

# CORPORATE PRESENTATION

May 2020

# PetroRio



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# DISCLAIMER

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

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

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

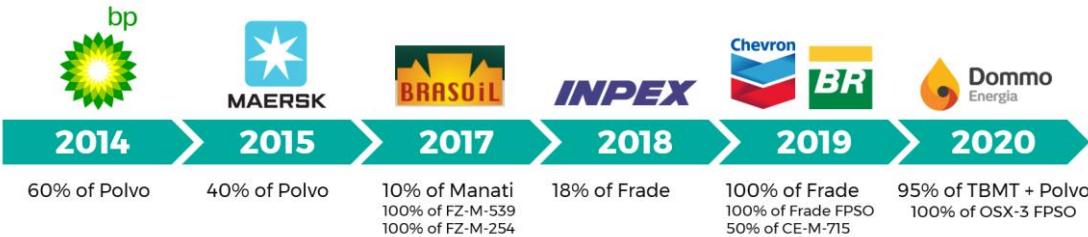
# EXECUTIVE SUMMARY

## The largest independent Oil and Gas producer in Brazil

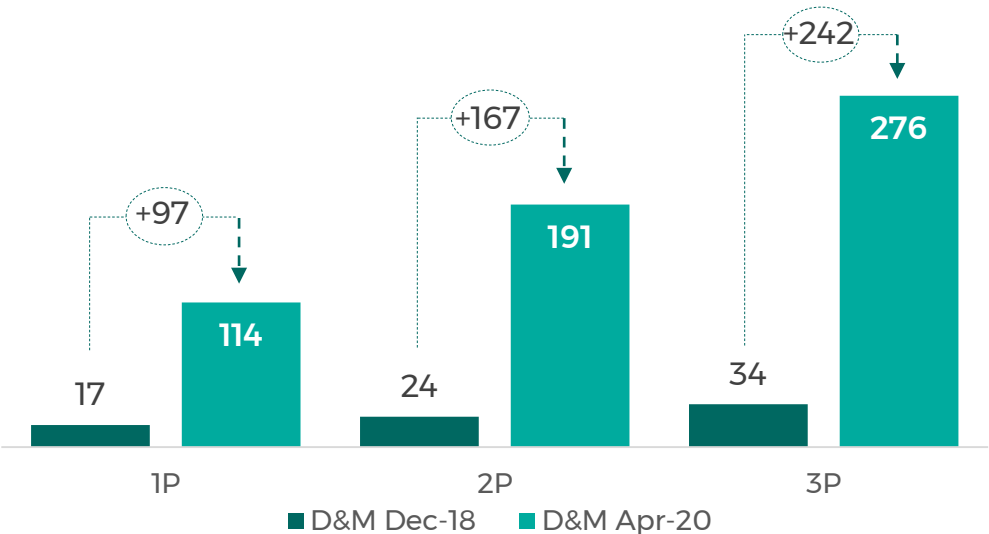
- PetroRio generates value in **producing fields** through cost **reduction** and **production revitalization**
- Unparalleled expertise in **redeveloping fields**
- Experienced technical team** – Qualification as an A-Operator granted by ANP
- Well positioned to attract capital** (Leverage potential; Governance level “Novo Mercado”; Canada Reporting Issuer)
- Management extremely focused on **capital discipline** and **improving operating costs**
- Great **potential for synergies**, which makes PetroRio more competitive when compared to peers

## M&A Timeline

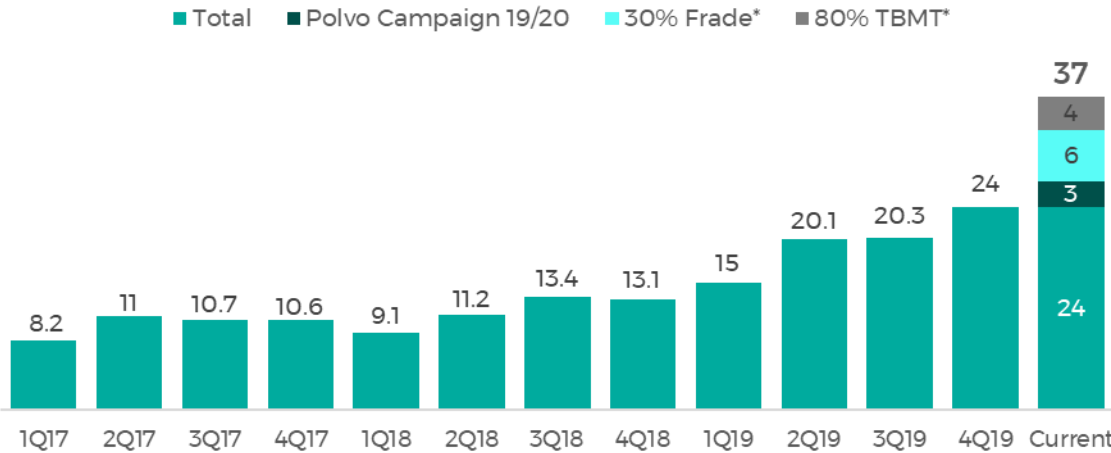
- Unique M&A track-record with additional opportunities available on the market



## Increase in Reserve Levels (MMboe)



## Production Evolution (kboe/d)



\*Pro-Forma figures, awaiting ANP approval.

# EXECUTIVE SUMMARY



FRADE



POLVO



TUBARÃO MARTELO (TBMT)



MANATI



## Assets Overview

	Frade	Polvo+TBMT	Manati	PetroRio
Operator	PetroRio	PetroRio	Petrobras	-
Working Interest	100%	95% <sup>(7)</sup>	10%	-
Own production units	1 FPSO	1 FPSO 1 Fixed Platform	-	2 FPSO 1 Fixed Platform
1P Reserves (MMboe)	60.2 <sup>(1)(3)</sup>	50.7 <sup>(1)(3)</sup>	2.8 <sup>(1)(3)</sup>	113.7
2P Reserves (MMboe)	92.3 <sup>(1)(3)</sup>	95.4 <sup>(1)(3)</sup>	3.0 <sup>(1)(3)</sup>	190.7
Production (boe per day)	19,800 <sup>(2)(3)</sup>	15,000 <sup>(2)(3)(6)</sup>	1,600 <sup>(3)(5)</sup>	36,400
Water Depth	1300m	100m	80m	-
Capex per new well	US\$ 75M	US\$ 15M to 20M	-	-
% of total production	54.4%	41.2%	4.4%	-
Abandonment Forecast (1P)	2034 <sup>(1)</sup>	2035 <sup>(1)(4)</sup>	2027 <sup>(1)</sup>	-

1 - D&M Certification Report - 30/04/2020

2 - April/2020

3 - Proportional to PetroRio's interest in asset (100% Frade; 100% Polvo; 80% TBMT; 10% Manati)

4 - Considers Polvo + TBMT cluster

5 - Minimum consumption defined in the take-or-pay contract with Petrobras

6 - Considers increased production of the Drilling Campaign

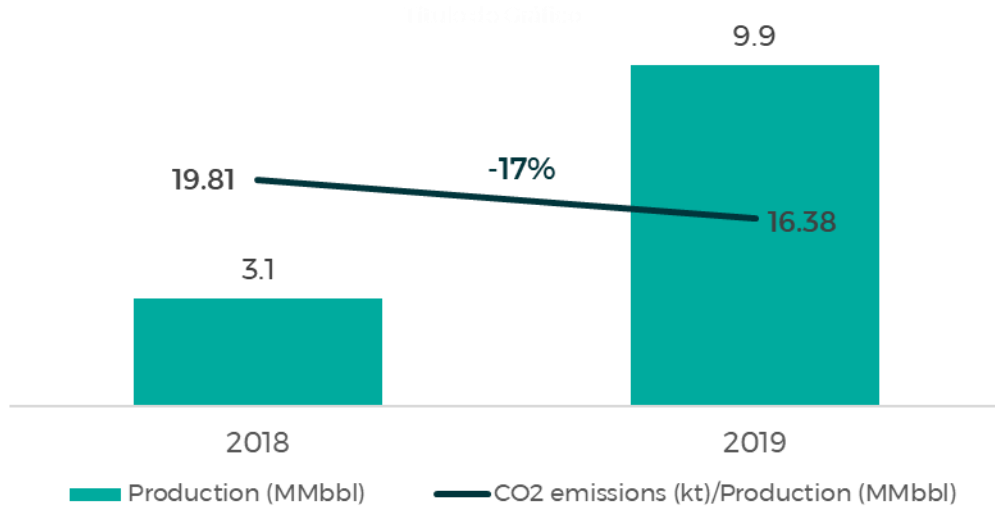
7- Pre Tieback: 100% of Polvo + 80% of TBMT/Post Tieback: 95% of Polvo+TBMT Cluster

**PetroRio**

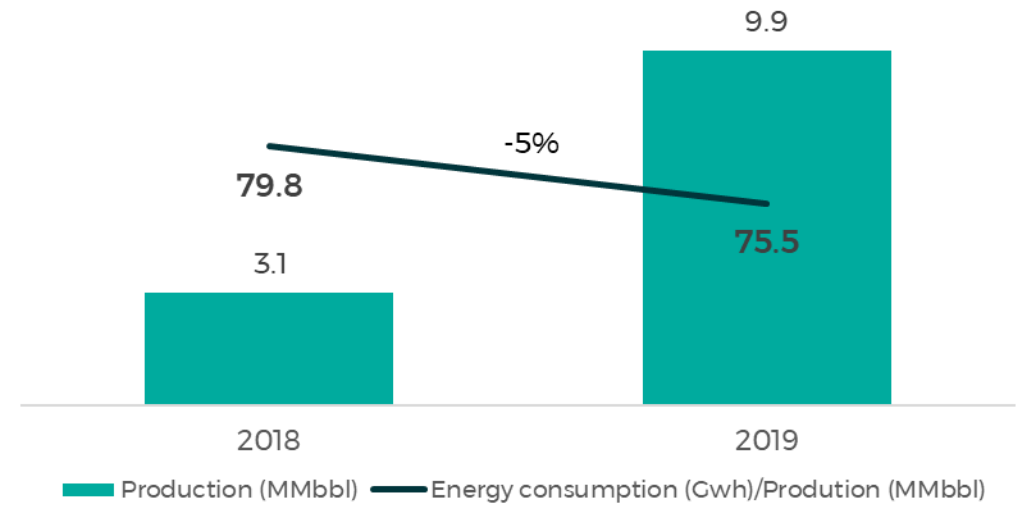
# SUSTAINABILITY

Added production through acquisitions provide synergies which increase efficiency and reduce total emissions

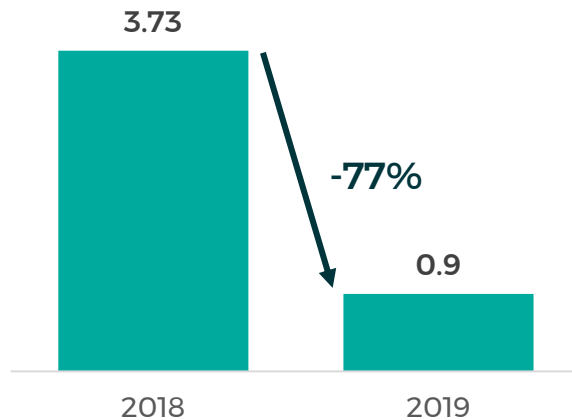
CO<sub>2</sub> emissions/Production



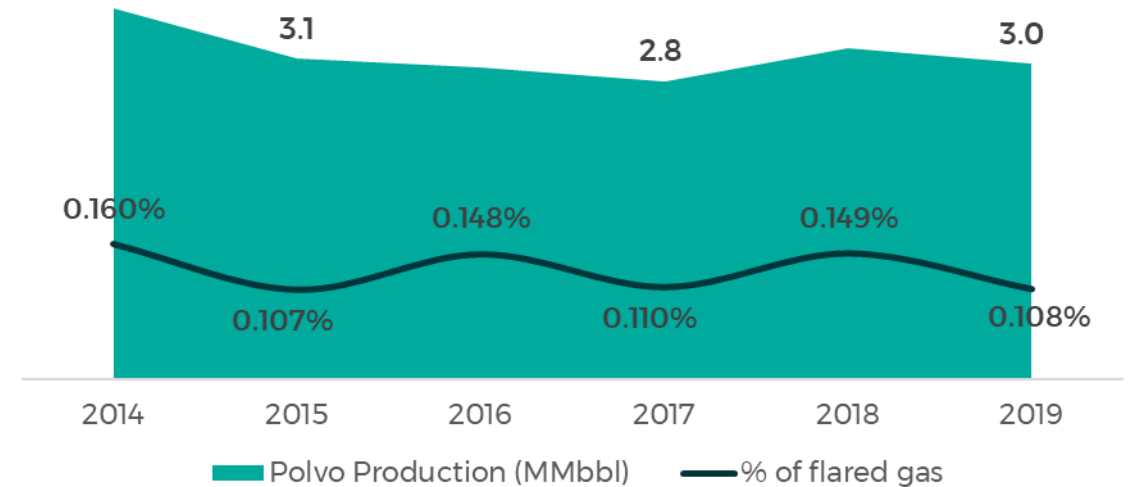
Energy consumption x Production



LTIR (Lost Time Incident Rate)\*



Flare/Production (Polvo)



\*LTIR=(Hours of lost time incidents\*1.000.000)/Hours of work exposure



# VALUE CREATION STRATEGY

# C.R.P. TECHNOLOGY

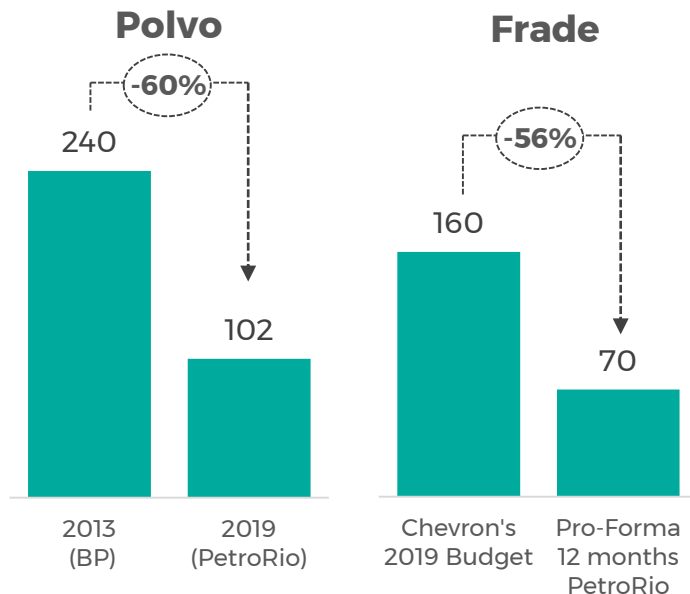
Value creation in producing fields through management technology created by PetroRio



## COST

- **Cost rationalization** techniques
- Operational synergies capture
- Contract renegotiations

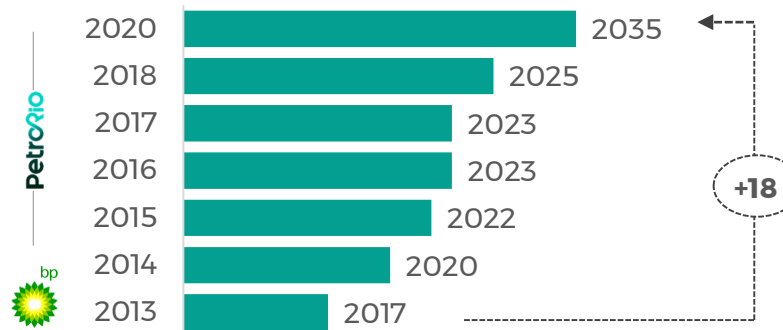
### Fields' Operational Costs - USD MM



## RESERVOIR

- **Meticulous reservoir management** extending the asset's economic life
- Use of E.O.R. (Enhanced Oil Recovery) techniques

### Polvo's estimated decommissioning Timeline (1P)



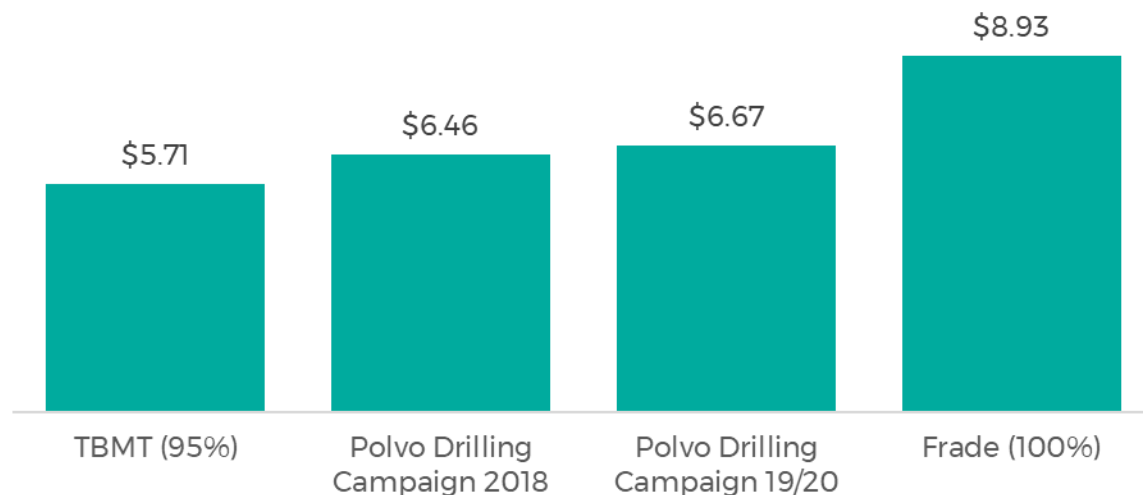
## PRODUCTION

- Redevelopment plans aimed at **increasing production**
- Increased operational efficiency
- *In-field development*
- Drilling Campaigns

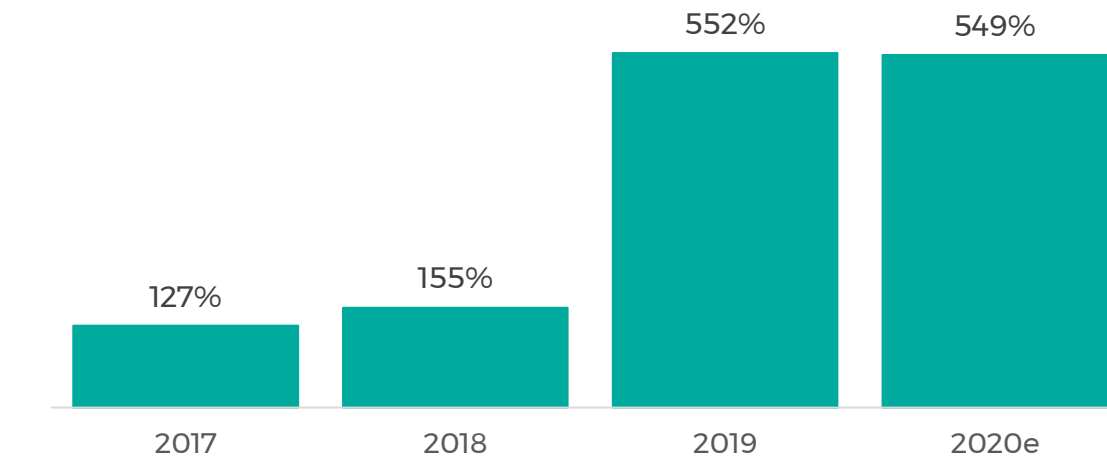
# DELIVERING GROWTH

Growth through acquisitions, reserve replacement above annual production, and greater representation in the country's overall production

US\$/added bbl (1P)



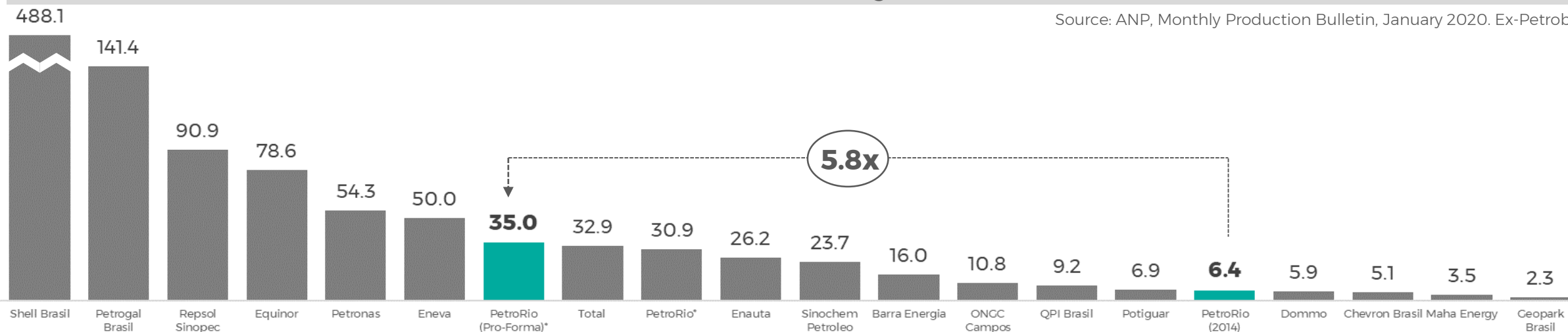
Reserve Replacement Ratio\* (2P)



\*RRR = Added Reserves/Company's Production

Oil and Gas Production Ranking in Brazil (kboe/d)

Source: ANP, Monthly Production Bulletin, January 2020. Ex-Petrobras



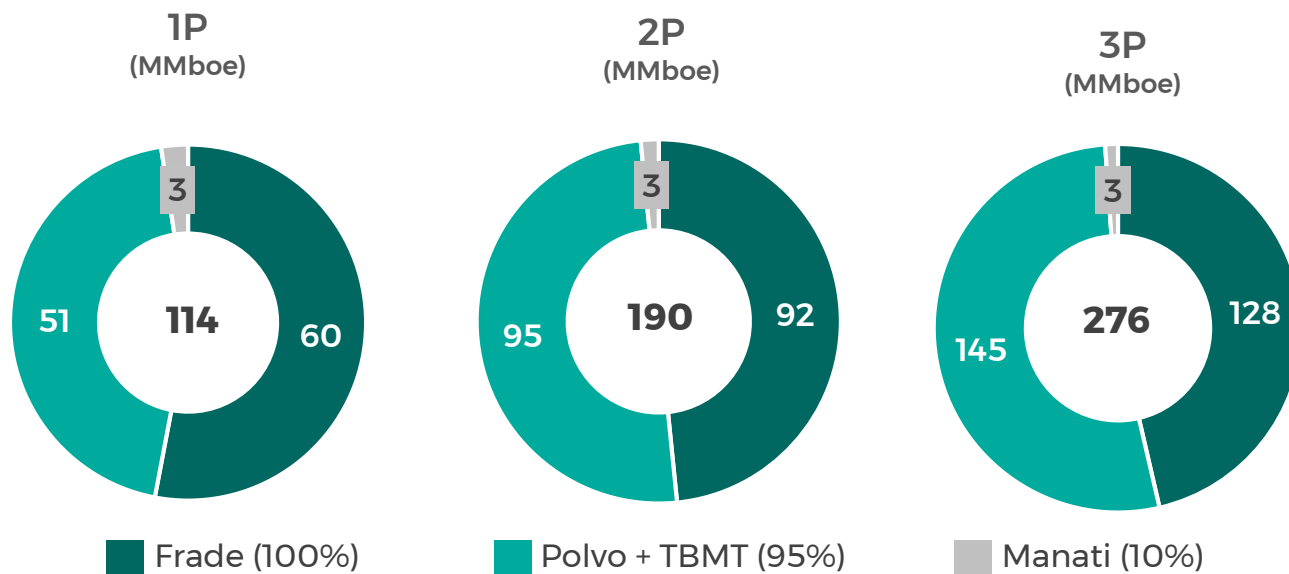
\*Pro Forma figures. Considers 100% of Frade + 80% of TBMT + increment of the 2019/20 Polvo Drilling Campaign



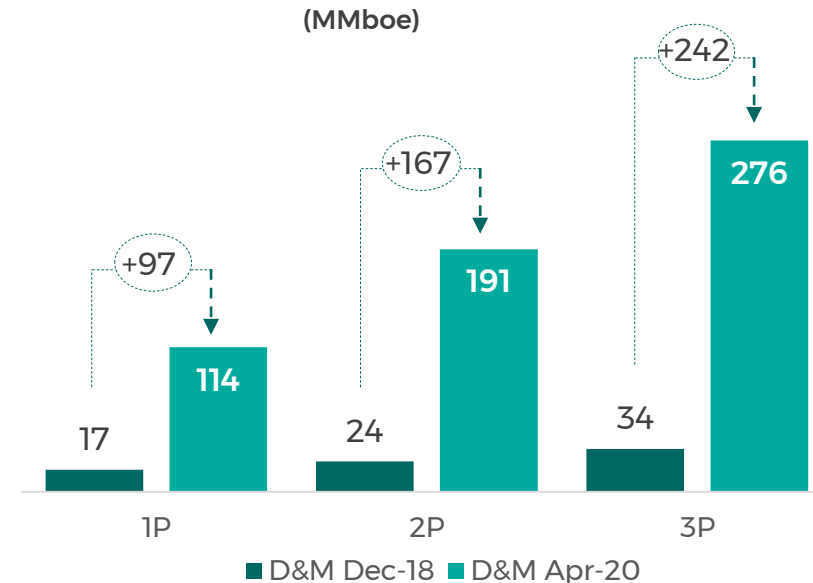
# RESERVES

April/2020 D&M Report shows significant increase in Company's reserves

## Company Reserves Estimates



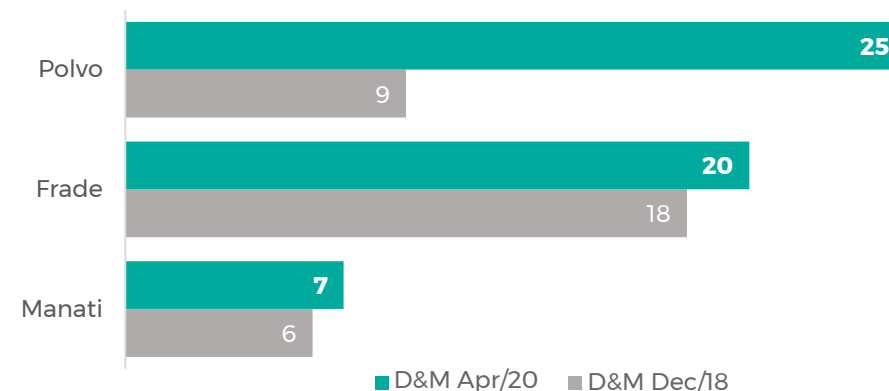
## Increase in Reserves



## Factors contributing to the increase in reserve levels

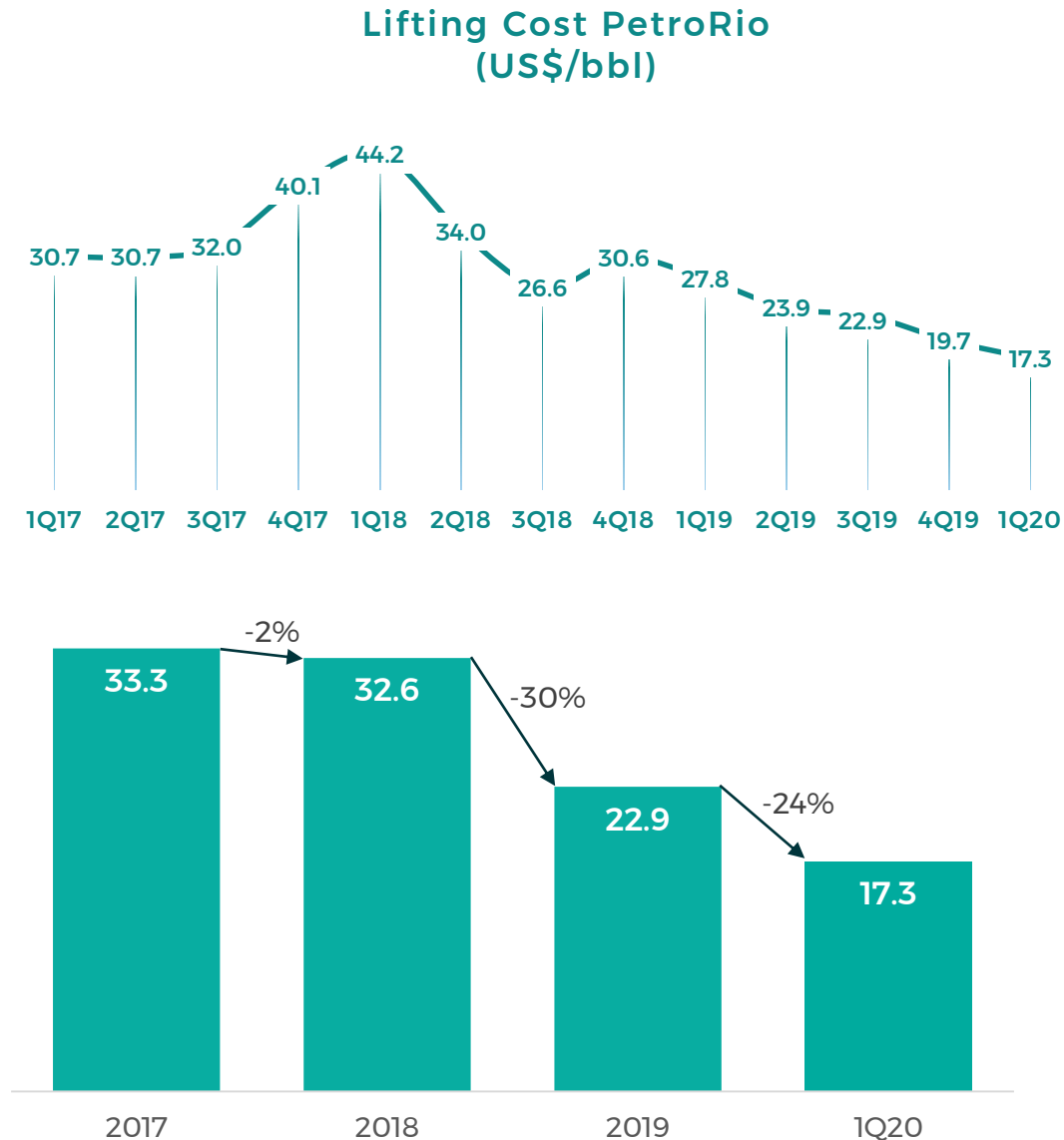
- > Farm-in of **Tubarão Martelo** and the tieback project with **Polvo**, which increases the recovery rates in both assets;
- > **Frade's** new production curvea after a full year sustaining production levels;
- > The successful **Drilling Campaign in Polvo** has opened new infill drilling opportunities in the Eocene sandstone reservoir

## Reserve Life (years) - 2P



# LIFTING COST EVOLUTION (US\$)

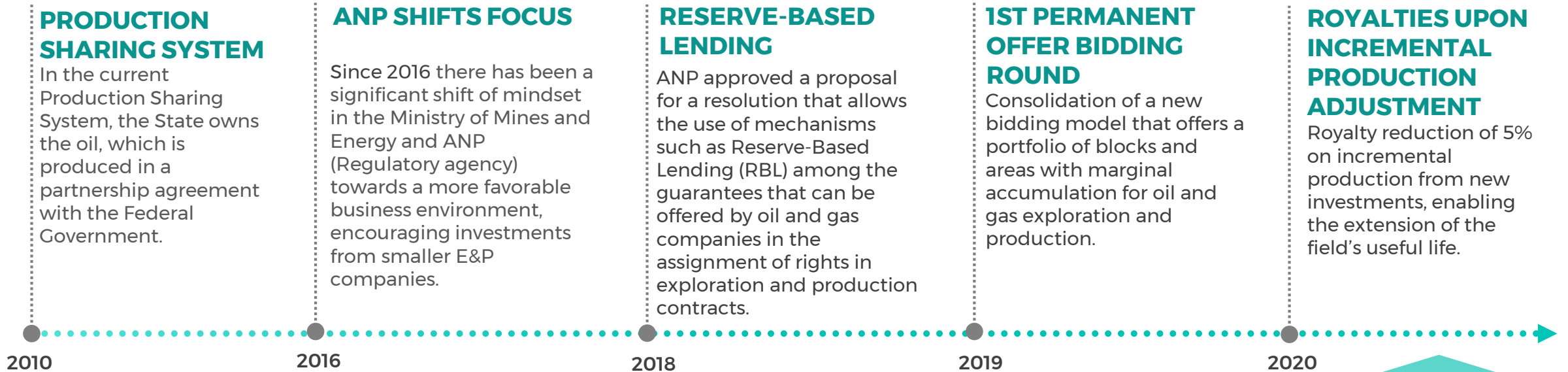
Continuous lifting cost reduction over the years



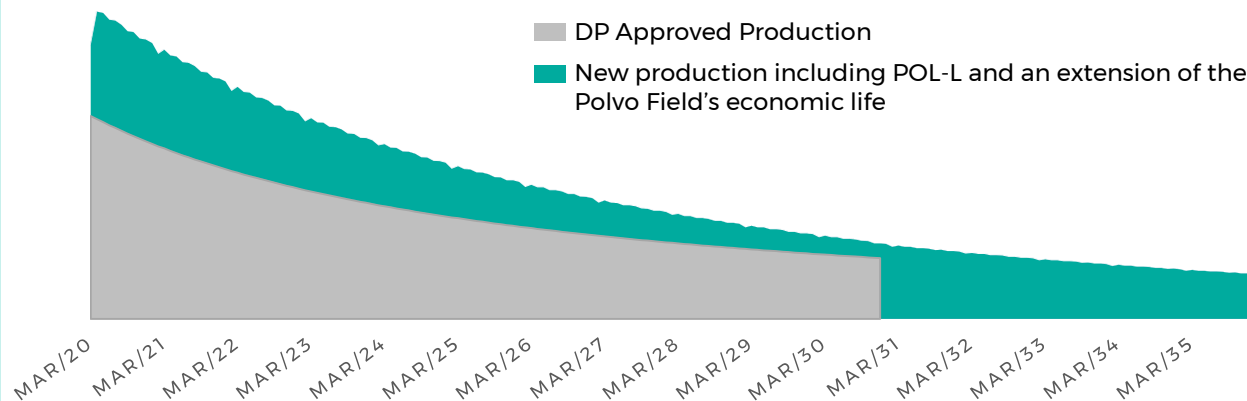
- ✓ Lifting cost continuous reduction due to Polvo's increased production, increased working interest in Frade, and synergies captured between Frade and Polvo
- ✓ The reported reduction does not consider Frade's 30% working interest acquired from Petrobras and the recent TBMT acquisition of TBMT.
- ✓ The Company expects to reduce lifting costs below US\$ 15/bbl in the following quarters, with Frade and TBMT.

# FAVORABLE REGULATORY FRAMEWORK

Significant changes in industry regulations have favored PetroRio in recent years



DP Production Curve (ANP) x Polvo's New Production Estimate



**Incremental** production from the POL-L and POL-N wells will have their royalty rates reduced to 5%



Any extension to Polvo's economic life beyond 2030 will have its rate similarly reduced, since it would exceed the current DP's cutoff

# NEW ACQUISITIONS

## OSX-3 FPSO AND TBMT FARM-IN

# OSX-3 ACQUISITION AND TUBARÃO MARTELO FARM-IN

Acquisitions will allow the creation of a private cluster in the area, resulting in significant synergies

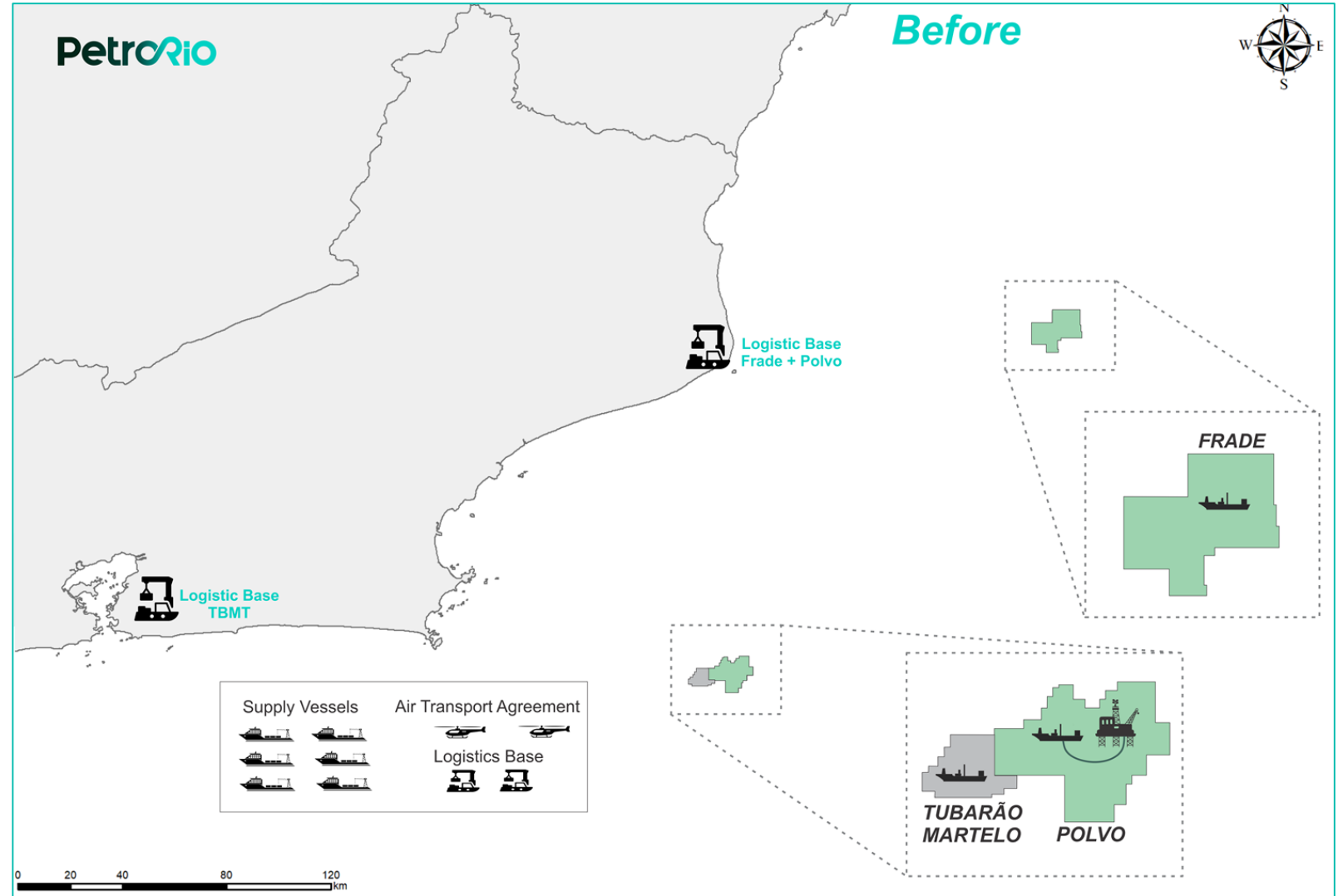
## Pre-Tieback

80% of TBMT Oil

US\$ 840 thousand  
monthly Charter fee

Merger of logistics and  
support vessel contracts

Merger of Support Bases





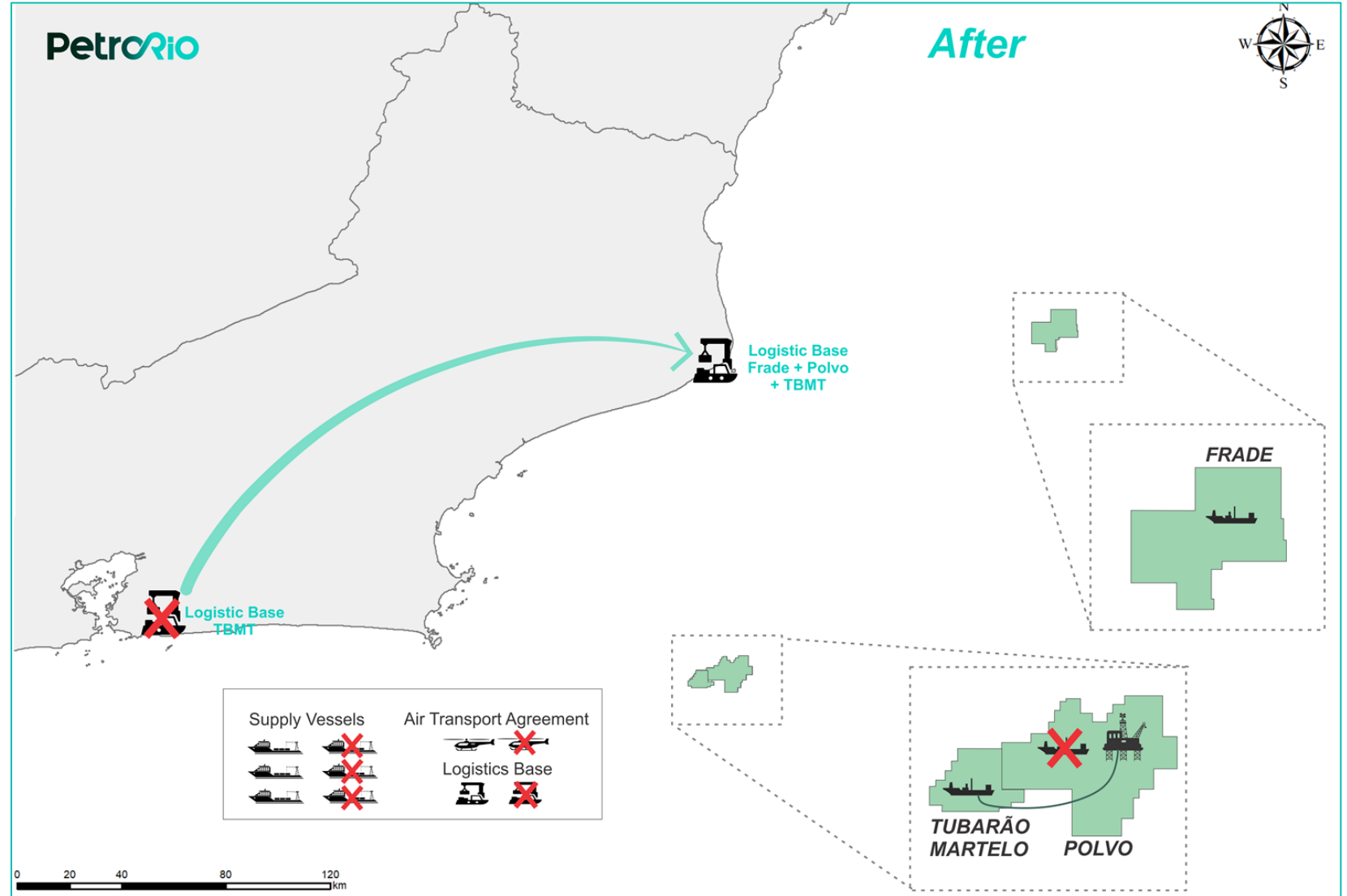
# OSX-3 ACQUISITION AND TUBARÃO MARTELO FARM-IN

Acquisitions will allow the creation of a private cluster in the area, resulting in significant synergies

## Post-Tieback

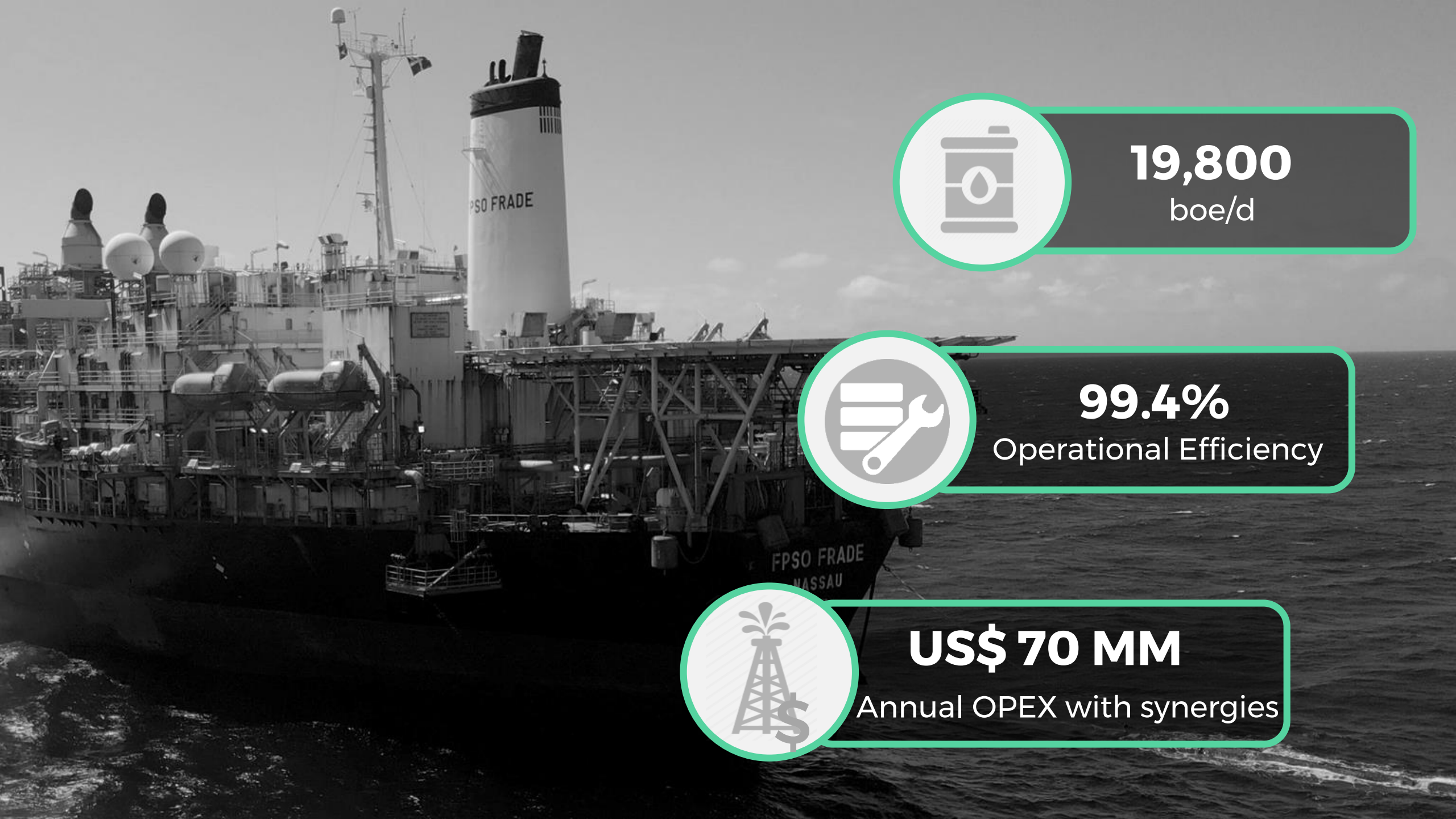
95%\* of Polvo + TBMT's oil

Decommissioning of Polvo FPSO



# FRADE FIELD

100% WORKING INTEREST



**19,800**  
boe/d



**99.4%**  
Operational Efficiency

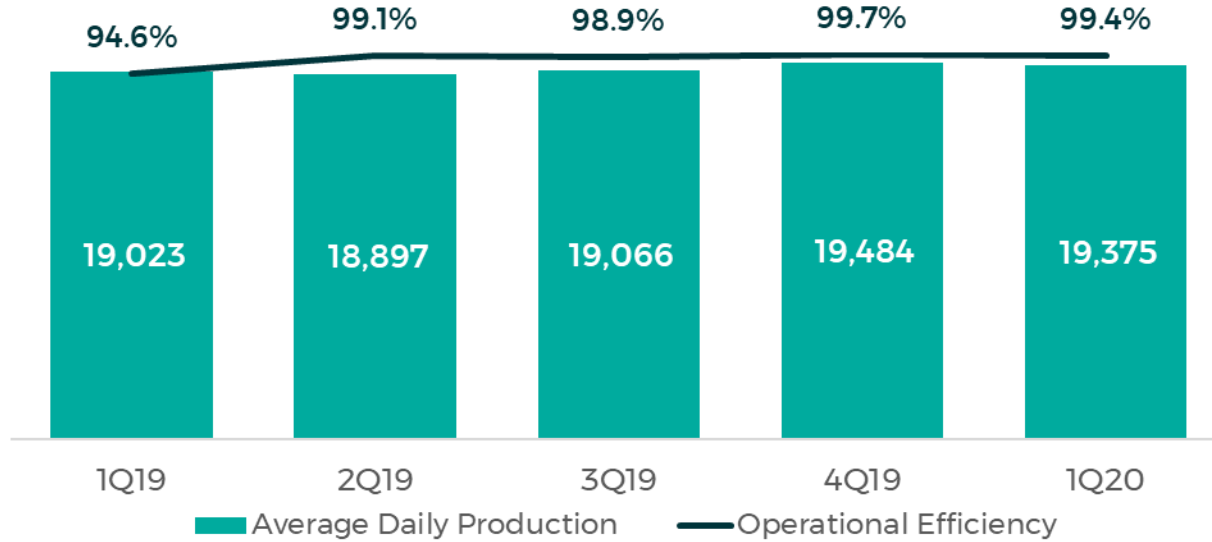


**US\$ 70 MM**  
Annual OPEX with synergies

# OPERATIONAL PERFORMANCE

Increased production and operational efficiency due to field interventions

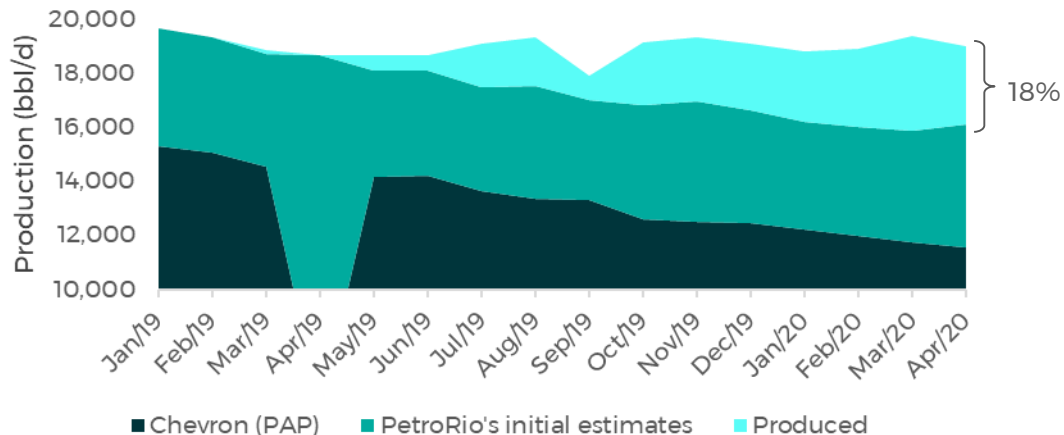
Average Daily Production and Operational Efficiency  
Frade Field (100%)



## Measures taken to curb natural decline rates

- > **Short-term (completed)**
  - 1) Gas injection
  - 2) Well re-opening with hydrates
- > **Medium-term (ongoing)**
  - 3) Water Shutoff / RPM
  - 4) Well stimulation
- > **Long-term – Drilling Campaign**

Frade Field's Production (bbl/d)

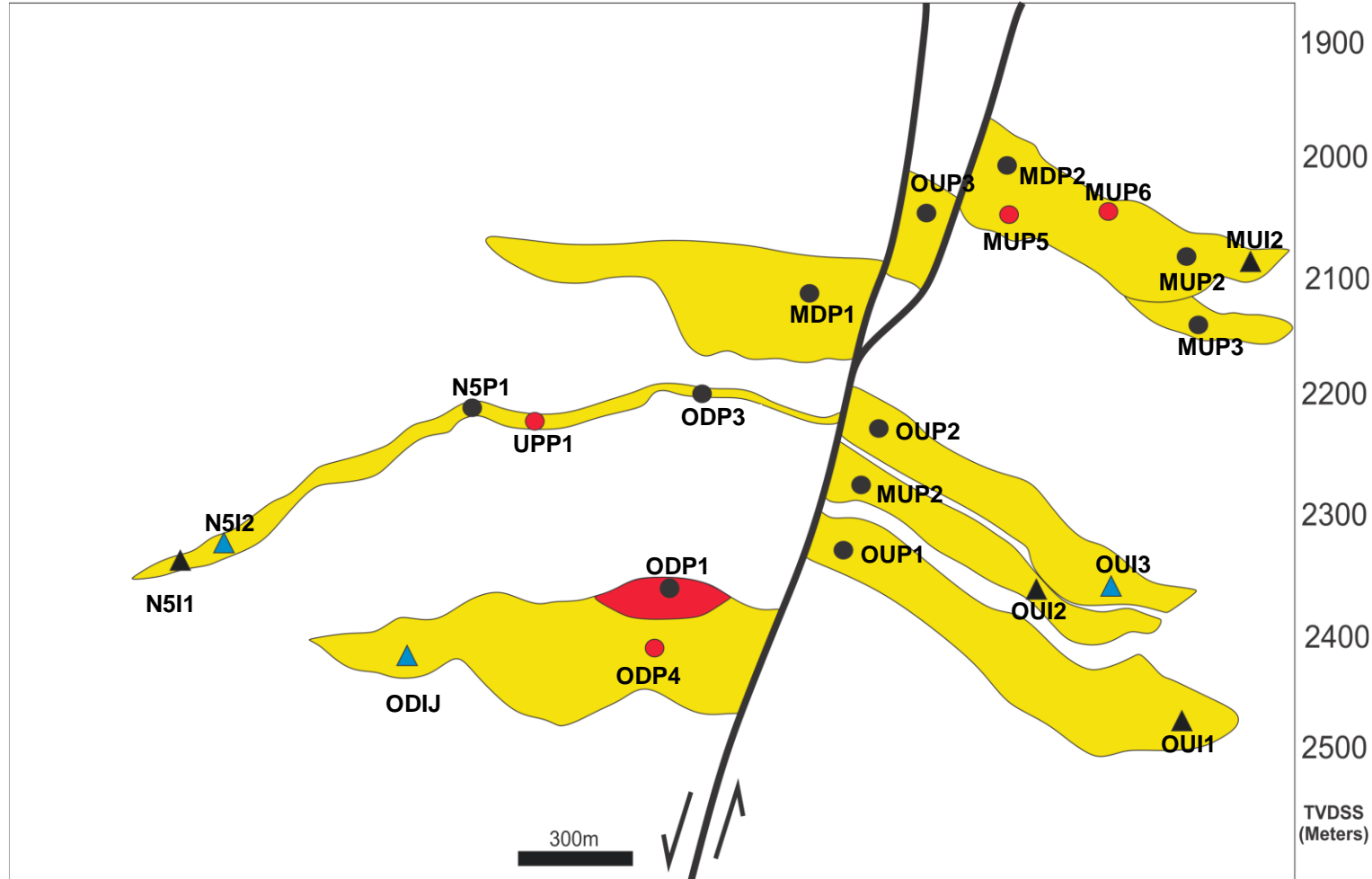


- > Current production levels are **18%** higher than the Field's expected decline curve.



# DRILLING OPPORTUNITIES IN FRADE

The Revitalization Plan seeks to increase the asset's recovery rates and extend its concession until 2041



## FRADE'S REVITALIZATION PLAN

- > Global drilling project:  
4 producers and 3 injectors
- > Estimated CAPEX per well:  
US\$ 70 MM

- Current producers
- ▲ Current injectors (disabled)
- Scheduled producers
- ▲ Scheduled injectors



# POLVO FIELD

100% WORKING INTEREST



**10,600**  
boe/d



**96.1%**  
Operational Efficiency

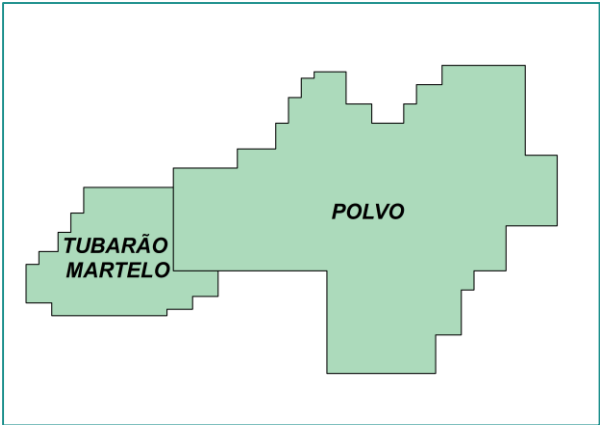
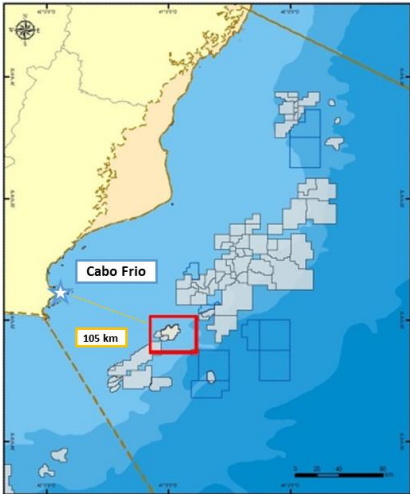


**Successful Drilling  
Campaigns**

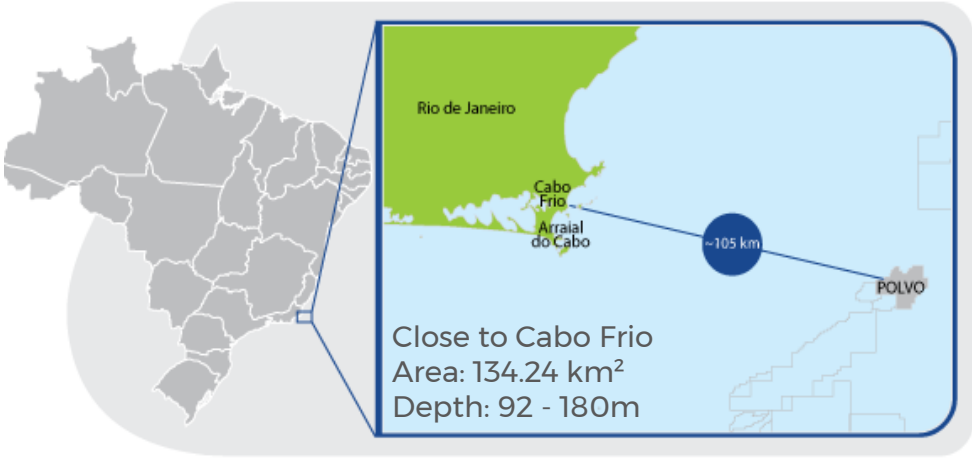


# OVERVIEW – POLVO FIELD

## Campos Basin



## Location



## Export Destination



## Reserves

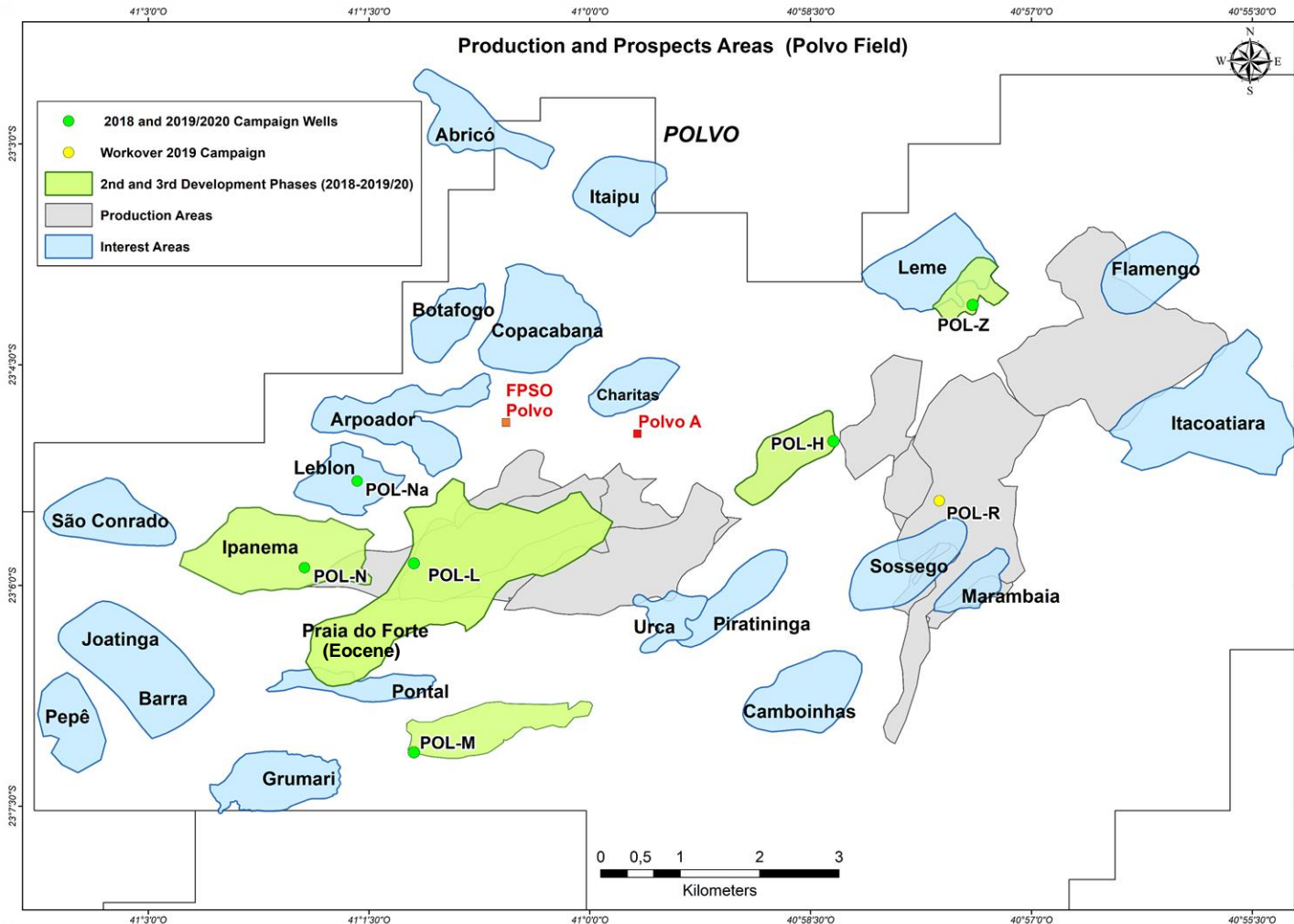
POLVO+TBMT RESERVES	OIL (million bbl)
Proved (1P)	50.7
Proved + Probable (2P)	95.4
Proved + Probable + Possible (3P)	145.1

Source: D&M Certification Report - 04/2020



# POLVO REVITALIZATION PLAN

Successful Drilling Campaigns has increased Field's production and reserves



## 2<sup>nd</sup> PHASE 2018 CAMPAIGN

- > Drilled wells: POL-H, POL-Z and POL-M
- > Production increased by 50% (~5 kbbbl/d)
- > Added reserves: 6.5 MMbbl
- > Cost: US\$ 42 million

## 3<sup>rd</sup> PHASE 2019/2020 CAMPAIGN

- > Drilled wells: POL-N and POL-L
- > Production increased by 30% (~3 kbbbl/d)
- > Added reserves: 3 MMbbl
- > Cost: US\$ 20 million

# MANATI NATURAL GAS FIELD

10% WORKING INTEREST





**1,600**  
boe/d



**Steady and predictable cash-flow**

“Take-or-pay” contract with Petrobras



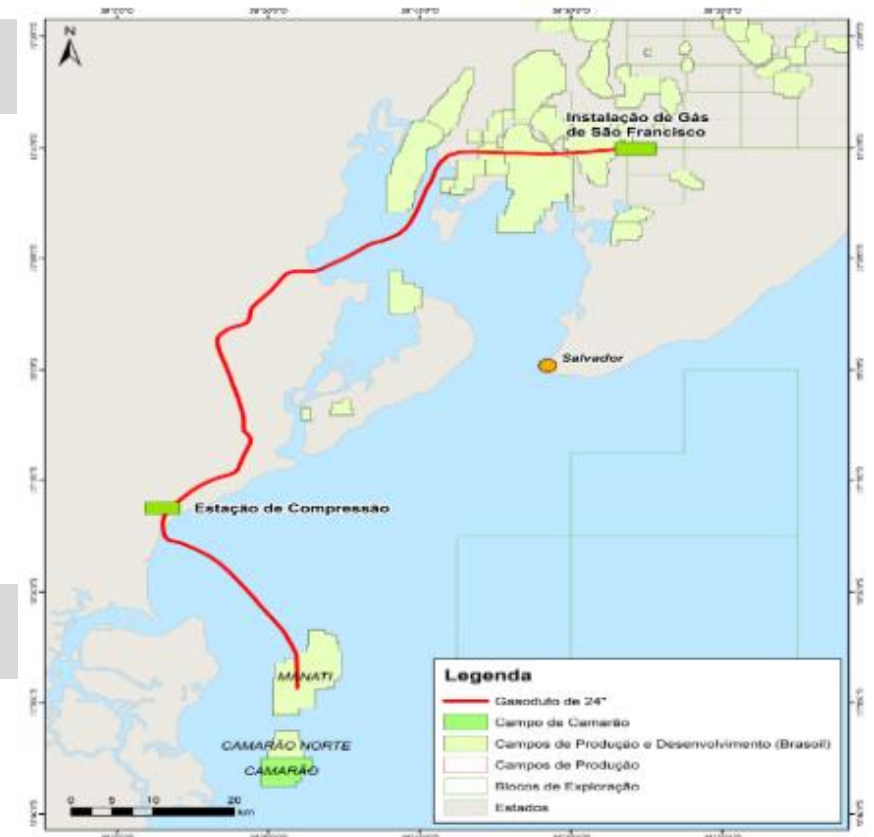
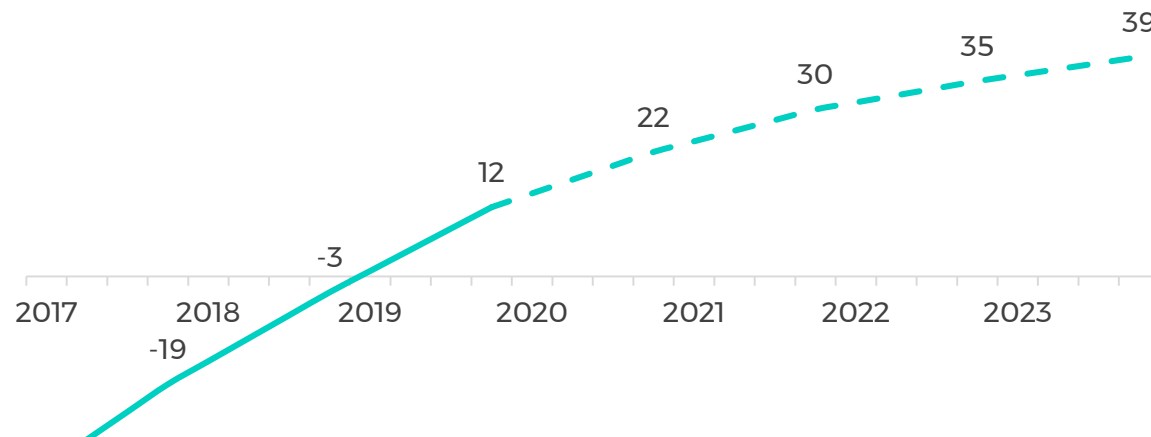
**2-year Payback  
and IRR of 66%**

# MANATI FIELD

## Natural Gas Producing Field

- ✓ Located in the Camamu-Almada basin, 65km from Salvador, Bahia
- ✓ Proved reserves of 3 million boe (net to Petrorio's 10% stake)
- ✓ "Take-or-pay" contract makes Company's cash flow predictable

## Manati Cumulative Cash Flow Since Acquisition (US\$ millions)



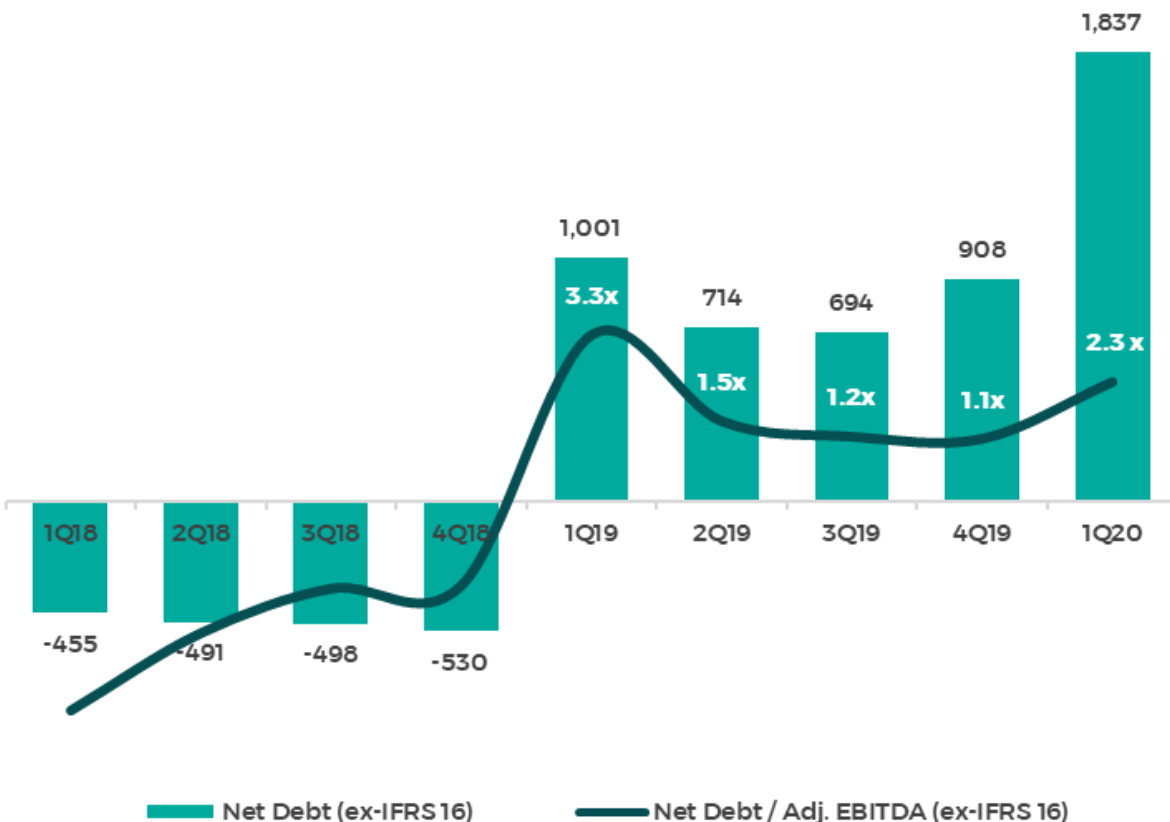
- ✓ 2-year payback and IRR of 66%



# FUNDING THE EXPANSION

# DELEVERAGING

Higher EBITDA stemming from recent acquisitions will enable leveraging



## Factors that affected Net Debt/EBITDA in 1Q20:

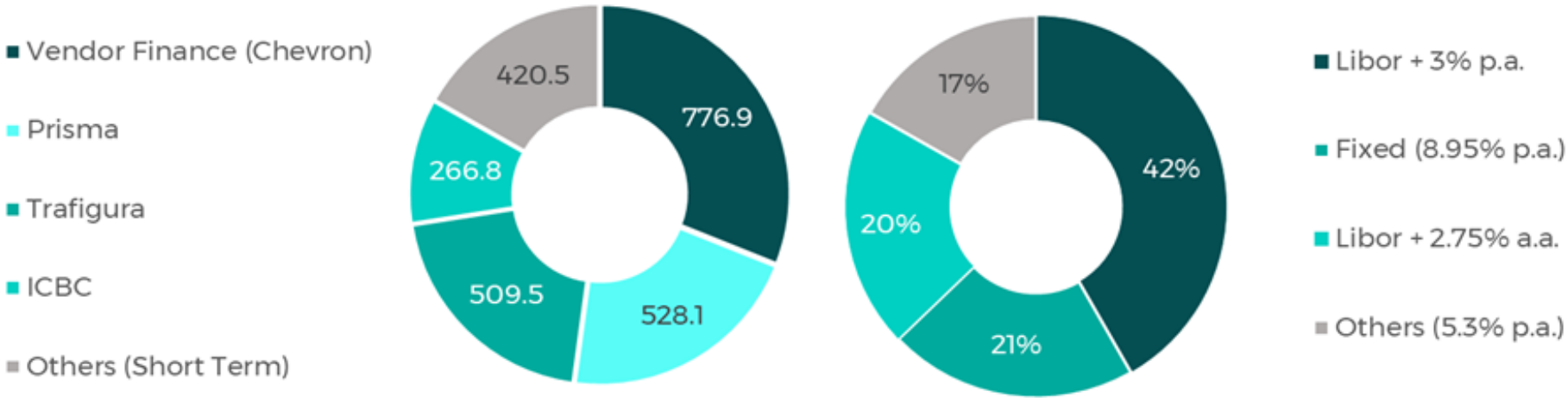
- > **R\$ 528.1 million** loan from Prisma has been entirely recorded in Q1 balance sheet, without its corresponding 12-trailing months' EBITDA as of March 31, 2020;
- > **R\$ 213.8 million** accounts receivable, due to the concentrated offtakes in late March;
- > The Company's net balance sheet items' FX variation has impacted the leverage negatively by **R\$ 159.7 million**;
- > The hedge contracts for the period, which resulted in the gain of **R\$ 206.6 million** has not been accounted for the 1Q20 cash position, due to its settlement in April.

Adjusting for these effects, Net Debt/EBITDA would have been approximately **0.8x**

# FUNDING

Funding towards the Company’s growth through acquisitions strategy and fields’ redevelopment

Loans and Funding (3Q19)  
(US\$ millions)



**Vendor Finance (Chevron)**  
US\$ 224 million  
2 year term  
Libor + 3% p.a.  
Paying for the asset using its own cash flow with vendor finance



**Prisma**  
US\$ 100 million  
4 month term  
8,95% p.a.  
*Bridge loan* for the OSX-3 FPSO and Tubarão Martelo deal  
Conversion into a long-term *Project Finance* according to contractual arrangements



**Trafigura**  
US\$ 47 million  
6 month term  
Libor + 2.75% p.a.  
Prepaid export



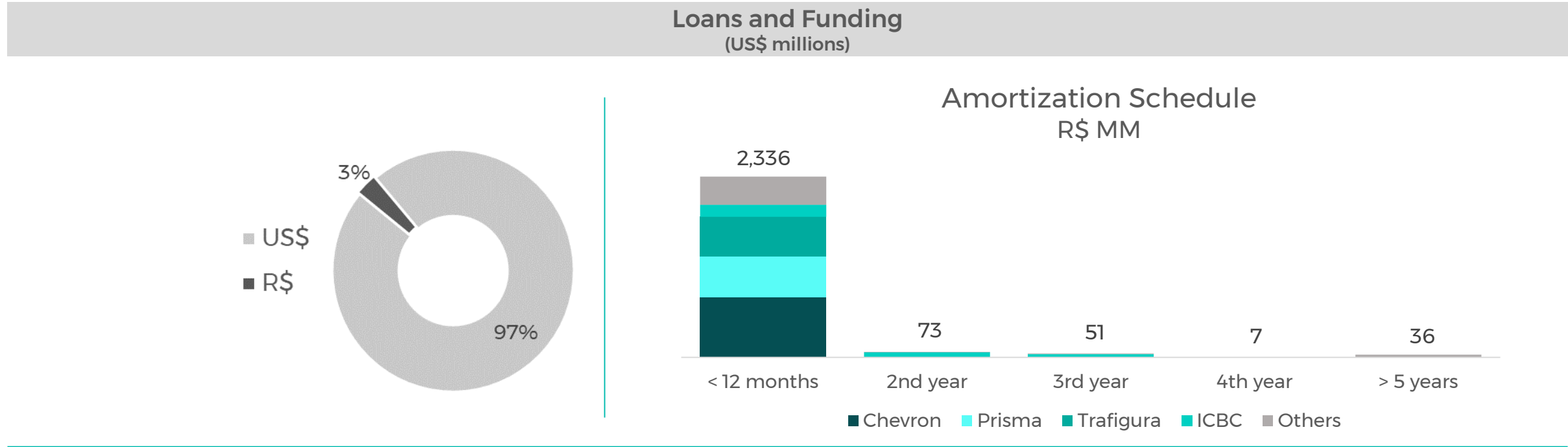
**PPE (ICBC)**  
US\$ 60 million  
4 year term  
Libor + 3% p.a.  
Guarantees Polvo’s production sales to PetroChina





# FUNDING

Funding towards the Company's growth through acquisitions strategy and fields' redevelopment



## Vendor Finance (Chevron)

US\$ 224 million  
2 year term  
Libor + 3% p.a.  
Paying for the asset using  
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## Prisma

US\$ 100 million  
4 month term  
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Guarantees Polvo's  
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# CONTACT

## Investor Relations

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# ANNEX I: INCOME STATEMENT (R\$ thousands)

	1Q19	1Q20	Δ	Ex-IFRS 16		
				1Q19	1Q20	Δ
<b>Net Revenue</b>	<b>139,431</b>	<b>223,162</b>	<b>60%</b>	<b>139,431</b>	<b>223,162</b>	<b>60%</b>
Cost of goods sold	(49,880)	(83,450)	67%	(68,271)	(118,299)	73%
Royalties	(14,233)	(32,228)	126%	(14,233)	(32,228)	126%
<b>Operatin Income</b>	<b>75,318</b>	<b>107,484</b>	<b>43%</b>	<b>56,927</b>	<b>72,635</b>	<b>28%</b>
General and administratie expenses	(20,375)	(38,958)	91%	(21,630)	(40,311)	86%
Other operating income (expenses)	306	164,804	53819%	306	164,804	53819%
<b>EBITDA</b>	<b>55,249</b>	<b>233,330</b>	<b>322%</b>	<b>35,603</b>	<b>197,128</b>	<b>454%</b>
<b>EBITDA margin</b>	<b>40%</b>	<b>105%</b>	<b>67 p.p.</b>	<b>26%</b>	<b>88%</b>	<b>65 p.p.</b>
Depreciation and amortization	(34,033)	(110,937)	226%	(16,297)	(83,887)	415%
Financial Results	(70,133)	(68,960)	-2%	(52,617)	23,944	n/a
<i>Hedge Income - Realized</i>	<i>(15,113)</i>	<i>206,615</i>	<i>n/a</i>	<i>(15,113)</i>	<i>206,615</i>	<i>n/a</i>
<i>Hedge Income - Marked to Market</i>	<i>(6)</i>	<i>134,572</i>	<i>n/a</i>	<i>(6)</i>	<i>134,572</i>	<i>n/a</i>
<i>Other financial income (expenses)</i>	<i>(55,014)</i>	<i>(410,147)</i>	<i>646%</i>	<i>(37,498)</i>	<i>(317,243)</i>	<i>746%</i>
Income and social contribution taxes	(4,761)	(8,890)	87%	(4,761)	(8,890)	87%
<b>Income (loss) for the period</b>	<b>(53,678)</b>	<b>44,544</b>	<b>n/a</b>	<b>(38,073)</b>	<b>128,296</b>	<b>n/a</b>
	1Q19	1Q20	Δ	1Q19	1Q20	Δ
(-) Other operating income (expenses)	306	164,804	53819%	306	164,804	53819%
(+) Hedge Income - Realized	(15,113)	206,615	n/a	(15,113)	206,615	n/a
<b>Adjusted* EBITDA (inc. Hedge)</b>	<b>39,830</b>	<b>275,141</b>	<b>591%</b>	<b>20,184</b>	<b>238,939</b>	<b>1084%</b>
<b>Adjusted EBITDA margin</b>	<b>29%</b>	<b>123%</b>	<b>94 p.p.</b>	<b>14%</b>	<b>107%</b>	<b>93 p.p.</b>

\*Adjusted EBITDA is calculated similarly to EBITDA, excluding the line item "Other Revenue/Expenses".

\*Adjusted EBITDA (inc. Hedge) is calculated including only the hedge of contracts exercised during 1Q20.

# ANNEX II: BALANCE SHEET (R\$ thousands)

ASSETS	4Q19	1Q20
Cash and cash equivalents	459,396	315,180
Securities	226,301	102,039
Restricted cash	52,223	243,609
Accounts receivable	374,598	213,830
Oil inventories	122,571	162,981
Consumable inventories	5,373	7,582
Derivative Financial Instruments	9,354	350,930
Recoverable taxes	116,773	136,036
Advances to suppliers	52,154	54,760
Advances to partners	25,590	68,147
Prepaid expenses	10,333	8,062
Other receivables	223	-
<b>Total Current assets</b>	<b>1,454,889</b>	<b>1,663,156</b>
<b>Non-current assets available for sale</b>	<b>-</b>	<b>-</b>
	<b>1,454,889</b>	<b>1,663,156</b>
Advances to suppliers	12,596	12,596
Deposits and pledges	31,170	28,012
Recoverable taxes	32,384	32,382
Deferred taxes	153,644	189,182
Right-of-use (Lease CPC 06.R2 IFRS)	503,350	500,280
Property, plant and equipment	2,477,793	3,468,033
Intangible assets	817,962	967,290
<b>Total non-current assets</b>	<b>4,028,899</b>	<b>5,197,775</b>
<b>Total Assets</b>	<b>5,483,788</b>	<b>6,860,931</b>

LIABILITIES	4Q19	1Q20
Suppliers	129,727	157,451
Labor obligations	39,359	40,457
Taxes and social contributions	83,244	56,691
Loans and financing	1,151,599	2,331,204
Debentures	-	-
Advances from partners	40	-
Contractual Charges (Lease IFRS 16)	211,293	248,399
Other liabilities	12,356	19
<b>Total current liabilities</b>	<b>1,627,618</b>	<b>2,834,221</b>
Suppliers	13,233	13,640
Loans and financing	493,977	166,495
Debentures	-	-
Provision for abandonment (ARO)	909,513	855,827
Provision for contingencies	70,320	76,006
Deferred taxes and social contributions	147,522	179,808
Contractual Charges (Lease IFRS 16)	340,792	377,059
Other liabilities	1,685	1,704
<b>Total non-current liabilities</b>	<b>1,977,042</b>	<b>1,670,539</b>
<b>Minority Interest</b>	<b>759</b>	<b>979</b>
Realized capital	3,316,411	3,326,998
Capital reserves	118,991	116,282
Other comprehensive income	153,958	574,364
Accumulated losses	(2,342,903)	(1,706,996)
Income (loss) for the period	631,912	44,544
<b>Total shareholders' equity</b>	<b>1,878,369</b>	<b>2,355,192</b>
<b>Total liabilities and shareholders' equity</b>	<b>5,483,788</b>	<b>6,860,931</b>