The other costs, estimated in US Dollars, are updated at the inflation rate of 2% per annum and discounted at the rate of 5.86%, 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. As of March 31, 2021, the Company maintains a balance of R$ 55,252.

Regarding Frade field, a new abandonment study was approved in December 2020 by ANP, considering the current market conditions from Petrorio's point of view as a new operator, reduced the total provision by approximately US$ 207 million with a decrease of R$ 499,700 in the Company's balance sheet, corresponding to a 70% interest in Frade. This provision reflects the estimated present value discounted at the rate of 6.14% 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).

With the completion of the acquisition of 80% of the Tubarão Martelo Field, the Company assumed, in addition to 80% of the total expected to abandon the field, according to the interest of each consortium member in the field, as well as the additional 20% previously under Dommo's responsibility, as consideration for the acquisition of interest. The present value reflects a discount of 6.14% per annum on the total.

As highlighted in note 2.7.1, there was a change in the present values of the provisions for abandonment of Manati and Tubarão Martelo Fields, with a change in their useful lives, and an increase of R$ 946 and a reduction of 32.659, respectively.

Moreover, with the acquisition of the complementary 30% of the Frade field, as described in notes 1 and 12, a supplement was made to the provision for abandonment of the field, in the amount of R$ 159,937, proportional to the amount previously recorded in the company, of 70%.

(In thousands of reais, unless otherwise indicated)

19. Advances to/from partners in oil and gas operations

	Consolidated	
Operated blocks	**03/31/2021**	**12/31/2020**
Blocks operated (GALP - PEL 23 Namibia)	**(659)**	(601)
Petrobras – Frade*	**(25,041)**	(86,412)
Dommo - TBMT	**(2,474)**	
Ecopetrol - Ceará	**16**	12
Total operated blocks	**(28,158)**	(87,001)
Petrobras - Coral/Cavalo Marinho/Manati	**(5,680)**	(2,345)
Total non-operated blocks	**(33,838)**	(89,346)
Transfer to Liabilities directly linked to non-current assets classified as held for sale	**5,685**	2,349
Total advances to/from partners	**(28,153)**	(86,997)
Total current liabilities	**-**	-
Total current assets	**(28,153)**	(86,997)

* Amount receivable from Petrobras related to the 30% acquisition price adjustment, as mentioned in note 12c.

20. Impairment

The Company monitors, periodically, on each report date, 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 by using most current projections of oil and dollar price, and did not detect the need to recognize a provision.

Cash flows are estimated based on the results already achieved the Company's annual budget, considering the maturity of each concession and the expected market growth, based on assumptions validated annually by the reserve certifying agency (DeGolyer and MacNaughton) when they are reevaluated. Such flows are discounted at the Company's most recent weighted average cost of capital, of 16.7%, using a methodology widely adopted in the oil and gas market.

(In thousands of reais, unless otherwise indicated)

21. Shareholders' equity

21.1 Capital

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

On March 31, 2021, the Company's underwritten and paid in capital totaling R$ 5,526,452 is comprised of 175,666,169 registered, book-entry shares with no par value.

The Company recorded R$ 220,680 referring to share issuance costs in a capital reducing account and which comprise the balance shown of R$ 5,305,772.

Shareholder	Number of common shares	% of interest*
Aventti Strategic Partners LLP	33,587,440	19%
Truxt Investimentos	19,356,233	11%
Other Shareholders	122,722,496	70%
Total	**175,666,169**	**100%**

*According to information disclosed in reference form.

On January 28, 2021, within the scope of the public offering for primary distribution, with restricted efforts, of common, nominative and book-entry shares with no par value, free of any liens or encumbrances, issued by the Company, the determination of the price per share of R$ 69.00, totaling R$ 2,049,000 and the increase in the Company's capital, through the issue of 29,700,000 new common, nominative and book entry shares, with no par value, free of any liens or encumbrances, issued by the Company.

The Shares subject to the Offer started being traded at B3 S.A. – Brasil, Bolsa, Balcão ("B3") on February 1, 2021, and the physical and financial settlement of the Shares occurred on February 2, 2021.

Furthermore, the Company's Capital Stock underwent changes in January 2021, with an increase of R$ 13,743 through the issuance of shares upon the exercise of stock options granted to employees, as described in note 21.2.

On March 31, 2021, balance of Petro Rio S.A. common shares in Treasury Shares account, rectifying Shareholders' Equity, is 7,815,513 shares at acquisition cost of R$ 40,874.

(In thousands of reais, unless otherwise indicated)

21.2 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 IV	Program V	Program VI
Grant date by Board of Directors	01/25/2018	11/05/2018	02/28/2019	02/28/2019
Total stock options granted	314,267	122,923	20,482	83,596
Share price on granting date	91.50	118.00	150.98	150.98
Strike Price	54.70	54.7	86.27	86.27
Weighted fair value on concession date	41.08	69.06	66.70	77.20
Estimated volatility of share price	73.99%	72.41%	52.54%	52.54%
Risk-free rate of return	8.83%	8.75%	7.14%	7.14%
Option validity (in years)	3	4	2	2

	Program VII	Program VIII	Program IX
Grant date by Board of Directors	02/28/2019	03/20/2020	03/20/2020
Total stock options granted	79,026	524,870	501,600
Share price on granting date	150.98	12.40	12.40
Strike Price	97.06	17.36	19.53
Weighted fair value on concession date	68.30	3.51	4.49
Estimated volatility of share price	69.46%	77.01%	66.17%
Risk-free rate of return	8.25%	5.60%	7.65%
Option validity (in years)	4	2	4

For the period ended March 31, 2021, the Company has a balance recorded in shareholders' equity - income (loss) from share-based remuneration in the amount of R$ 253,366, and the counterpart being in the statement of income as personnel cost since the granting.

Out of the options granted, 1,280,509 options were exercised on January 1, 2021, with the full payment of R$ 13,622 in the Company's capital.

21.3 Earnings per share

Pursuant to CPC 41 (IAS 33), the Company presents some information on earnings per share for the three-month periods ended March 31, 2021 and 2020. 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.

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	03/31/2021	03/31/2020
Numerator (in thousands of reais)		
Earnings for the period attributable to Group's shareholders	**(65,792)**	(61,461)
Denominator (in thousands of shares)		
Weighted average number of common shares for basic earnings per share*	**156,631**	135,161
Basic earnings per share	**(0,420)**	(0,455)
Diluted earnings per share	**(0,420)**	(0,455)
Potentially dilutive shares in future periods with profit	**1,242**	1,758

* The weighted average number of shares considers the effect of the weighted average of changes in treasury shares during the period.

22. Related party transactions

	Parent company	
	03/31/2021	12/31/2020
Loan Petrorio S.A x Petrorio Internacional	**2**	2
Accounts payable - Petrorio O&G x Petrorio S.A (i)	**9,895**	2,011
Service agreement Petrorio x Lux Holding (ii)	**1,026**	936
Apportionment of Brasoil's administrative expenses	**(107)**	293
Apportionment administrative expenses Frade	**4,188**	5,385
Loan - Petrorio S.A vs. Petrorio Luxembourg Sarl (iii)	**(219,360)**	(200,830)
Loan - Petrorio S.A vs. White Shark	-	(300,626)
Loan - Petrorio S.A vs. Coral	-	(39,189)
	(204,356)	(532,018)
Total non-current assets	**15,005**	8,627
Total non-current liabilities	**(219,361)**	(540,645)

(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 since the second semester of 2019 by PetroRio and Lux Sarl, with indefinite period and Libor interest rate + 2.9% p.a., which will be settled upon distribution of dividends by Lux Sarl itself.

(In thousands of reais, unless otherwise indicated)

Management remuneration

Directors' fees of PetroRio S.A. in the period ended March 31, 2021 was R$ 5,060 (R$ 898 on March 31, 2020), as detailed below:

	03/31/2021	03/31/2020
Short-term employee benefits	466	800
Share-based payment	4,594	98
	5,060	898

23. Net revenue

The net revenue for the three-month period ended March 31, 2020 is broken down as follows:

	03/31/2021					03/31/2020			
	Polvo	Manati	Frade	Tubarão Martelo	Total	Polvo	Manati	Frade	Total
Gross revenue	163,211	33,225	338,387	126,471	661,294	77,389	16,034	132,785	226,208
Deductions	-	(5,960)	-	-	(5,960)	-	(2,907)	(139)	(3,046)
Total	**163,211**	**27,265**	**338,387**	**126,471**	**655,334**	**77,389**	**13,127**	**132,646**	**223,162**

24. Costs of products sold and services rendered

	Consolidated	
	03/31/2021	03/31/2020
FPSO/Platform	(3,095)	(11,453)
Logistics	(10,055)	(10,740)
Consumables	(24,090)	(18,080)
Operation and maintenance	(24,508)	(22,994)
Personnel	(13,671)	(13,297)
SMS	(2,053)	(1,194)
Purchase of oil for resale	(21,451)	-
Other costs	(2,406)	(6,756)
Royalties and special interest	(33,244)	(32,228)
Amortization CPC 06 (R2)	(24,853)	(25,375)
Depreciation and amortization	(77,105)	(64,709)
Total	**(236,531)**	**(206,826)**

Oil stock (quantity not reviewed by independent auditors)

	03/31/2021		12/31/2020	
	Amount	Barrels (thousand)	Amount	Barrels (thousand)
Polvo	179,974	1,087	138,437	874
Tubarão Martelo	61,313	416	35,878	256
Frade	134,603	628	11,845	79
Total	**375,890**	**2,131**	**186,160**	**1,208**

(In thousands of reais, unless otherwise indicated)

25. Other operating revenues (expenses), net

	Parent company		Consolidated	
	03/31/2021	**03/31/2020**	**03/31/2021**	**03/31/2020**
Increase/decrease in the provision for abandonment (rate/curve change)	-	-	**(946)**	95,417
Reversal (Provision) for impairment	-	-	-	(6,346)
Reversal (Provision) for labor contingencies	-	-	**(5,914)**	2,662
Reversal (Provision) for tax contingencies	-	-	**(77)**	(122)
Reversal (Provision) for civil contingencies	-	280	**(76)**	(222)
Tax credits (PIS and COFINS/INSS/ICMS)	-	-	**984**	35,212
Labor indemnities from previous years	**(247)**	-	**(3,184)**	(6,687)
Decommissioning - Tubarão Azul	-	-	**26,080**	-
Indirect Overhead - Frade	-	-	**175**	946
IRRF on subsea rental remittance	-	-	**(25,451)**	-
Maintenance of the Valente FPSO keel	-	-	**(10,098)**	-
Other revenues (expenses)	**178**	(496)	**(1,743)**	(5,756)
Total	**(69)**	(216)	**(20,250)**	115,104

26. Financial income (loss)

	Parent company		Consolidated	
	03/31/2021	**03/31/2020**	**03/31/2021**	**03/31/2020**
Financial revenues	**2,438**	**1,310**	**54,154**	**654,267**
Revenue from realized financial investment	**11**	28	**16,306**	8,896
Revenue from exchange-rate change	**2,423**	1,268	**36,162**	292,020
Gain in realization of derivatives	-	-	-	219,072
Marked at fair value of derivatives	-	-	-	134,572
Other financial revenues	**4**	14	**1,686**	(293)
Financial expenses	**(20,518)**	**(38,124)**	**(416,202)**	**(757,750)**
Expense on foreign exchange rate (*)	**(19,328)**	(35,762)	**(361,275)**	(683,899)
Interest on loans/debentures	**(527)**	(2,048)	**(38,619)**	(37,009)
Commission on bank guarantees	-	-	**(1,341)**	(563)
Loss in realization of derivatives	-	-	**(8,291)**	(12,457)
Expenses with interest on leases	-	-	**(9,175)**	(10,240)
Other financial expenses	**(663)**	(314)	**2,499**	(13,582)

(*) The foreign exchange expense refers mainly to the fluctuation in the dollar rate applied to the balances of provision for abandonment, lease liabilities (IFRS 16) and loans.

PetroRio

Notes to the quarterly information
March 31, 2021
(In thousands of reais, unless otherwise indicated)

27. Income tax and social contribution

Taxes on income of the Company differ from the theoretical value that would be obtained using the applicable tax rate, as shown below:

	Parent company		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
Income (loss) before income tax and social contribution	**(71.573)**	(61.461)	**(45.275)**	(52.571)
Tax rate according to the current legislation	**34%**	34%	**34%**	34%
Income tax and social contribution based on the current rate	**(24.335)**	(20.897)	**(15.394)**	(17.874)
Non-deductible expenses/non-taxable revenue, net:				
Permanent differences	**(49)**	386	**3.439**	952
Temporary differences	**-**	11.854	**27.546**	95.467
Equity in net income of subsidiaries	**14.750**	6.975	**-**	-
Other additions (exclusions)	**-**	-	**(856)**	(156)
Deductions/ Tax benefits	**-**	-	**(4.583)**	(13)
(Use of) Tax loss not previously recognized	**3.853**	1.682	**10.258**	(47.394)
Effect of reduced tax rates in the USA and Luxembourg	**-**	-	**4.404**	(22.092)
Adjustment related to previous years' taxes	**-**	-	**(4.297)**	-
Total	**(5.781)**	-	**20.517**	8.890
Income tax and social contribution	**-**	-	**79.573**	12.142
Deferred income tax	**(5.781)**	-	**(59.056)**	(3.252)
Net expenses from income tax and social contribution in income (loss)	**(5.781)**	-	**20.517**	8.890
Effective rate on pre-tax profit	**8,08%**	0,00%	**-45,32%**	16,91%

28. Segment reporting (Consolidated)

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

	03/31/2021	12/31/2020
Current assets		
Brazil	660,272	512,726
Abroad	3,362,482	1,260,250
Non-current assets		
Brazil	4,351,629	4,127,685
Abroad	892,832	823,733

Revenue	03/31/2021	03/31/2020
Brazil	365,652	194,581
Abroad	289,682	31,627

29. 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 below.

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.

Derivative financial instruments - Hedge

In the 3Q20, the Company entered into derivative agreements aimed at providing hedge against the risk of volatility in oil prices for sales of 2020 and 2021, settled in 2021.

Basically, the transactions protect the Company, which obtained minimum price (floor) per barrel as the chart below:

						Price	Position	
Operation	**Type**	**Maturity**	**Settlement**	**Strike**	**Quantity**	**Engagement**	**US$ thousand**	**In thousands of reais**
Purchase	PUT	12/31/2020	08/01/21	43.50	2,000	3.50	-	-
Purchase	PUT	31/03/21	-	44.45	900	4.70	1,930	10,994
					2,900		**1,930**	**10,994**

(In thousands of reais, unless otherwise indicated)

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	201	93	(15)

For the earnings from financial investments and securities the CDI projections disclosed by BM&FBOVESPA for the nine-month period as from March 31, 2021 were taken into account under the probable scenario (CDI 3.56%), 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.

Operation	Risk	Probable scenario	Scenario (I) 25%	Scenario (II) 50%
Impact on financial investments	USD decr.	1,459	(321,967)	(643,934)
Provision for abandonment (ARO)	USD incr.	(1,240)	(273,809)	(547,617)
Loans	USD incr.	(2,450)	(540,944)	(1,081,888)

For calculation of the amounts included in the above scenarios the average exchange rate projection disclosed by BM&FBOVESPA for the nine-month period as from March 31, 2021 (US$ 1/R$ 5.7038). 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.

(In thousands of reais, unless otherwise indicated)

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 three-month period ended March 31, 2021, sales of oil were carried out to Petrochina and Leeuwin 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

Year ended March 31, 2021	**up to 12 months**	**01-05 years**	**Total**
Liabilities			
Loans and financing	(1,882,524)	(281,251)	**(2,163,775)**
Suppliers	(119,524)	(13,448)	**(132,972)**
Labor obligations	(41,101)	-	**(41,101)**
Taxes and social contributions	(120,602)	-	**(120,602)**
Provision for abandonment	-	(853,359)	**(853,359)**
Provision for contingencies	-	(91,295)	**(91,295)**
Contractual Charges (Leases - IFRS 16)	(189,846)	(412,151)	**(601,997)**
Other liabilities	-	(960)	**(960)**
	(2,353,597)	**(1,652,464)**	**(4,006,061)**

Year ended December 31, 2020	**up to 12 months**	**01-05 years**	**Total**
Liabilities			
Loans and financing	(1,519,966)	(389,753)	**(1,909,719)**
Suppliers	(236,889)	(13,640)	**(250,529)**
Labor obligations	(54,857)	-	**(54,857)**
Taxes and social contributions	(87,741)	-	**(87,741)**
Provision for abandonment	-	(638,504)	**(638,504)**
Provision for contingencies	-	(75,809)	**(75,809)**
Contractual Charges (Leases - IFRS 16)	(223,579)	(402,521)	**(626,100)**
Other liabilities	-	(960)	**(960)**
	(2,123,032)	**(1,521,187)**	**(3,644,219)**

Parent company

Year ended March 31, 2021	**up to 12 months**	**01-05 years**	**Total**
Liabilities			
Suppliers and other	(7,257)	-	**(7,257)**
Labor obligations	(1,112)	-	**(1,112)**
Taxes and social contributions	(5,311)	-	**(5,311)**
Provision for contingencies	-	(500)	**(500)**
	(13,680)	**(500)**	**(14,180)**

(In thousands of reais, unless otherwise indicated)

Year ended December 31, 2020	**up to 12 months**	**01-05 years**	**Total**
Liabilities			
Suppliers and other	(3,940)	-	**(3,940)**
Labor obligations	(1,304)	-	**(1,304)**
Taxes and social contributions	(5,484)	-	**(5,484)**
Provision for contingencies	-	(500)	**(500)**
	(10,728)	**(500)**	**(11,228)**

Fair value of financial assets and liabilities

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

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

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

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

	03/31/2021				12/31/2020			
	Parent company		Consolidated		Parent company		Consolidated	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets								
Amortized cost:								
Accounts receivable (i)	-	-	22,568	22,568	-	-	386,165	386,165
Related parties	15,005	15,005	-	-	8,627	8,627	-	-
Fair value through profit or loss								
Cash and cash equivalents (ii)	23,623	23,623	3,185,031	3,185,031	27,480	27,480	809,273	809,273
Securities (ii)	-	-	77,820	77,820	-	-	22,793	22,793
Financial liabilities								
Amortized cost:								
Suppliers (i)	7,257	7,257	132,972	132,972	3,940	3,940	250,529	250,529
Loans and financing	-	-	2,163,775	2,163,775	-	-	1,909,719	1,909,719

Market values (“fair value”) estimated by management were determined by level 1 for those financial instruments:

(i) The amounts related to the balances of accounts receivable and suppliers do not have significant differences in their fair value since the receivable/payment turnover does not exceed 60 days.
(ii) The fair value measurements are obtained by directly observable variables (as well as prices) or indirectly (derived from prices).

(In thousands of reais, unless otherwise indicated)

30. 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 P&I to Frade's FPSO, 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 and Frade field operations and D&O (Directors & Officers Liability) policy for directors and subordinates.

The insurance policies in force at March 31, 2021 cover the insured amount of R$ 29,668,986. In addition, the Company also contracts insurance for Operator' Extra Expenses, whose main exposures covered are as follows:

Insurance/Modality	Amount insured
Physical damages (Oil inventories)	1,015,538
Fixed Platform	1,036,909
Offshore Platform	127,050
FPSO Frade	4,221,130
Subsea Equipment	5,399,419
Offshore property (Pipeline)	166,361
Onshore properties (Pipeline)	66,658
Onshore Treatment Station	99,133
OEE production (Well control)	1,367,352
Offshore Civil Liability + Surplus	4,386,921
Cargo (Polvo)	5,000
D&O	40,000
P&I	7,691,355
General liability	5,000
Equity	12,427
Legal guarantee	60,941
Life insurance	18,417
PEM guarantee insurance - ANP	73,644
Travel Insurance Travel Guard	1,567
FPSO OSX-3 Hull and Machine FPSO OSX-3	3,874,164
Total insured	**29,668,986**

31. 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 March 31, 2021 and December 31, 2020 in the amounts of R$ 91,295 and R$ 75,809, 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$ 12,189 and tax claims of R$ 4,578, civil claim in the amount of R$ 59,590 and contingency due to Frade's incident in the amount of R$ 14,938.

Incidents in Frade

Because of the incident of November 2011 at Frade Field, still in this period under operation by Chevron, 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.

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 1st 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 maintains only the provision for TAC, in the amount of R$ 14,938, corresponding to a 100% interest in the Frade field, monetarily updated after the acquisition of the remaining 30%, according to note 12c. The amounts of this provision are monetarily restated every month and had a restatement of R$ 361 in 2021.

Other suits

According to the Group's legal advisors, risk of loss in other lawsuits is "possible" - R$ 1,221,965 (R$ 1,296,736 on December 31, 2020), of which R$ 636,513 is related to tax claims, R$ 569,054 is related to civil claims and R$ 16,399 to labor claims. The claim with the most relevant amount, in the amount of R$ 345,066, is from Federação dos Pescadores do Rio de Janeiro ("FEPERJ"), requesting reparation for alleged losses suffered by fishermen as a result of the Oil Spills of Frade Field in 2011/2012, when operated by Chevron, which is currently in the knowledge phase. 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.

32. Subsequent events

32.1 Early settlement – FINEP

As of April 28, 2021, the Company prepaid the financing agreement with FINEP, for the amount of R$ 57,802, including principal and interest, as explained in note 15. In the negotiation for the settlement, FINEP accepted the Company's claims and disregarded the fine imposed for the prepayment of the contract, provisioned in December 2020, in the amount of R$ 27,102. The provision was reversed in March 2021, considering its retroactive effect.

With the settlement, the amounts related to financing with FINEP retained in guarantee accounts, in the amount of R$ 23,858 (note 5), will be released for the Company's cash and cash equivalents.