

CORPORATE PRESENTATION

DECEMBER 2019

PetroRio



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BM&FBOVESPA **IBRA**

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DISCLAIMER

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.

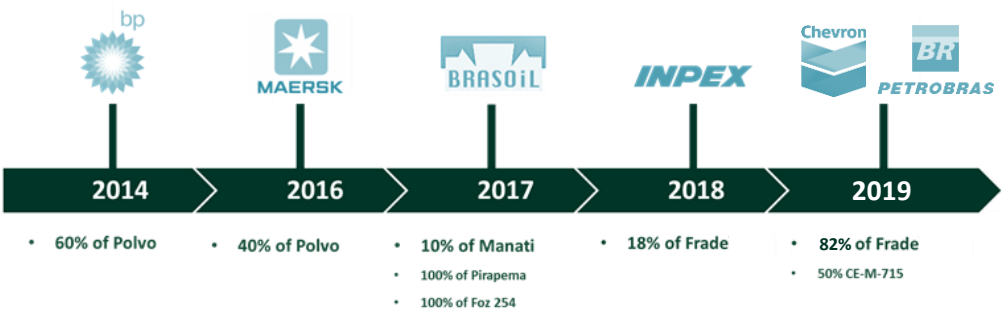
The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this presentation are made as of the date of this presentation. Except as required by applicable securities laws, we do not undertake to update 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 **operational efficiency**
- **Experienced technical team** - Qualification as an A-Operator granted by ANP
- **Successful track record** in Polvo Field: to be replicated in Frade and new M&A prospects
- **Well positioned to attract capital** (Leverage potential; Governance level “*Novo Mercado*”; Canada Reporting Issuer)

M&A Timeline



Financial Highlights

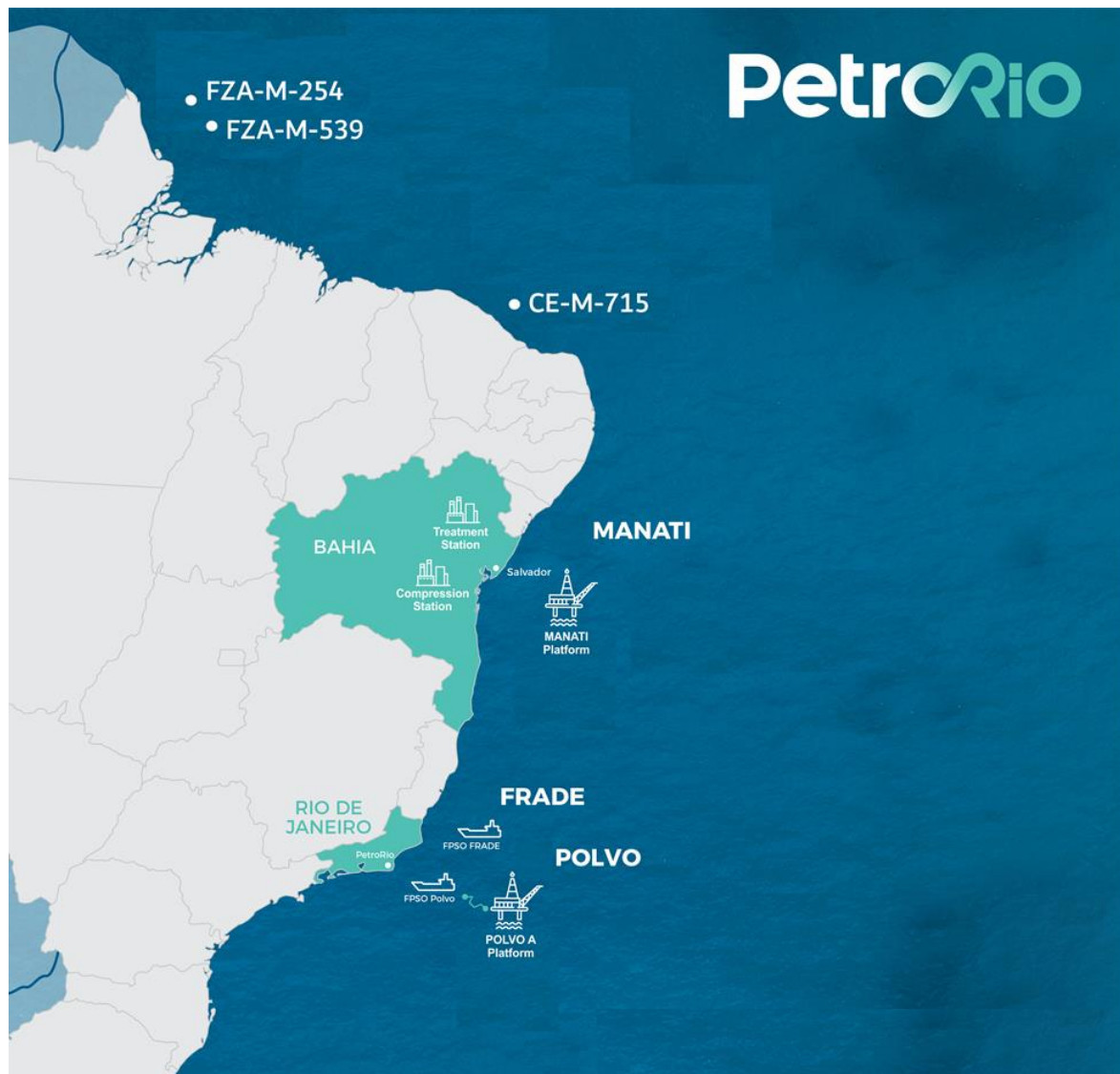
	9M18	9M19
Revenue	US\$ 159 million	US\$ 277 million
EBITDA	US\$ 51 million	US\$ 116 million
Net profit	US\$ 38 million	US\$ 29 million

Socio-environmental Responsibility

- **Environmental Education Projects (PEA)** involves local communities in monitoring the environmental impacts of oil and gas exploration activity;
- PetroRio sponsors **Instituto Reação**, an NGO created by Olympic medalist Flávio Canto, which encourages social inclusion through the practice of judo;
- The Company is a sponsoring partner of **Teatro PetroRio das Artes**, encouraging cultural activities and social inclusion projects of various genres.



EXECUTIVE SUMMARY



Assets Overview

	Frade	Polvo	Manati	PetroRio
Operator	PetroRio	PetroRio	Petrobras	-
Working Interest	100%	100%	10%	-
1P Reserves (Mboe) ^{(1) (4)}	57,222	14,147	3,140	74,509
2P Reserves (Mboe) ^{(1) (4)}	88,696	20,548	3,277	112,521
Production (boepd) ^{(2) (4)}	19,650	7,800	2,800	30,250
Water Depth	1300m	100m	80m	-
Capex per new well ⁽³⁾	US\$ 75M	US\$ 15M	-	-
% of total production	65.0%	25.8%	9.3%	-
Abandonment Forecast (1P) ⁽¹⁾	2032	2025	2025	-

1 - D&M Certification Report - 12/31/2018

2 - November/2019

3 - Company Estimates

4 - Proportional to PetroRio's interest (100% Polvo; 100% Frade; 10% Manati)

PetroRio

VALUE CREATION STRATEGY

PETRORIO SEEKS LONG-TERM GROWTH THROUGH THE ACQUISITION AND REDEVELOPMENT OF PRODUCING O&G FIELDS

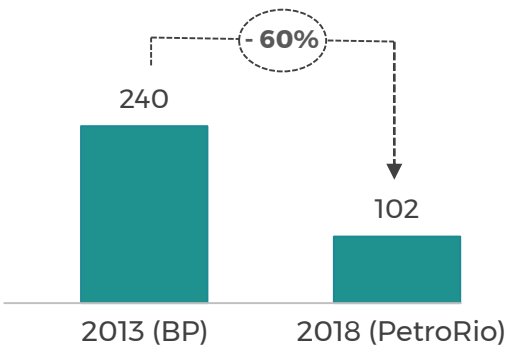
The Company creates value by increasing its asset’s production potential through well management, in-field and near-field development, while carrying out cost reduction measures aiming at increasing margins and extending the economic life of its fields.

1

COST REDUCTION

- **Significant cost reduction (60%)** compared to the previous Operator
- Lean **Overhead**

Polvo’s Operational Cost - USD MM

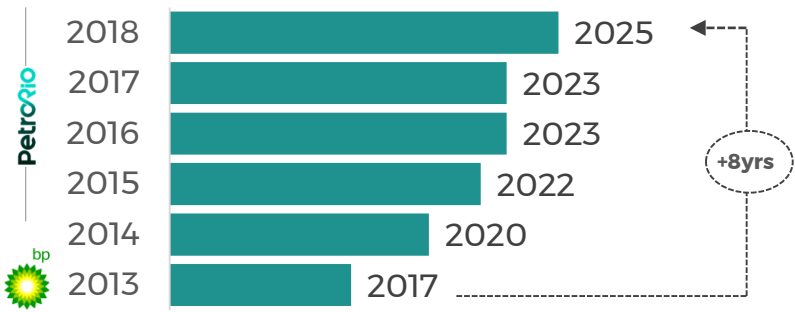


2

ENHANCED OIL RECOVERY

- **Meticulous reservoir management**, extending the asset’s economic life
- Interventions and drillings

Polvo’s estimated decommissioning Timeline (1P)



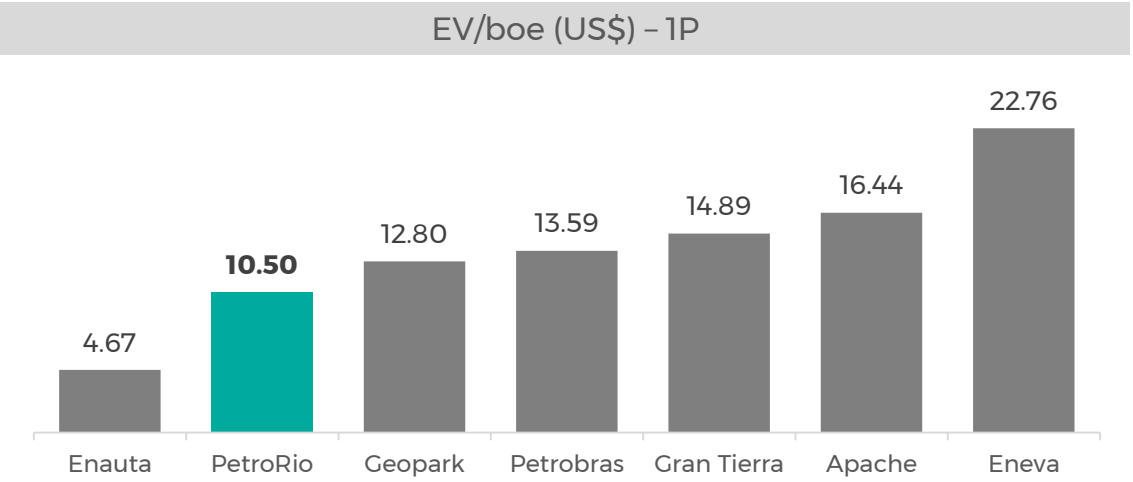
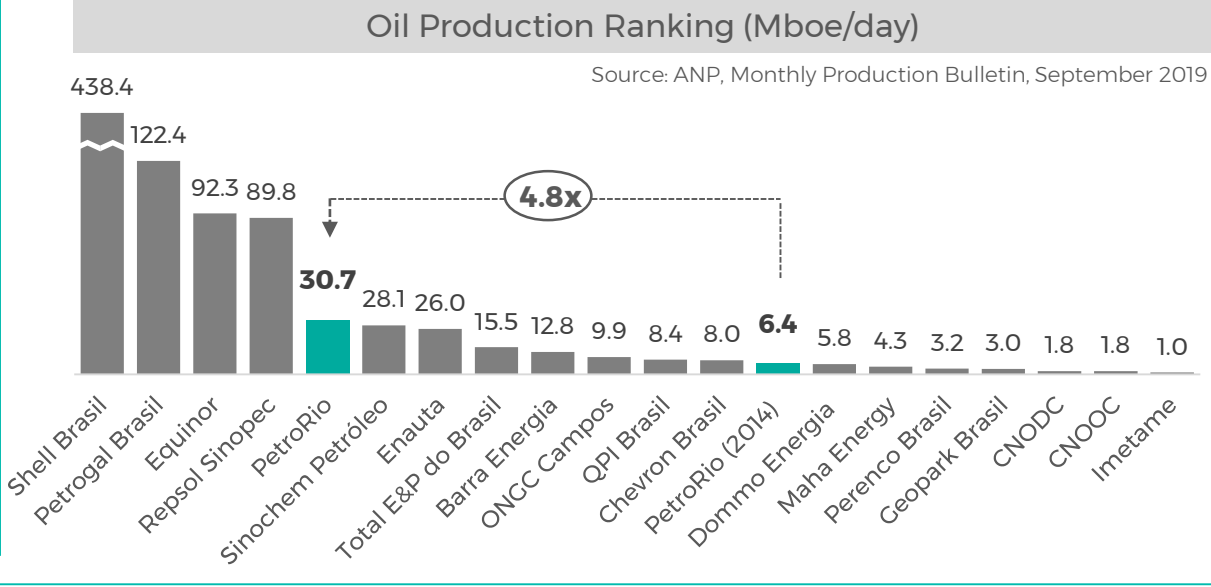
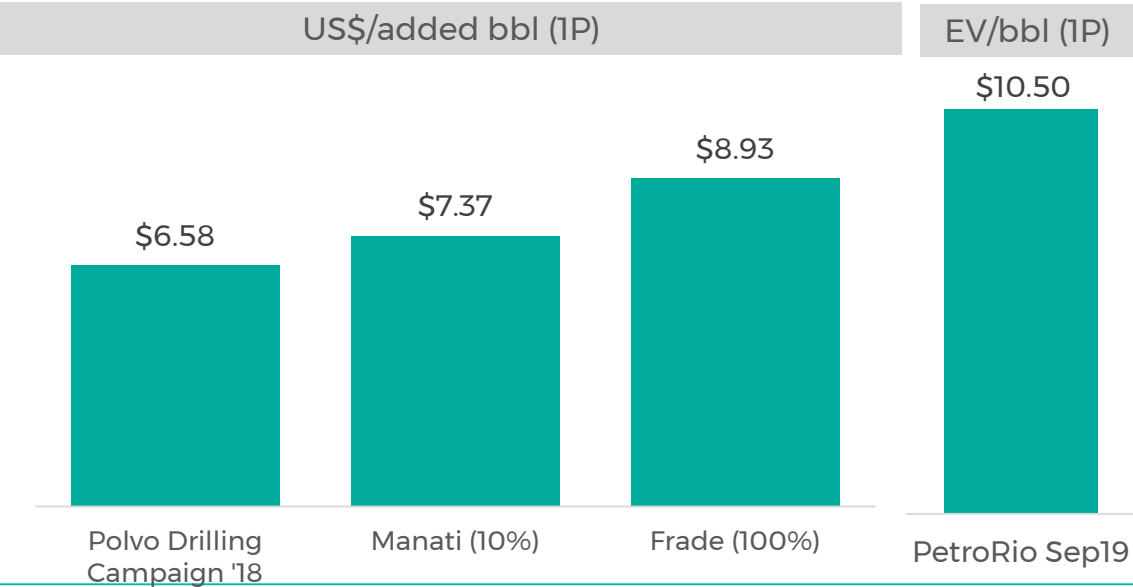
3

FOCUS

- Increased operational efficiency to 98%
- Assets seen as “small” by Majors receive **special attention from PetroRio**



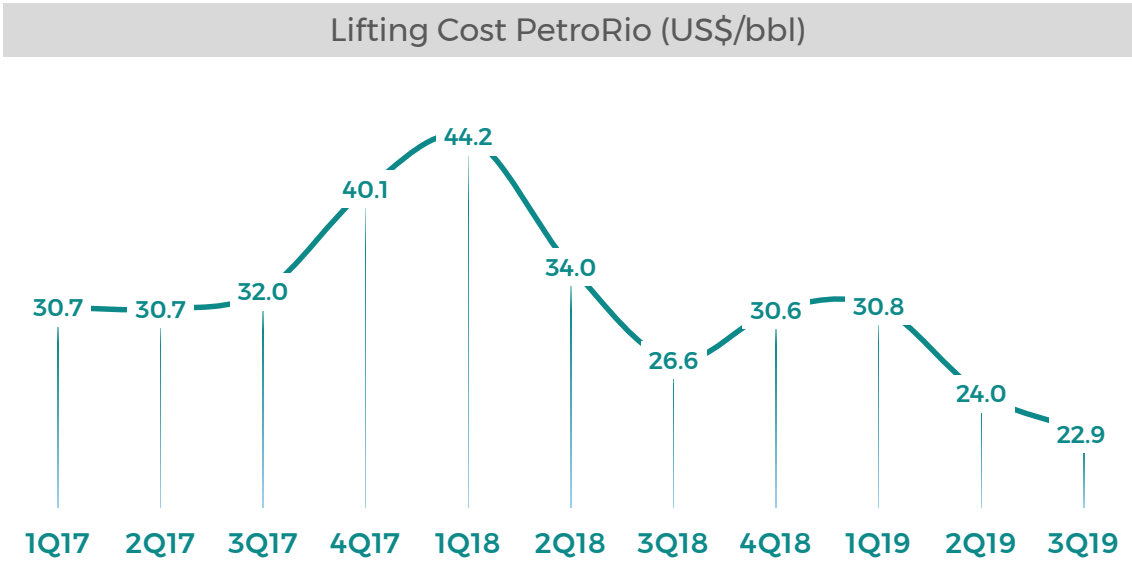
DELIVERING GROWTH



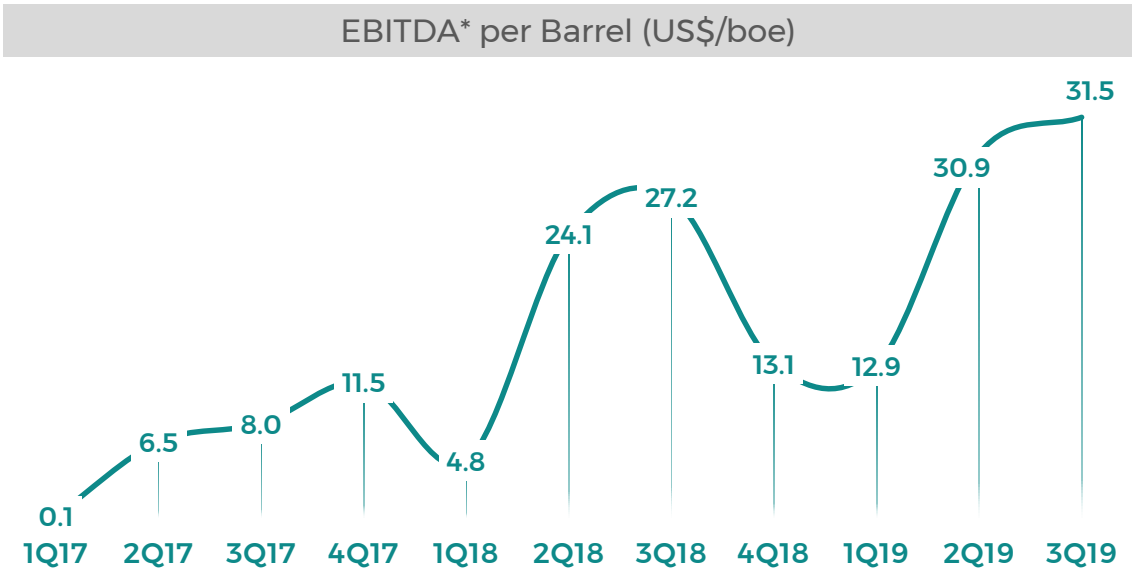
- Adding reserves at attractive prices, creating value through aquisitions and investments
- Greater representation in Brazilian production
- Inexpensive valuation versus peers



INCREASING FREE CASH FLOW



Improved **Lifting cost** is a result of the incorporation of Frade's production and synergies between Frade and Polvo.

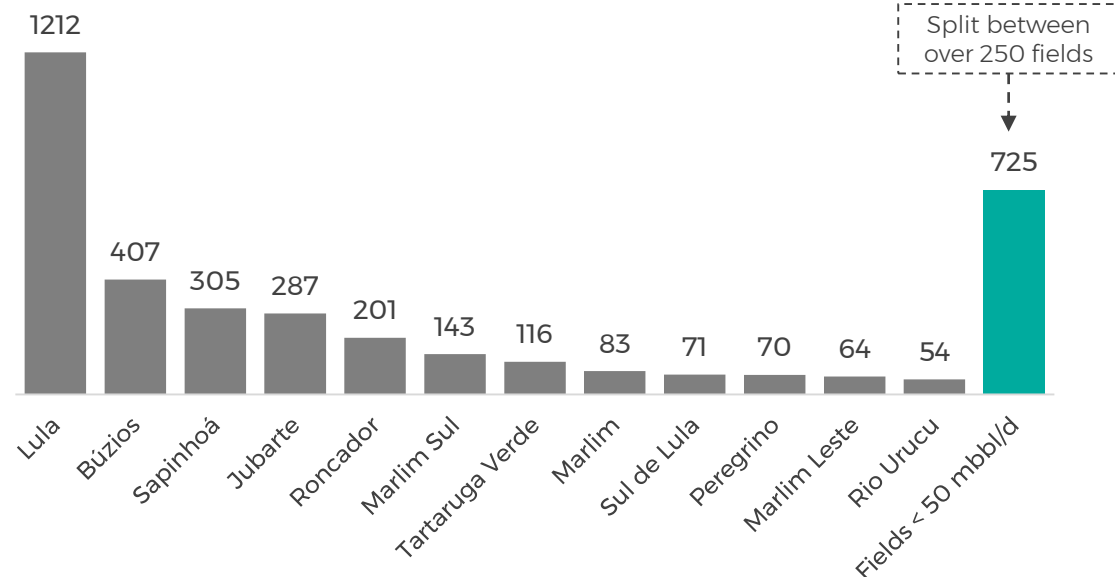


Higher **EBITDA** per barrel leaves PetroRio well positioned for its M&A strategy.

MARKET OPPORTUNITIES

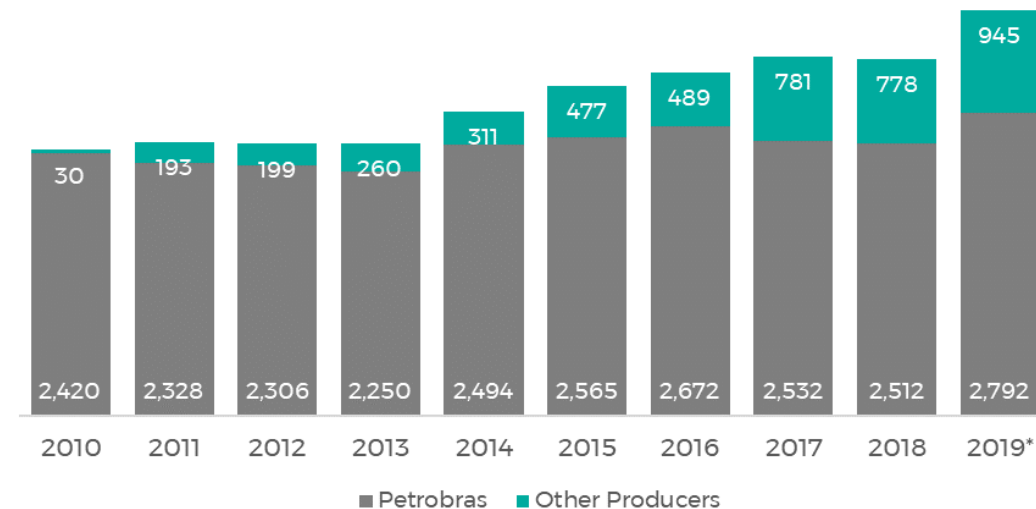
Production per field (Mboe/d)

Source: ANP, Monthly Production Bulletin, September 2019



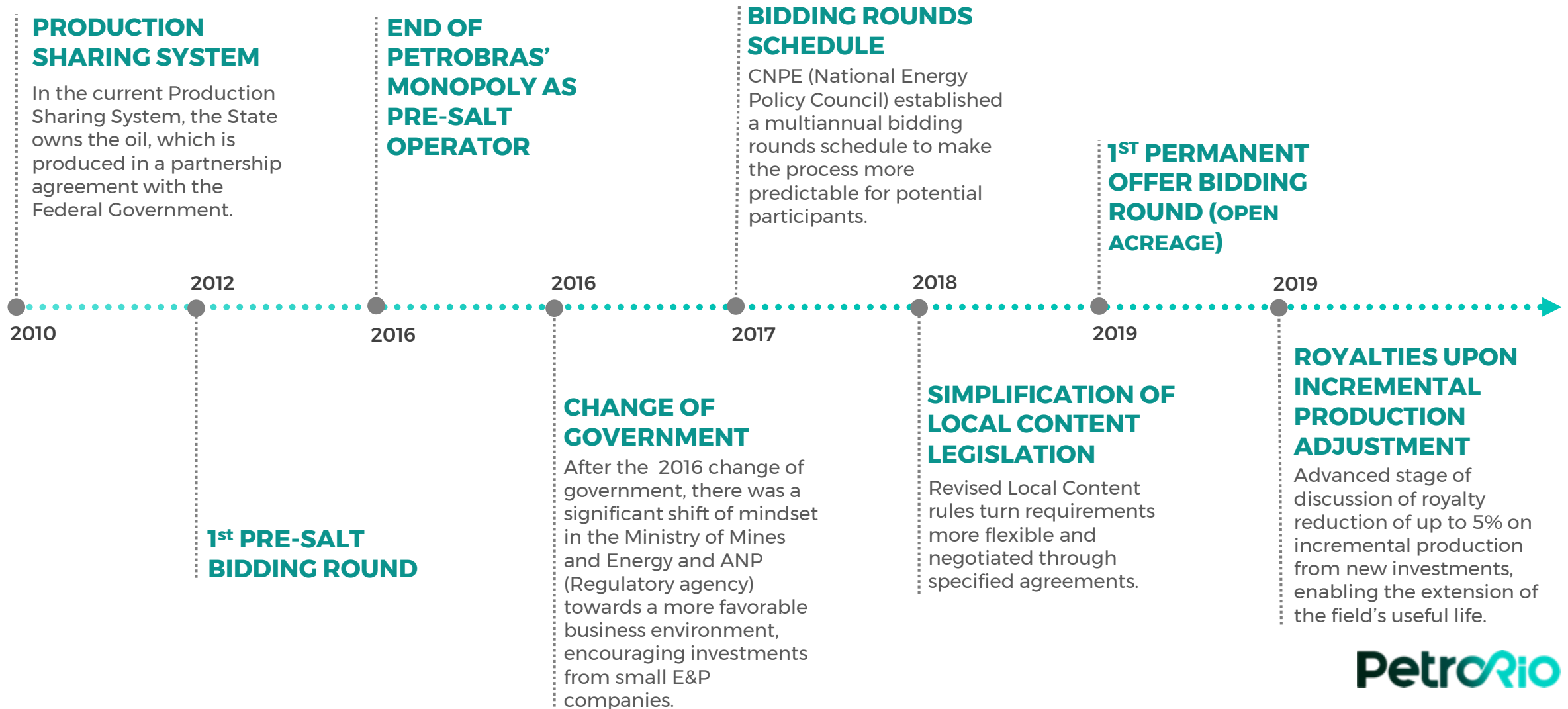
Total Production - Brazil (Mboe/d)

Source: ANP, Monthly Production Bulletin, September 2019



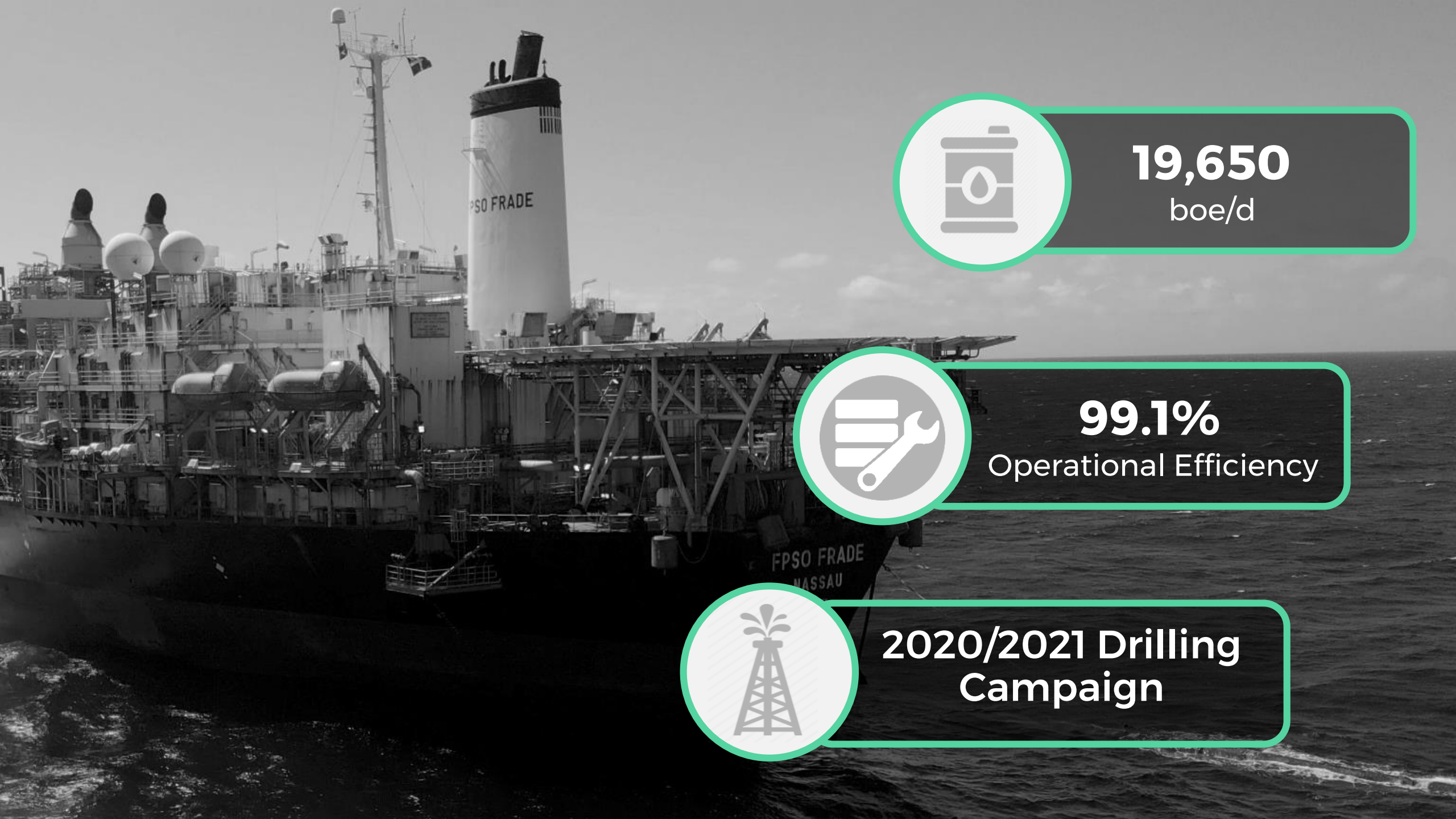
- ✓ ~700 Mboe per day from fields producing under **50 Mboe per day** – within the Company's M&A niche
- ✓ Regulatory scenario encourages Petrobras to reduce its participation in Brazilian production, making room for new players and acquisitions

FAVORABLE REGULATORY FRAMEWORK



FRADE FIELD

100% WORKING INTEREST



19,650
boe/d

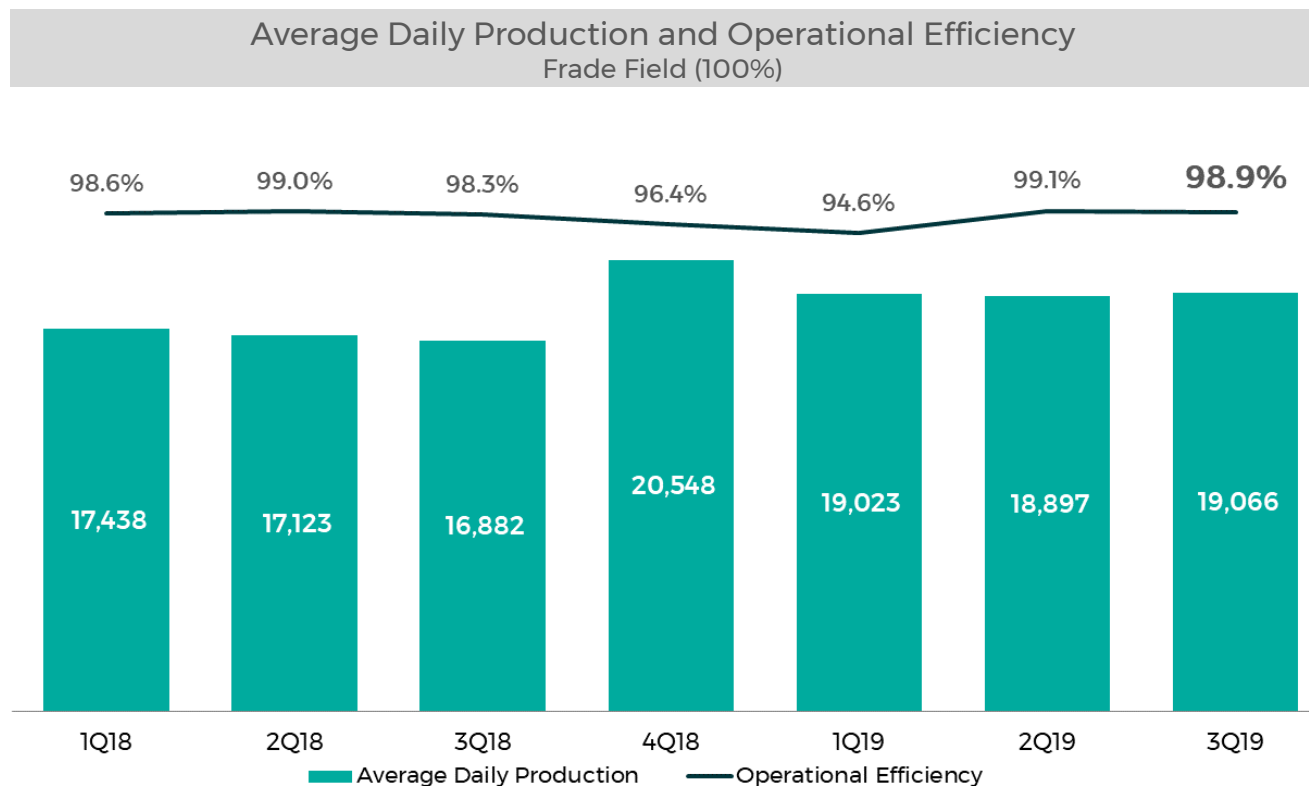


99.1%
Operational Efficiency



**2020/2021 Drilling
Campaign**

OPERATIONAL EFFICIENCY



> Short-term measures (completed)

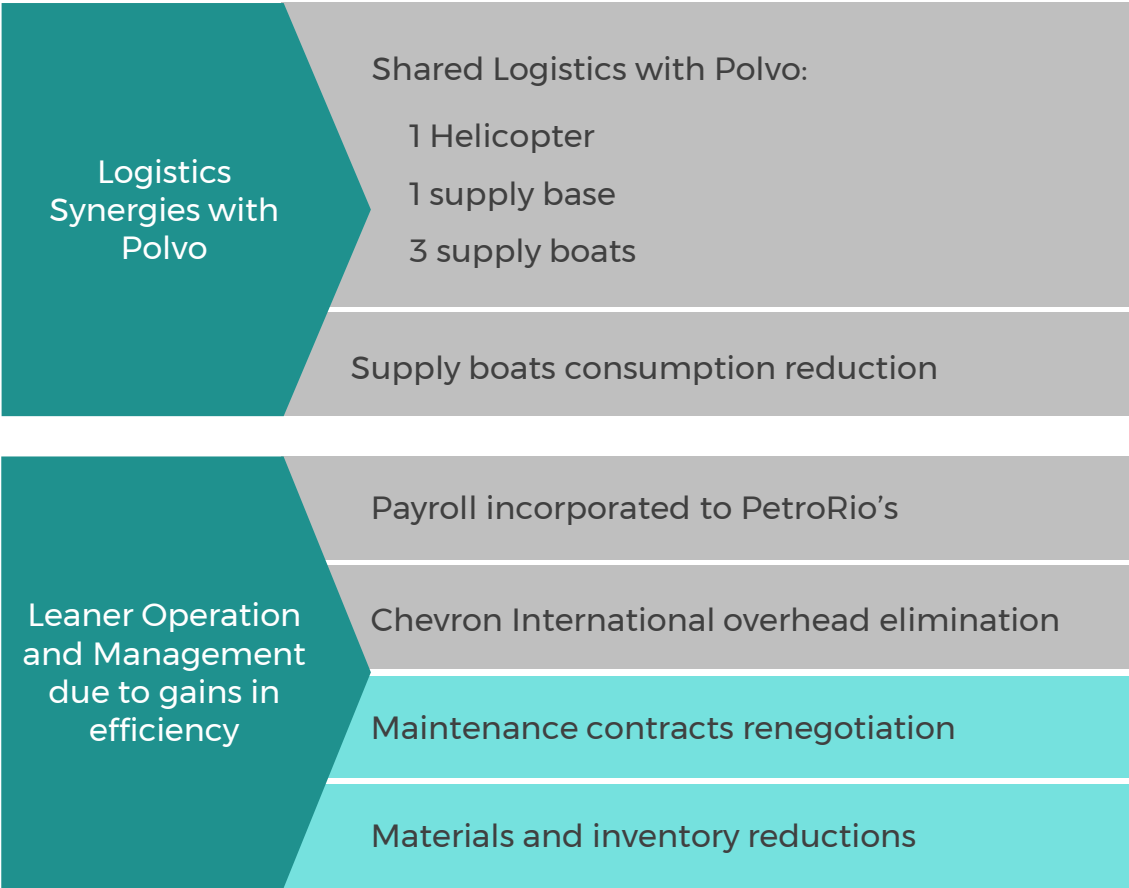
- 1) Gas injection
- 2) Well re-opening with hydrates
- 3) Initiatives to improve reservoir management and drainage

> Medium-term measures (ongoing)

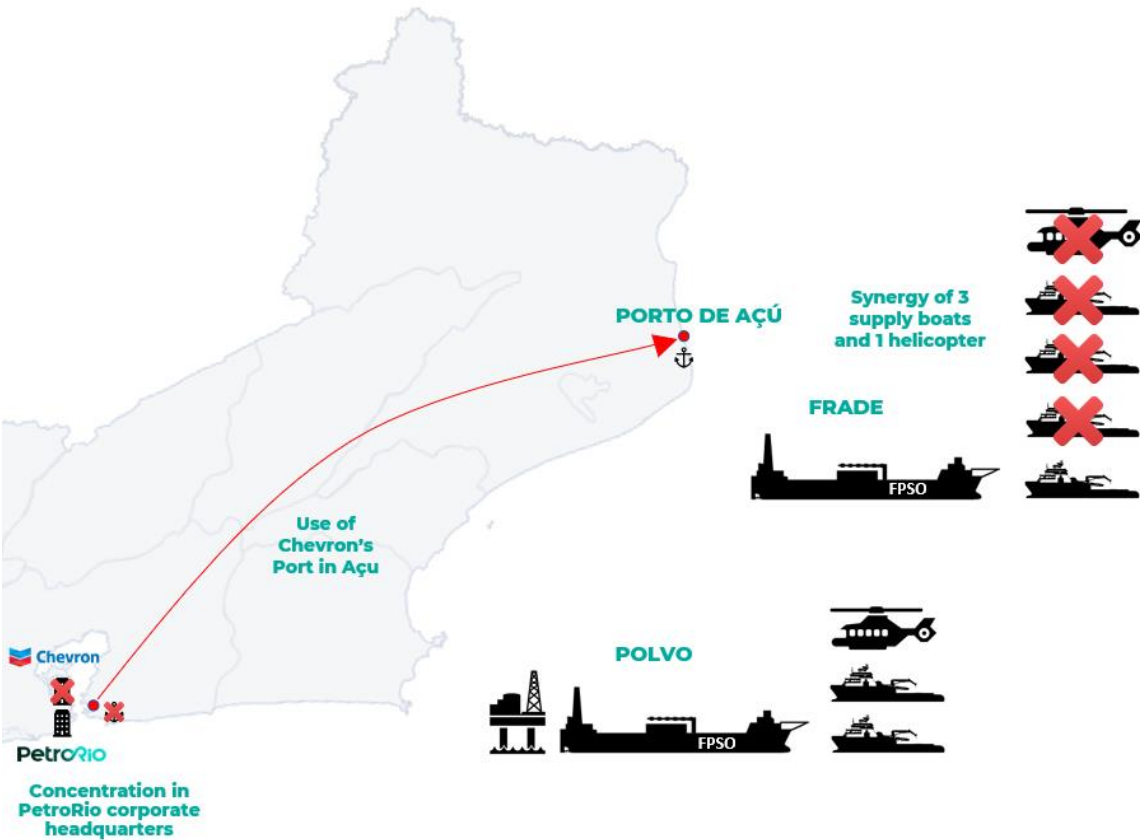
- 3) Water Shutoff / RPM
- 4) Well stimulation

SHORT-TERM: COST REDUCTIONS

Short-term reductions: low effort, high impact

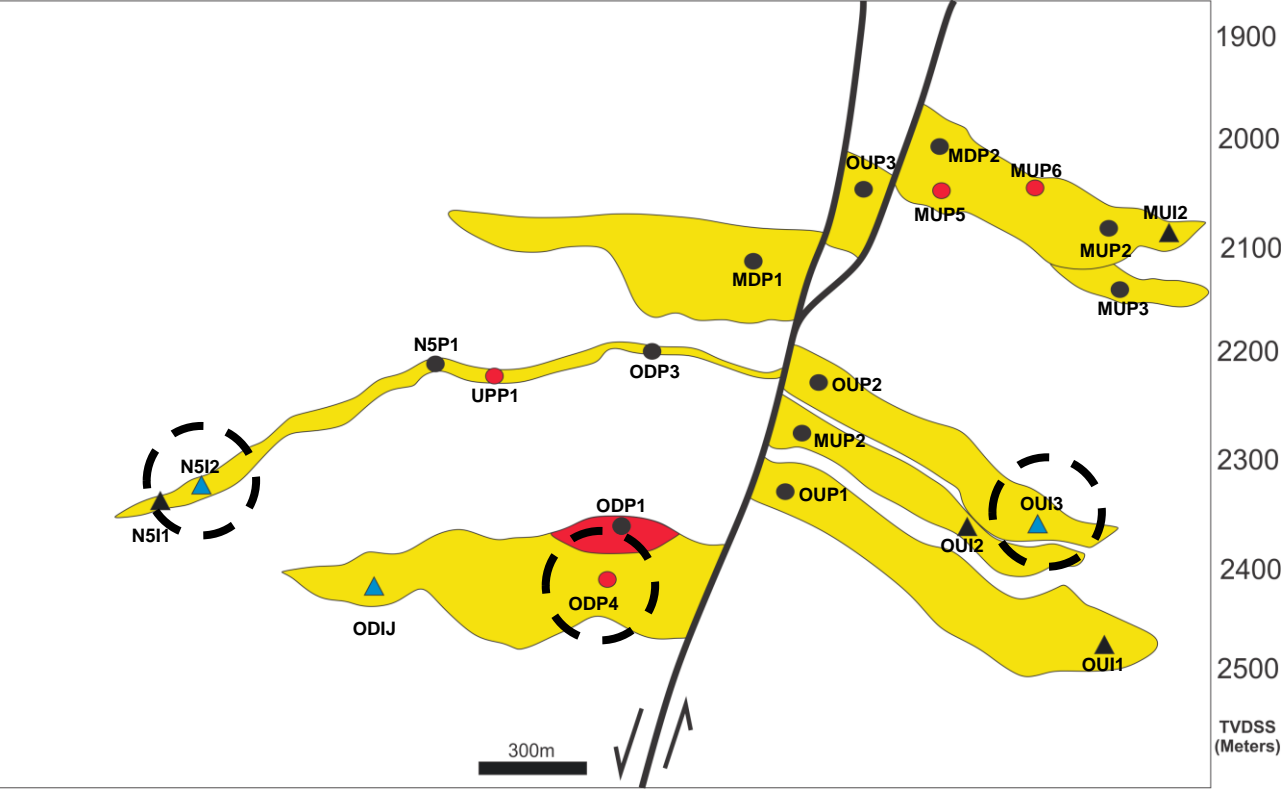


■ Completed
■ Ongoing



MEDIUM-TERM: 2020/2021 DRILLING CAMPAIGN

FRADE RESERVOIRS



FRADE'S REVITALIZATION PLAN

- ✓ Global project – 4 producers and 3 injectors
- ✓ Phased drillings
- ✓ Average Cost per well: US\$ 75 MM

- Current producers
 - ▲ Current injectors (disabled)
 - Scheduled producers
 - ▲ Scheduled injectors
- = 1st phase (3 wells)

POLVO FIELD

100% WORKING INTEREST



7,800
boe/d



98.5%
Operational Efficiency

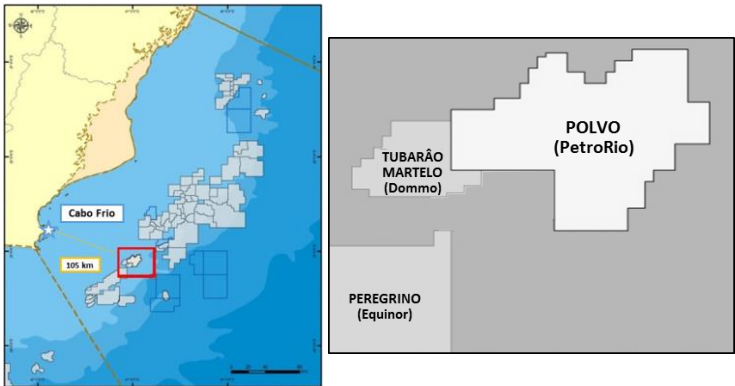


**2019 Drilling Campaign
underway**

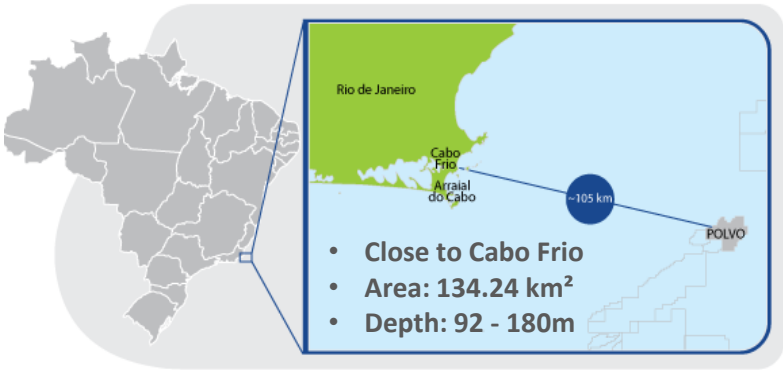


OVERVIEW POLVO FIELD - 100% PETRORIO

Campos Basin



Polvo field



Export Destination

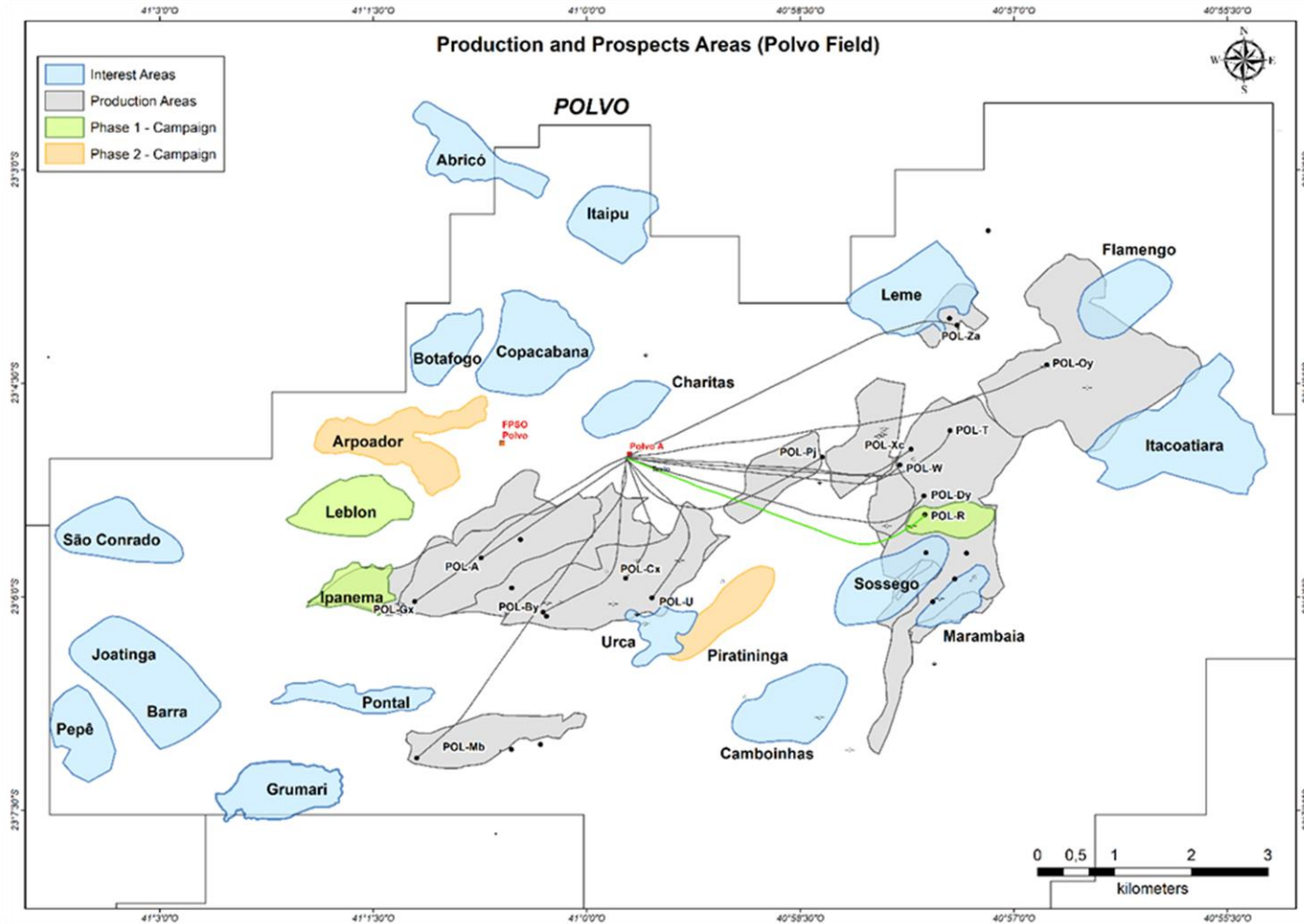


Reserves

POLVO FIELD'S RESERVES	OIL (million bbl)
Proved (1P)	14.1
Proved + Probable (2P)	20.5
Proved + Probable + Possible (3P)	30.1

Source: D&M Certification Report - 12/2018

POLVO DRILLING CAMPAIGN - 2019



REVITALIZATION PLAN PHASE 3

- Increase in scope for first stage:
1 workover; 1 recompletion; 2 wells
- 2 months for each well drilled
- Initial investment of approximately
US\$ 20 million for the first stage

MANATI NATURAL GAS FIELD

10% WORKING INTEREST



2,800
boe/d



Steady and predictable cash-flow

“Take-or-pay” contract with Petrobras



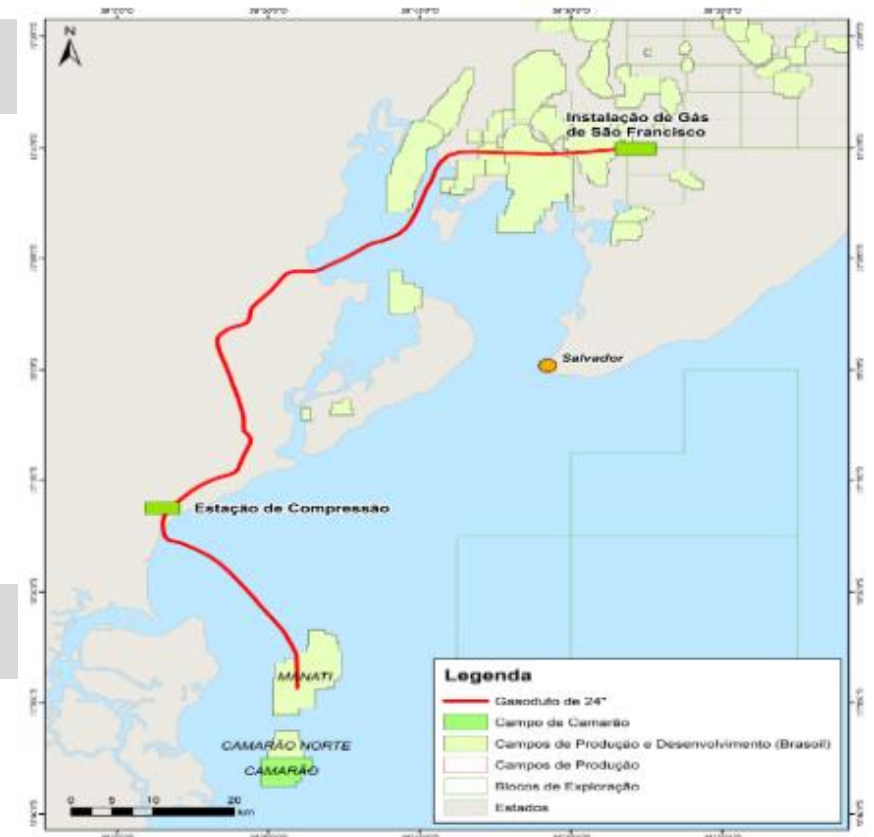
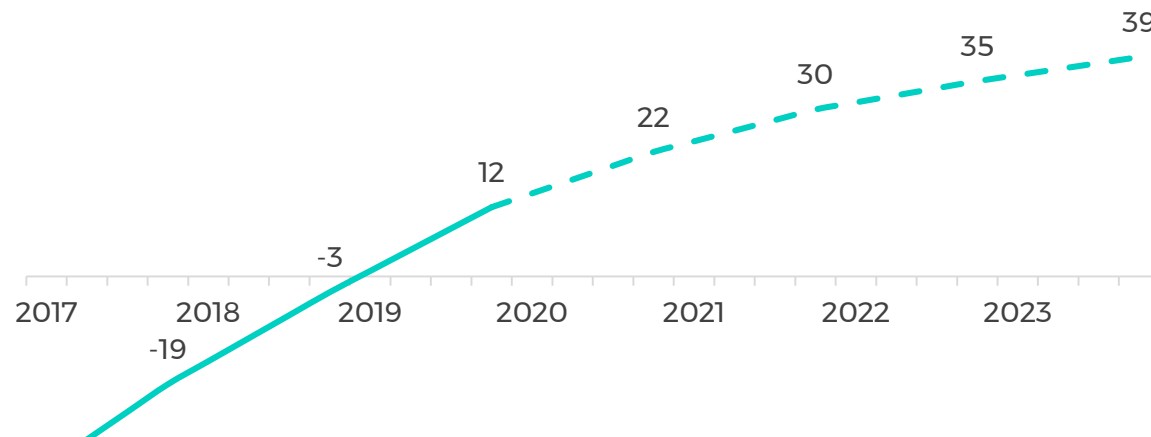
**2-year Payback
and IRR of 66%**

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%

EXPLORATORY ASSETS



Pirapema/FZA-M-539 (100% PetroRio)

- Natural Gas Discovery in Foz do Amazonas basin
- Two drilled wells
- Gas reserves estimates of up to 18 Bm³ expandable to 28 Bm³
- Depth: 130m



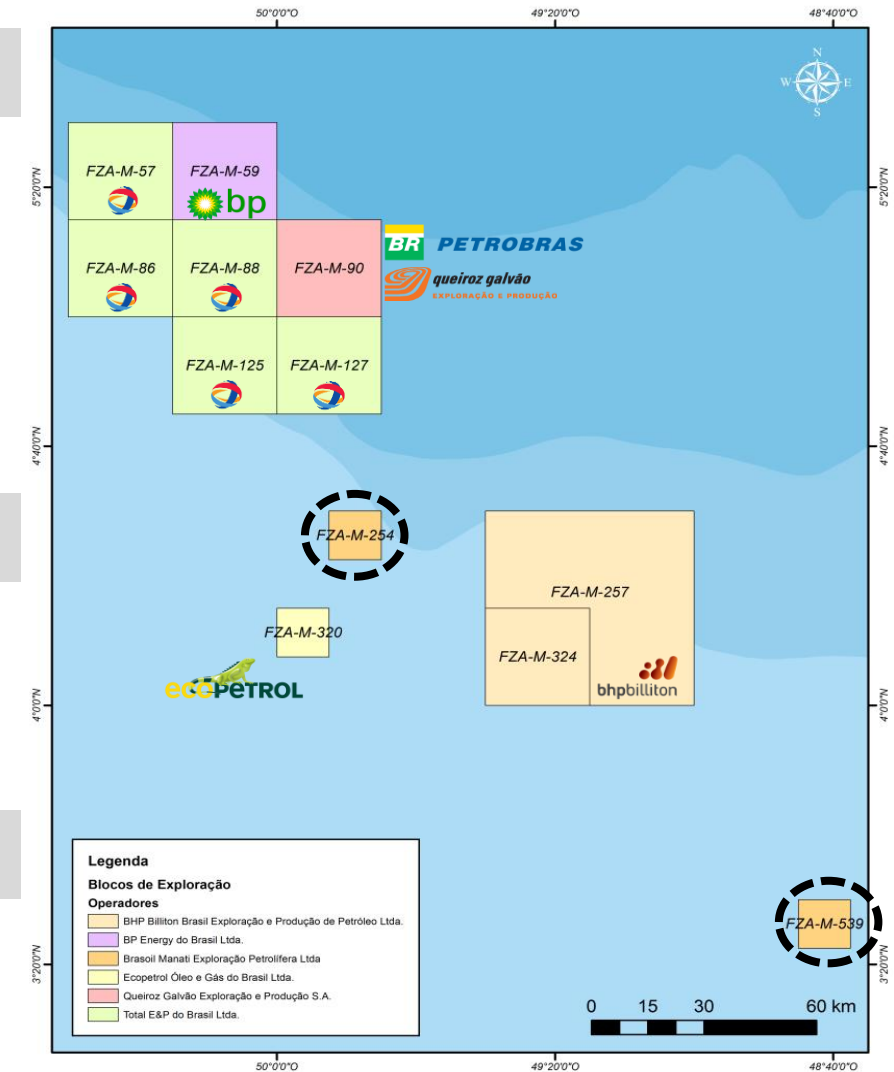
FZA-M-254 (100% PetroRio)

- Oil asset
- Ongoing studies for potential assessment and drilling campaign



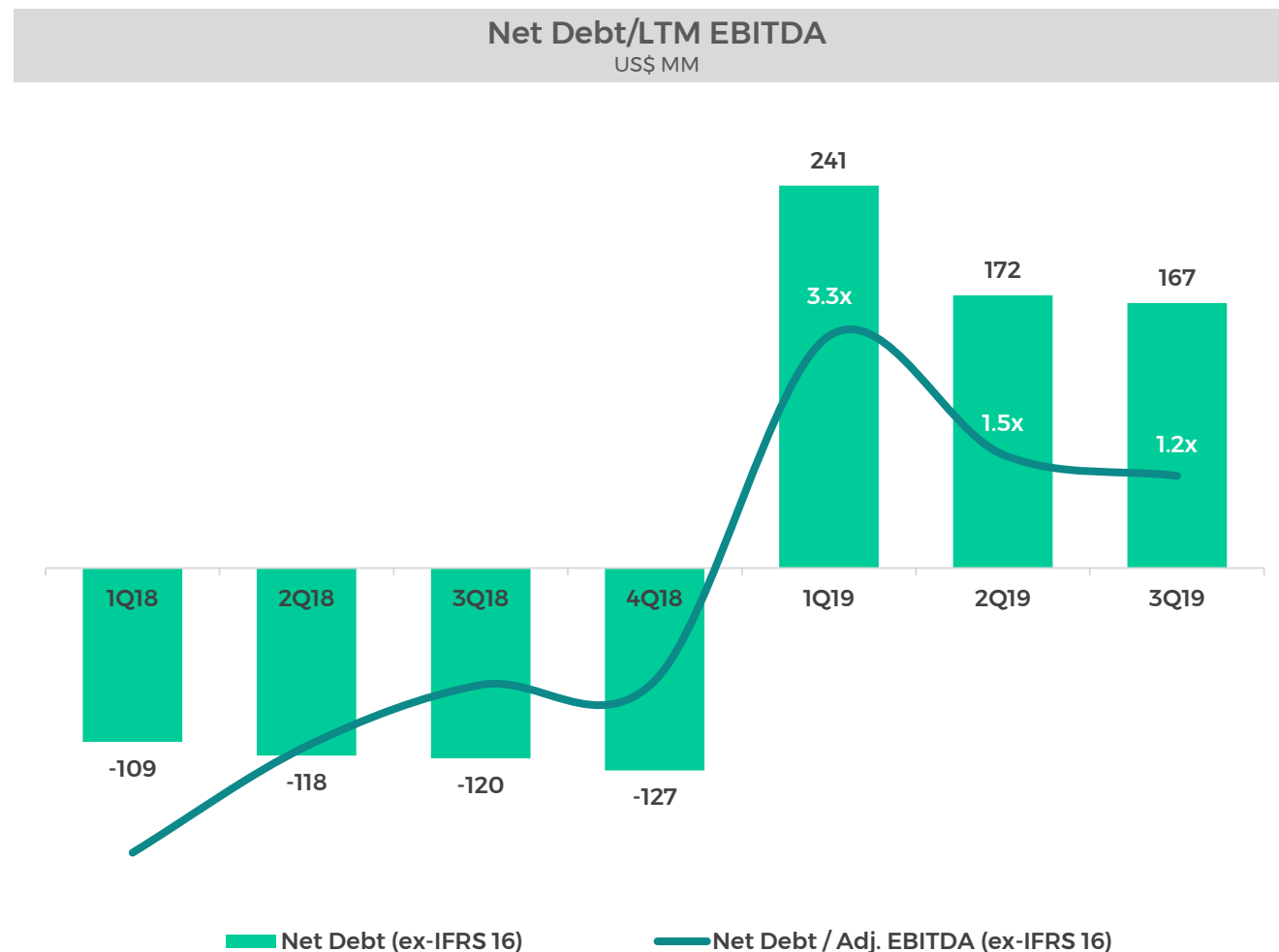
CE-M-715 (50% PetroRio)

- Oil asset
- Ongoing studies for potential assessment and drilling campaign



FUNDING THE EXPANSION

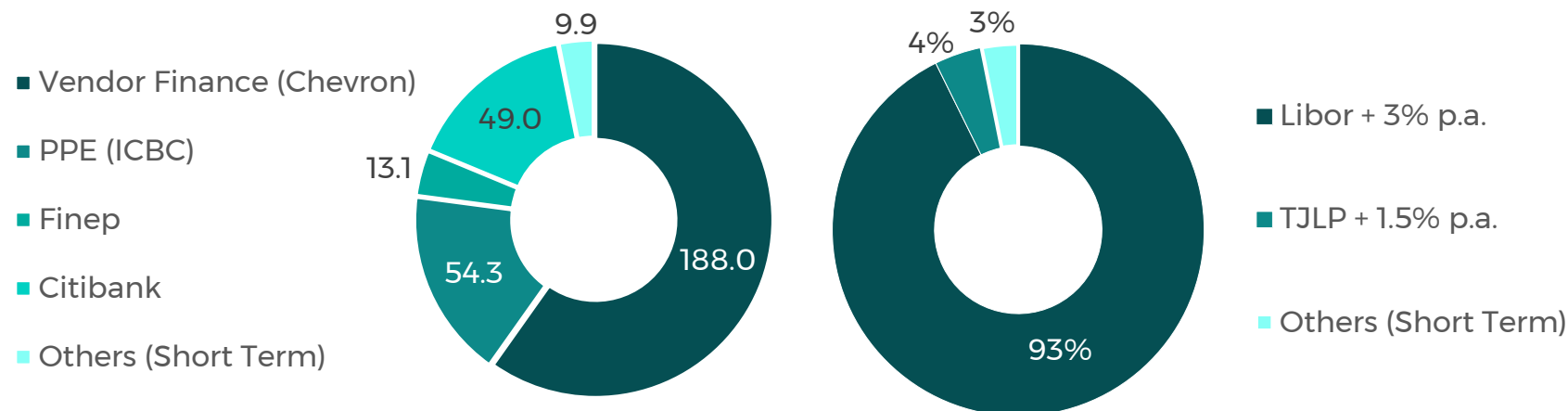
DELEVERAGING



1.2x **net debt/EBITDA** leverage takes into account all debt incurred with Frade's acquisition, although only 6 months of the asset's free cash flow.

FUNDING

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



PPE (ICBC)

US\$ 60 million
4 year term
Libor + 3% p.a.
Guarantees Polvo
production sales to
PetroChina



Finep

R\$ 90 million
2.5 year grace period
10 year term
TJLP + 1.5% p.a.

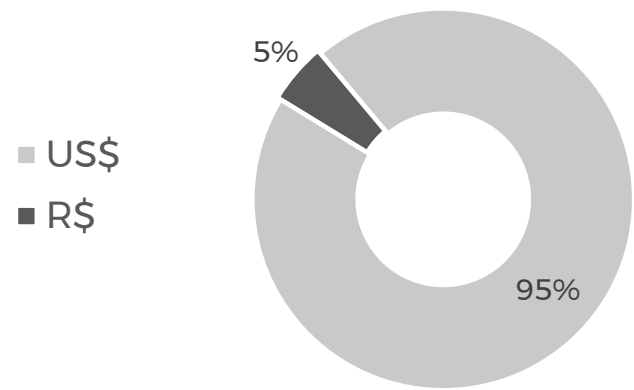


Citibank

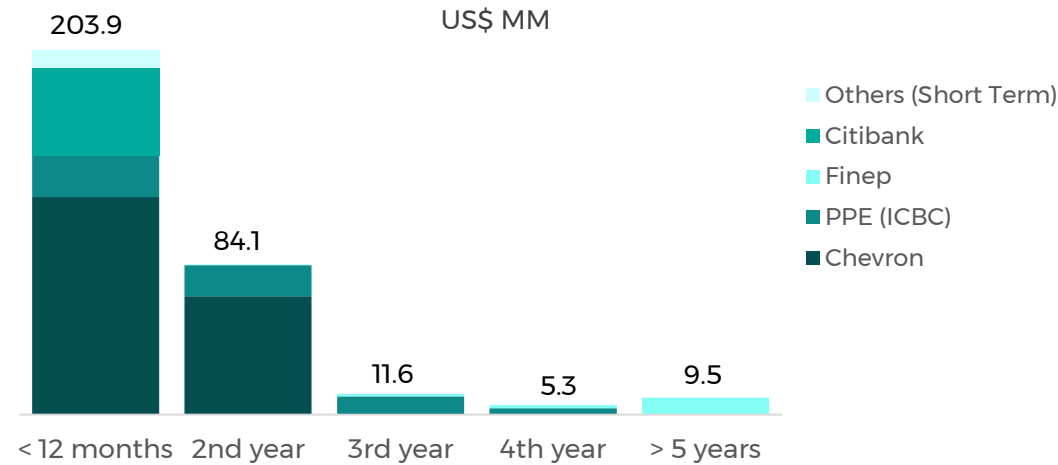
US\$ 48 million
4 month term
Libor + 3% p.a.
Working capital

FUNDING

Loans and Funding
(US\$ millions)



Amortization Schedule
US\$ MM



Vendor Finance (Chevron)

US\$ 224 million
2 year term
Libor + 3% p.a.
Paying for the asset using
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ANNEX I: INCOME STATEMENT (US\$ thousands)

							Includes IFRS 16 from January 1, 2019	
	3Q18	Ex-IFRS 3Q19	Δ	9M18	Ex-IFRS 9M19	Δ	3Q19	9M19
Net revenue	56,860	100,515	77%	159,429	277,279	74%	100,515	277,279
Cost of goods sold	(19,571)	(30,533)	56%	(68,911)	(100,428)	46%	(22,677)	(75,335)
Royalties	(4,534)	(8,142)	80%	(12,598)	(24,396)	94%	(8,142)	(24,396)
Operatin income	32,755	61,841	89%	77,919	152,455	96%	69,696	177,549
General and administrative expenses	(5,822)	(7,465)	28%	(21,774)	(21,727)	0%	(7,129)	(20,732)
Other operating income (expenses)	(4,026)	(6,704)	67%	(4,848)	(14,932)	208%	(6,704)	(14,932)
EBITDA	22,907	47,672	108%	51,297	115,796	126%	55,863	141,885
EBITDA margin	40%	47%	7 p.p.	32%	42%	10 p.p.	56%	51%
Depreciation and amortization	(5,676)	(22,922)	304%	(18,434)	(34,314)	86%	(30,024)	(57,678)
Financial Results	7,377	(24,793)	n/a	12,141	(42,032)	n/a	(43,756)	(64,427)
Income and social contribution taxes	(6,519)	(183)	-97%	(6,512)	(10,549)	62%	(183)	(10,549)
Income (loss) for the period	18,088	(226)	n/a	38,493	28,900	-25%	(18,101)	9,231
	3Q18	Ex-IFRS 3Q19	Δ	9M18	Ex-IFRS 9M19	Δ	3Q19	9M19
Adjusted EBITDA*	26,933	54,376	102%	56,145	137,366	145%	62,567	156,817
Adjusted EBITDA margin	47%	54%	7 p.p.	35%	47%	11 p.p.	62%	57%

Figures are in USD using free FX translation.

*Adjusted EBITDA excludes "Other revenues/expenses"

ANNEX II: BALANCE SHEET (US\$ thousands)

ASSETS	Dez/18	Set/19
Cash and cash equivalents	38,527	86,279
Securities	160,946	60,578
Restricted cash	2,907	3,029
Accounts receivable	8,733	20,684
Oil inventories	14,176	30,200
Consumable inventories	521	1,207
Derivative Financial Instruments	-	1,316
Recoverable taxes	16,753	18,001
Advances to suppliers	9,487	10,461
Advances to partners	731	8,685
Prepaid expenses	415	2,244
Other receivables	51	409
Total Current assets	253,246	243,094
Non-current assets available for sale	6,645	6,867
	259,891	249,962
Advances to suppliers	3,149	3,028
Deposits and pledges	4,905	6,589
Recoverable taxes	6,428	4,858
Deferred taxes	2,085	2,287
Right-of-use (Lease CPC 06.R2 IFRS)	-	222,657
Property, plant and equipment	11,323	363,628
Intangible assets	96,486	235,551
Total non-current assets	124,375	838,598
Total Assets	384,266	1,088,560

LIABILITIES	Dez/18	Set/19
Suppliers	18,315	31,185
Labor obligations	3,731	8,680
Taxes and social contributions	9,253	13,668
Loans and financing	55,609	203,872
Debentures	77	2,253
Advances from partners	1,698	31
Contractual Charges (Lease IFRS 16)	-	50,188
Other liabilities	4,065	-
Total current liabilities	92,747	309,878
Suppliers	3,353	3,232
Loans and financing	6,430	110,496
Debentures	7,810	-
Provision for abandonment (ARO)	17,178	170,548
Provision for contingencies	4,360	8,337
Deferred taxes and social contributions	578	490
Contractual Charges (Lease IFRS 16)	-	190,236
Other liabilities	161	437
Total non-current liabilities	39,870	483,776
Minority Interest	-	365
Realized capital	818,279	795,011
Capital reserves	14,546	27,441
Other comprehensive income	4,551	26,287
Accumulated losses	(636,944)	(563,198)
Income (loss) for the period	51,219	9,000
Total shareholders' equity	251,649	294,541
Total liabilities and shareholders' equity	384,266	1,088,560



Figures are in USD using free FX translation.