



## Market Cap

R\$ 424 Million

## Closing Price

August 14, 2014  
HRTP3 R\$ 14.25

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## Q2 14 Conference Call

August 15, 2014  
Webcast: [www.hrt.com.br/ir](http://www.hrt.com.br/ir)

### Portuguese

11 a.m. (BRA)  
10 a.m. (NYC)  
Tel: +55 (11) 3193 1001  
+55 (11) 2820 4001  
Password: HRT

### English

10 a.m. (NYC)  
11 a.m. (BRA)  
Tel: +1 (786) 924 6977  
Toll Free (USA): +1 (888) 700 0802  
Password: HRT

The teleconference will be held in Portuguese, with simultaneous translation into English

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# Q2 14

Earnings  
Release

August 14th, 2014

# HRT – 2nd QUARTER 2014 EARNINGS RESULTS

Rio de Janeiro, August 14, 2014 – HRT Participações em Petróleo S.A. – “HRT”, “HRTP” or “Company” (BM&FBovespa: HRTP3 and TSX-V: HRP) announces its results for the second quarter of 2014 (“Q2 14”). Unless otherwise indicated, the financial and operational information below is presented on a consolidated basis and stated in thousands of Brazilian Reals (R\$) according to the International Financial Reporting Standards (IFRS), including our direct subsidiaries: HRT O&G Exploração e Produção de Petróleo Ltda., Integrated Petroleum Expertise Company – Serviços em Petróleo Ltda., HRT Africa Petróleo S.A., and HRT America Inc., and their respective subsidiaries and branches.

## Q2 14 HIGHLIGHTS AND SUBSEQUENT PERIOD

- Net revenue of R\$138 million, Gross Income of R\$55 million, EBITDA of R\$34 million with Margin of 25% and Net Income of R\$10 million;
- Oil and gas production in the Polvo Field without stoppage and workover underway to enhance the production in a well previously abandoned;
- Approval of the Reverse Split process;
- Effectiveness of the Provisional Presidential Decree 651/14 that refers to the exemption of income tax on the sale of shares of small and medium-sized companies;
- Signing of an agreement with Maersk for the acquisition of a 40% working interest (“WI”) in the Polvo Field, turning HRT the holder of a 100% WI, after ANP’s approval;
- ANP’s approval of the request for reconsideration filed by HRT O&G on the extension of the second period of the exploration phase for Block SOL-T-195, in Solimões;
- ANP’s approval of the assignment of a 6% WI and the transfer of operating activities in the Solimões Basin from HRT to Rosneft Brasil;
- Signing of a Memorandum of Understanding for the study of alternatives to the Solimões’ Gas Monetization with HRT, Rosneft and Petrobras.

## MANAGEMENT REPORT

Following the results of the previous quarter, HRT has concluded this first half with a free cash flow of R\$365 million, closing its accounts with a net revenue of R\$281 million, gross income of R\$78 million, EBITDA of R\$70 million and net income of R\$11 million, as a debt-free company at the end of the period.

In its new line of growth, the Company has established a goal of minimum free cash exceeding USD100 million, thus assuring the focus on the sustainability of its businesses, seeking new efficiency mechanisms every day, which allow to reduce costs and increase the Company's revenues. The agreements completed these last months with Rosneft, in Solimões, and with Maersk, in the Polvo Field, are the basis of the HRT's new philosophy in the coming periods.

As for Namibia, we continue seeking the farm down, with the intention to attract major global oil companies to evaluate our assets and enter into a partnership with HRT. Negotiations underway are concentrated on the reduction of HRT's risk exposure, the correct assessment and measurement of information and discoveries, as well as obtaining larger exploration periods in licenses before the Namibian Government.

HRT's 2014 strategy has been tirelessly implemented, including determined efforts into cost reduction, focus on operating results, cash generation and protection, investment recovery in fixed assets, including the execution of the divestment plan, in addition to the search for strategic partners in exploration assets and assessment of new opportunities of acquisition of oil and gas producing assets.

HRT, free of conflicts and with new Board of Directors' and Fiscal Council's members, follows the strategy to diversify its portfolio and acquire new production assets, seeking to increase its production level and the lifespan of the production profile, with a consequent increase of revenues, results and cash generation.

With that, I would like to emphasize my pleasure to report the second successive quarter of positive operating results, for HRT and its shareholders, from the oil production in the Polvo Field, with a high level of operating and financial efficiency. The results obtained in this quarter encourage us to go on developing HRT and constantly seeking new business and assets opportunities, in addition to the adjustment of corporate risks and the strengthening of our financial position.

Milton Romeu Franke  
CEO of HRT

## CORPORATE GOVERNANCE

At the beginning of the second quarter of 2014, the Board of Directors resolved to cease the existence of the Chief Technical Officer position at the HRT's organizational chart. In light of that, the Chief Executive Officer, Mr Milton Romeu Franke, became to accumulate the relevant position, besides the one of President of the wholly-owned subsidiary, HRT O&G Exploração e Produção de Petróleo Ltda. ("HRT O&G"), managing the Exploration and Production technical departments.

On April 30, 2014, the Company held an Annual Shareholders' Meeting ("ASM") and, in accordance with the agenda, it was approved, by majority votes of shareholders in attendance, the following matters:

- i. The Executive Board's accounts, the Management Annual Report, the Company's Financial Statement and the Independent Auditor's Opinion, related to the fiscal year ended December 31, 2013;
- ii. The allocation of results at the fiscal year ended December 31, 2013;
- iii. The establishment of the overall annual compensation of the Company's management for the fiscal year 2014;
- iv. The installation of the Company's Fiscal Council, establishment of the compensation of its members and the election of Messrs Elias de Matos Brito, Roberto Portella and Gilberto Braga, as full members, and Messrs Ronaldo dos Santos Machado, Anderson dos Santos Amorim and Luiz Alberto Pereira de Matos, as alternate members; and
- v. Not changing the official newspaper for the Company's publications and the determination of the publishing of a Notice to the Shareholders.

In the second half of June, the Board of Directors approved the creation of the Chief Legal Officer position for HRT, given the amount and relevance of ongoing matters and the need of an executive full-time dedicated to the Company. It was unanimously approved the appointment of Mr Ricardo Wagner Carvalho de Oliveira.

HRT held a Special Shareholders' Meeting ("SSM") on June 13, on first call, and on June 24, on second call, at which were approved, by majority votes of those in attendance, the following matters:

- i. The change of the Company's headquarters;
- ii. The ratification of the Company's capital increase, due to the exercise of stock options and subscriptions bonus, in an amount equivalent to 4,335,996 new shares, in the total amount of R\$ 11,420,758.80;
- iii. The Company's common shares on a Reverse Split basis;
- iv. The amendment to the head provision of article 5 of the Company's By-laws, to reflect the new capital stock;
- v. The approval of the reform of the By-laws; and
- vi. The restatement of the Company's By-laws.

The reverse split of the Company's common shares was performed at the rate of 10 common shares for 1, pursuant to article 12 of Law 6,404/76, including also the reverse split of Global Depositary Shares ("GDSs") of the Company, at the rate of 10 GDSs for 1, maintaining the proportion currently in force of 2 GDSs for one common share.

The Company's proposal to effect the reverse split was in line with the understanding that a target price equal to or exceeding R\$ 10 protects the Company from being affected by high fluctuations in percentage, resulting from low fluctuations in stock prices, as per inquiry made and indications received from the BM&FBOVESPA.

Additionally, the Company's proposal to perform the reverse split was equally in line with the new regulations for the Listing of Issuers and Admission of Securities for Trading (*Regulamento para Listagem de Emissoras e Admissão à Negociação de Valores Mobiliários*) presented by BM&FBOVESPA in February 2014, developed with the purpose of upgrading and streamlining the relationship of issuers with BM&FBOVESPA and market participants. This regulation will become effective in August 2014.

The shareholders (common shares and GDSs holders) had until August 1, at their own discretion, to sell or buy the amount of shares required to eliminate the fraction of shares that might result from the reverse split executed by the Company.

As from August 4, the common shares and GDSs became to be traded on a reverse split basis.

Within the next weeks, the group of shares which composes the share fractions will be sold through an auction on the stock exchange market, by a brokerage firm, in Brazil, and a selling agent, in Canada. The value resulting from the sale of fractions of common shares and GDSs will be credited to their holders.

In early July, the Brazilian Securities and Exchange Commission (CVM) disclosed at its website the list of companies envisaged by the Provisional Presidential Decree 651/14, which refers to the exemption of income tax on the sale of shares of small and medium-sized companies. According to the relevant rule, the exemption falls on the income tax of the capital gain earned by the individual, until December 31, 2023, on the sale, performed on the stock exchange market, of shares that have been issued by companies that, cumulatively, meet the requirements set forth in sections I to IV of article 16 of the relevant Provisional Presidential Decree. Currently, HRT complies with all requirements under the Provisional Decree 651/14. HRT's Management believes that this initiative will ramp up the growth of the Brazilian capital market, boosting the demand for its shares, and increasing the liquidity of shares covered by the rule.

The entire content of the Provisional Decree 651/14 is available at the website [http://www.planalto.gov.br/CCIVIL\\_03/Ato2011-2014/2014/Mpv/mpv651.htm](http://www.planalto.gov.br/CCIVIL_03/Ato2011-2014/2014/Mpv/mpv651.htm). HRT recommends the reading of this content before taking any investment decision.

## HEALTH, SAFETY, ENVIRONMENT AND SOCIAL RESPONSIBILITY

During Q2 14, important events occurred in the Polvo Field development plan. HRT forwarded to the Brazilian Institute of Environment and Renewable Natural Resources (*IBAMA*) the documentation for the drilling licensing of new wells by the Polvo A platform. Also, in respect of the Polvo Field, HRT proceeded performing socio-environmental projects under its operating licenses and delivered to the Environmental Body, in May, the 15<sup>th</sup> Requirement Compliance Report of this license.

## HRT GROUP COMPANIES

## Q2 14 HIGHLIGHTS AND SUBSEQUENT EVENTS

### HRT OIL & GAS

#### SOLIMÕES

##### ■ HIGHLIGHTS

In early July, the Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP) approved the assignment of a 6% WI in the exploration, development and production rights and the operation on 19 blocks under HRT O&G's concession in the Solimões Sedimentary Basin, in Amazônia, to Rosneft Brasil, a Brazilian subsidiary of Rosneft Oil

Company (“Rosneft Brasil”), which becomes to hold a 51% WI, and HRT O&G, the remaining 49% WI. The preliminary agreement between HRT and Rosneft was signed in November 2013, and the process of assignment before ANP started with the signing of definite agreements, in March 2014. Through the completion of the agreement, Rosneft becomes the operator of 19 blocks in Solimões.

The relevant transaction amounted to UDS 96 million and covered the HRT O&G’s sale of a 6% WI and the transfer of the operatorship in the Joint Venture in the Solimões Basin to Rosneft, the sale of four heli-transportable drilling rigs and the settlement of outstanding cash calls owned by Rosneft until October 2013. From that amount:

- USD54 million were received in the fourth quarter of 2013;
- USD18 million were received in the first quarter of 2014; and
- The remaining amount of USD24 million will be received in the third quarter of 2014.

Furthermore, both companies entered into an agreement for the grant of loan (“carry financing”) of up to USD40 million by Rosneft to HRT, regarding the funding of investments in the Solimões Basin, for a 12-month period, from the conclusion of the transaction after ANP’s approval.

The transition process between the teams of both companies is on the track to be completed. In addition to the transfer of HRT’s personnel and operations to Rosneft Brasil, supply services agreements and financial guarantees submitted to ANP will be also replaced and /or transferred.

Also, at the beginning of July, 2014, HRT, Rosneft and Petrobras, signed a new Memorandum of Understanding (“MoU”) for the second phase of the Gas Monetization Project, regarding the establishment of cooperation in the review of development systems to monetize the gas in areas under concession of Petrobras and HRT O&G/Rosneft in the Solimões Sedimentary Basin.

The MoU was signed by the relevant parties, in Brasilia, in the presence of Mr Igor Sechin, President and Member of the Management Board of Rosneft Oil Company, Mr José Alcides Santoro Martins, Chief Gas and Energy Officer of Petrobras and Mr Milton Franke, CEO of HRT. The signing ceremony relied on the presence of the President of Brazil, Ms Dilma Rousseff and the President of Russia, Mr Vladimir Putin.

As reported in the Q1 14 earnings release, HRT has filed with ANP, during the first quarter of 2014, some requests for the extension of the exploration phase for blocks SOL-T-195, SOL-T-148 and SOL-T-149. At the beginning of the third quarter, ANP granted HRT O&G a two-year extension for the second period of the exploration phase of Block SOL-T-195, located in the Solimões Sedimentary Basin, with effectiveness from July 9, 2014. The request for extension of the second period of the exploration phase for the areas of blocks SOL-T-148 and SOL-T-149 continues under evaluation of the regulatory agency.

In the second quarter of 2014, the second period of the exploration phase of Block SOL-T-172 terminated. Given the 1-HRT-11-AM well drilling result, which presented no hydrocarbon shows, and once the Minimum Working Obligations (*Programa Exploratório Mínimo - PEM*) of such block been met, HRT understood as appropriate not to submit the request for the extension of the second period of the exploration phase, and relinquished the block.

In that context, the Company is preparing a relinquishment plan and subsequently a final relinquishment report of the area, which will be submitted to ANP.

## ■ NEXT STEPS

In the coming months, HRT, Rosneft and Petrobras will submit a work plan for the Gas Monetization Project that will establish the steps and responsibilities, prioritizing the options in the scope of natural gas converted to LNG and the electric power generation, both of which are critical inputs for the development of the region and the country.

**POLVO**

■ **HIGHLIGHTS**

As foreseen in the Q1 14 earnings release, HRT executed, in June, the sale of the third crude oil shipment with a volume of approximately 595 thousand barrels. Through the sale of this crude oil shipment, HRT recognized a Net Revenue of R\$138 million, in the Q2 14.

In the second quarter of 2014, the field produced a total of approximately 940 thousand barrels of oil (100%) and until July of this fiscal year, the production reached the volume of 2,140 thousand barrels of oil (100%). The average natural gas production in this quarter, 32 thousand m<sup>3</sup> per day, is fully used as fuel in the field activities. HRT is currently ranking the seventh in oil production in Brazil, according to ANP.

The Company expects to execute the sale of the fourth shipment with an approximately volume of 550 thousand barrels, by September 2014.

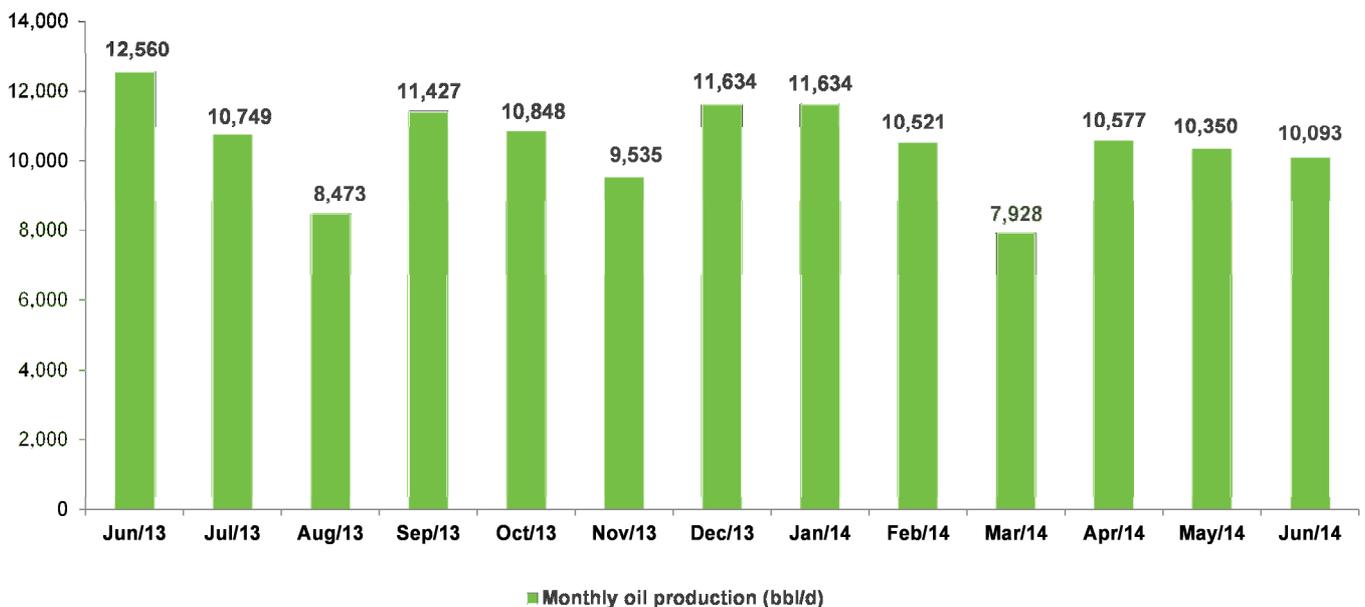
In early July, HRT entered into a purchase and sale agreement with Maersk Energia Ltda (“Maersk”) for the acquisition of 40% in the exploration, development and production rights in the area of the Polvo Field, located in the Campos Sedimentary Basin.

The conclusion of the purchase and sale transaction between HRT and Maersk is subject to certain conditions, among them, ANP’s definite approval. Once the transaction is approved, HRT will become the holder of a 100% WI in the Polvo Field.

The acquisition of a 40% WI in the Polvo Field, after six months of HRT as its operator, underscores the Company’s confidence in the potential for production of this field, as well as it can contribute to potential gains in cost management , bringing to the field new perspectives on the development of the production.

The chart below shows the monthly average of daily oil production in the last 13 months, considering 100% of the Polvo Field output:

**POLVO FIELD (100%) MONTHLY OIL PRODUCTION (bbl/d) – Last 13 months**



## ■ NEXT STEPS

HRT is preparing a plan to extend the lifespan of the Polvo Field, which foresees, among other measures, the enhancement of the production through a new well to be drilled from the undeveloped proven reserves of the field, and it is operationally assessing alternatives to enhance the production efficiency from existing producing wells and those that once were producers.

## HRT AFRICA

### NAMIBIA

#### ■ HIGHLIGHTS

In mid-June, the Spain's Repsol, in partnership with Tower Resources, announced the conclusion of the drilling of well Welwitschia-1, whose spud-in was in May. The drilling reached a total depth of 2,454 meters. Logging evaluations indicated that Paleocene, Maastrichtian and upper Campanian section reservoirs were less well-developed than it was anticipated, and no hydrocarbons were encountered. Welwitschia-1 is located at PEL0010, in the Walvis Basin, at 200km, in the northern of the HRT's Wingat-1 well.

Repsol and Tower Resources were interested in continuing the drilling of the well in order to test deeper targets, therefore its drilling timetable had already been set back, and costs were 10% in excess of the USD 91 million previously budgeted. However, costs estimated to continue the drilling would exceed USD40 million and thus the companies have agreed not to drill further this time and wait for full analysis of the field before taking any decision. In this regard, drilling operations were interrupted and the well was plugged and abandoned.

In July, Eco Atlantic Oil & Gas executed a farm down with Tullow Kudu Limited, a wholly-owned subsidiary of Tullow Oil. Through an agreement, Tullow has acquired a 40% stake in Block 2012A, located in the Walvis Basin. This farm in, in conjunction with Eco Atlantic's prior farm out to Azimuth for 20%, nets the Company a 100% carry of all costs on an expanded 1,000 km<sup>2</sup> 3D seismic survey and interpretation. This seismic program is expected to commence in the fourth quarter of 2014. Tullow has also committed to fully carry the drilling costs related to the exploration well in the block.

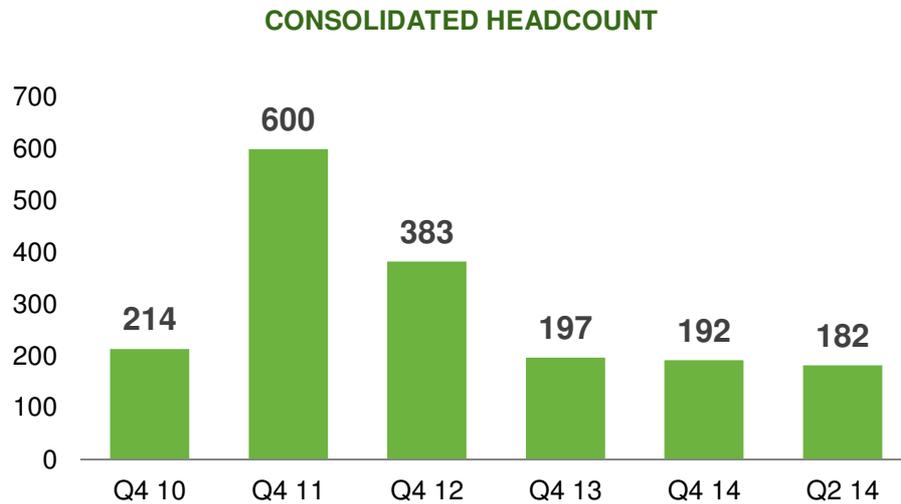
The abovementioned activities, together with other ones reported in the Q1 14 earnings release show the industry growing interest in the Namibian region, where HRT owns 10 blocks over an area that exceeds 53,000 km<sup>2</sup>. In light of this scenario, HRT pursues opportunities of farm down and new partners for its African assets.

#### ■ NEXT STEPS

Following the farm down process, as mentioned in the Q1 14 earnings release, an International Oil Conference took place in Windhoek, Namibia's capital, in this quarter, one of the three planned conferences to be held in 2014. HRT's representatives attended this event with focus on opportunities of partnerships and farm downs for its Namibian blocks. Additionally, HRT's Business Development area continues focused on the development of new partnerships and the data room with block, seismic and well information, all concerning Namibia, is affordable at our office in Houston, USA, for potential HRT's new partners.

## HEADCOUNT

We show below the changes in HRT's headcount, showing consistent progress in line with the initiatives implemented since early 2013, and the current allocation by project:



By the completion of the transfer the Solimões' operation to Rosneft and concluding its divestment program, HRT may end the fiscal year with a headcount 40% lower, when compared to Q2 14.

## FINANCIAL RESULTS – Q2 14

The following table presents the consolidated results of the Company, including the results of its direct subsidiaries HRT O&G, HRT Africa, HRT America, IPEX, and their respective subsidiaries and branches.

INCOME STATEMENT	Q2 14	Q2 13	Q2 14 / Q2 13		H1 14	H1 13	H1 14 / H1 13	
<b>Net Revenues</b>	<b>137,604</b>	<b>852</b>	<b>136,752</b>	<b>16051%</b>	<b>280,907</b>	<b>2,995</b>	<b>277,912</b>	<b>9279%</b>
Cost of Production	(49,601)	(602)	(48,999)	8139%	(135,236)	(1,101)	(134,135)	12183%
Amortization	(20,389)	-	(20,389)	-	(43,102)	-	(43,102)	-
Royalties	(12,455)	-	(12,455)	-	(24,113)	-	(24,113)	-
<b>Gross Profit</b>	<b>55,159</b>	<b>250</b>	<b>54,909</b>	<b>21964%</b>	<b>78,456</b>	<b>1,894</b>	<b>76,562</b>	<b>4042%</b>
<b>Total Expenses</b>	<b>(41,527)</b>	<b>(563,185)</b>	<b>521,658</b>	<b>-93%</b>	<b>(51,748)</b>	<b>(662,418)</b>	<b>610,670</b>	<b>-92%</b>
Geology and Geophysics	1,292	(15,742)	17,034	-108%	(3,720)	(26,972)	23,252	-86%
Personnel	(9,771)	(57,932)	48,161	-83%	(20,544)	(121,059)	100,515	-83%
General and administrative expenses	(3,299)	(6,492)	3,193	-49%	(16,958)	(13,324)	(3,634)	27%
Third-party services	(27,707)	(19,105)	(8,602)	45%	(30,500)	(35,952)	5,452	-15%
Taxes and Fees	(2,342)	(4,715)	2,373	-50%	(2,980)	(8,314)	5,334	-64%
Dry hole write-offs	-	(450,238)	450,238	-100%	-	(450,238)	450,238	-100%
Other operating income	300	(8,961)	9,261	-103%	22,954	(6,559)	29,513	-450%
<b>EBITDA</b>	<b>34,021</b>	<b>(562,935)</b>	<b>596,956</b>	<b>-106%</b>	<b>69,810</b>	<b>(660,524)</b>	<b>730,334</b>	<b>-111%</b>
Depreciation/Amortization	(2,754)	(8,063)	5,309	-66%	(5,476)	(14,482)	9,006	-62%
<b>EBIT</b>	<b>10,878</b>	<b>(570,998)</b>	<b>581,876</b>	<b>-102%</b>	<b>21,232</b>	<b>(675,006)</b>	<b>696,238</b>	<b>-103%</b>
Financial Revenues	12,118	54,180	(42,062)	-78%	22,828	71,898	(49,070)	-68%
Financial Expenses	(13,755)	(28,184)	14,429	-51%	(31,575)	(41,075)	9,500	-23%
<b>Income before taxes</b>	<b>9,241</b>	<b>(545,002)</b>	<b>554,243</b>	<b>-102%</b>	<b>12,485</b>	<b>(644,183)</b>	<b>656,668</b>	<b>-102%</b>
Income Taxes	502	(1,056)	1,558	-148%	(1,043)	(1,056)	13	-1%
<b>Net results (loss)</b>	<b>9,743</b>	<b>(546,058)</b>	<b>555,801</b>	<b>-102%</b>	<b>11,442</b>	<b>(645,239)</b>	<b>656,681</b>	<b>-102%</b>

(in thousands of BRL)

EBITDA for the Q2 14 was R\$34 million, some R\$597 million higher than the figure posted at the same period of the previous year. It is worth mentioning the dry well write-off of R\$450 million posted in 2013, which also impacted the change in Operating Expenses, resulting in a reduction of 93%, when compared to the prior period. The consolidated EBITDA margin was 25%, mainly explained by the oil sale during the period, representing a Gross Income of R\$55.2 million. The consolidated Gross Income represents the result of the production operation in the Polvo Field, with no allocation of corporate expenses (G&A) and geology and geophysics expenses (G&G).

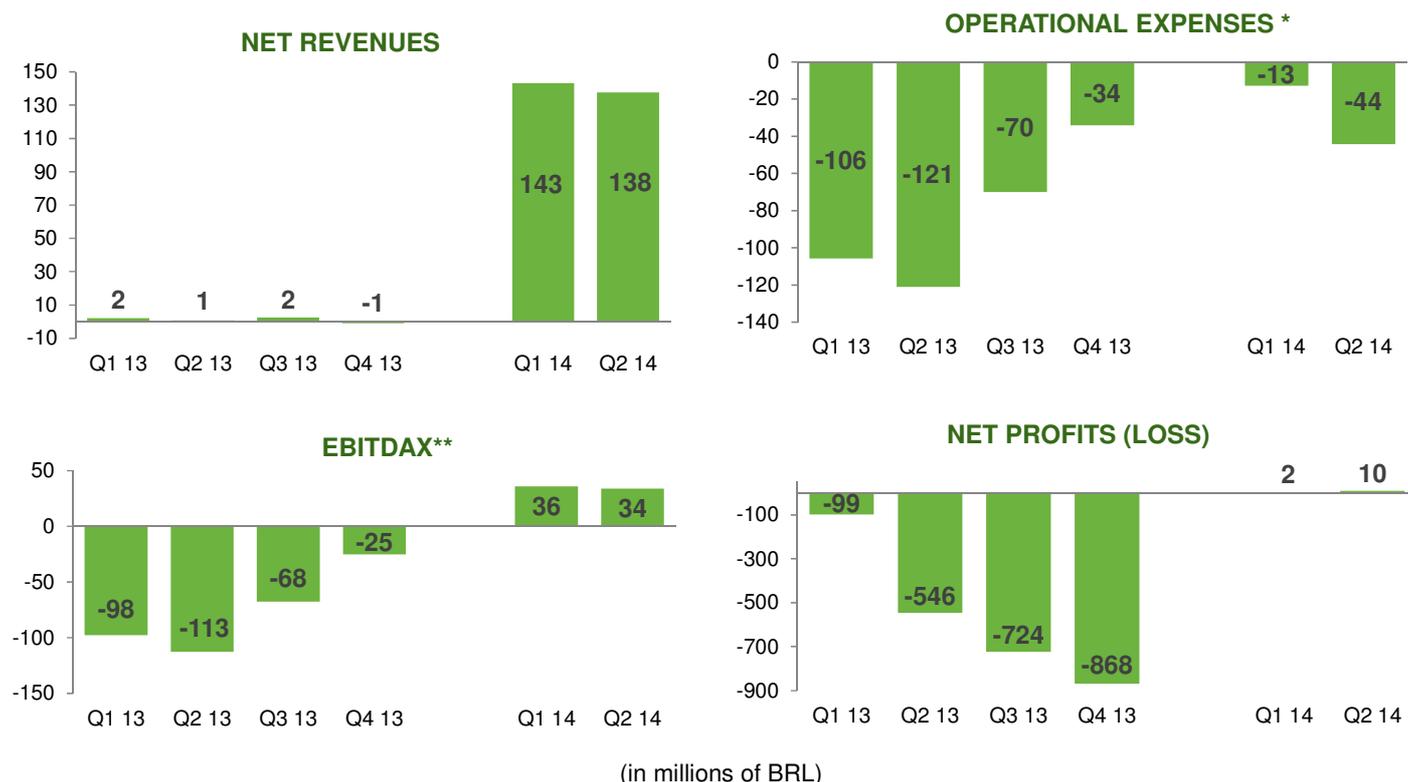
Personnel Expenses had a decrease of 83%, due to a significant reduction in the Company's headcount, approximately 50.5%, when compared to Q2 13. It is also worth mentioning that, in Q2 13, 100% of personnel expenses were allocated to HRT, due to the cash calls from the partner in Solimões, as provide for the Farm In Agreement with Rosneft. Personnel expenses for Q2 14, therefore, are net of the amount allocated to the Polvo and Solimões projects, and compensated by the partners in the proportion of their stake, different from what happened in the same period of the previous year. While comparing with 2013's personnel expenses, it is worth mentioning the recognition made in Q2 13 of expenses related to termination agreements of some executives, in the amount of R\$26 million, and in Q1 13 of expenses related to share-based bonuses granted to executives and employees in the amount of R\$20 million, both not incurred in 2014.

As evidence that firm actions have been taken to reduce the operating expenses, mainly related to expenses arising from maintenance of the Solimões' structure, general and administrative expenses showed a reduction of 49%. The focus on cost and expense reduction had a positive effect on the change of third-party services, showing a decrease of 15% in the accumulate result of the year. It is important to emphasize that, different from 2013, when there were

ongoing drilling campaigns, and consequently exploratory expenses were allocated in the intangible assets, maintenance expenses and operating agreements of Namibia and mainly of Solimões were directly allocated to the 2014's result.

Depreciation/Amortization line was impacted by the start of HRT's operations in the Polvo Field, by HRT. Of the total amount of R\$23 million in consolidated depreciation and amortization, R\$20 million refer to amortization of amounts preliminarily allocated as subscription bonus and Polvo Field abandonment costs.

The following charts present the quarterly variation of the main group of accounts in HRT Consolidated Financial Statement, since the previous fiscal year, in millions of *Reais*.



\* Does not include expenses with dry well write-offs and impairment

\*\* EBITDAX is an operating measure commonly used in the oil and gas industry, calculated as follows:  
EBITDA + Return on expenses with dry well write-off and impairment

### TOTAL CASH, CASH EQUIVALENTS AND INVESTMENTS

The Company ended Q2 14 with a total consolidated cash position of R\$365 million, an increase of 19%, when compared to the first quarter.

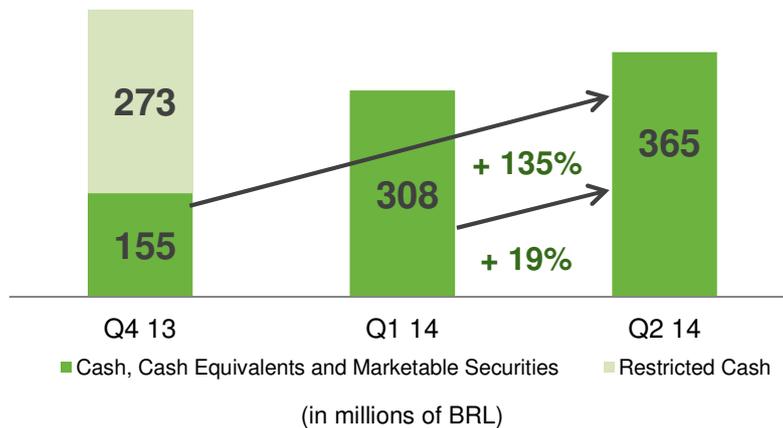
It is worth mentioning that:

- Revenues of R\$132.3 million arising from sales of the oil produced in the Polvo Field;
- Receiving of R\$88.9 million from partners, concerning the Cash Calls from the Oil Exploration and Production (E&P) Campaign;
- Receiving of R\$1.5 million, referring to services rendering by the controlling-companies of the group with third parties;

The chart below presents the evolution of the Company's consolidated cash and cash equivalents as from Q4 13 and the amounts held in an escrow account during this period. Currently, the Company has no obligations arising from loan

and/or financing, and no cash collaterals that restrict its liquidity in the previous fiscal year.

**EVOLUTION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH**



The chart below presents, in a summarized way, the cash flow stating its main inflows and outflows during the first half of 2014, highlighting disbursements, inflow from revenues and receivables due to loans:

**SUMMARIZED CASH FLOW**



\* Recurring disbursements net of Cash Calls received from partners in the Solimões, Namibia and Polvo projects

\*\* Total beginning cash includes the values, in Q4 13, held in an escrow account (BP/Polvo and Credit Suisse) of R\$273 million

The table below presents the breakdown of disbursements recorded in the periods ended June 30, 2014 and June 30, 2013, by project, and grouped into recurring and nonrecurring disbursements, highlighting the Cash Calls received from partners:

**CONSOLIDATED DISBURSEMENTS – Q2 14**

<b>Breakdown</b>	<b>Solimões</b>	<b>Namibia</b>	<b>Polvo</b>	<b>Corporate</b>	<b>Q2 14</b>	<b>Q2 13</b>	<b>Q2 14/Q2 13</b>
<b>Recurring</b>	<b>9</b>	<b>4</b>	<b>49</b>	<b>16</b>	<b>77</b>	<b>142</b>	<b>-45.8%</b>
E&P Operations	35	4	110	-	149	228	-34.6%
Seismic (G&G)	-	-	1	-	1	36	-97.0%
G&A, Taxes & Financial Expenses	-	-	-	16	16	(17)	-194.3%
<b>(-) Cash Calls from Partners</b>	<b>(26)</b>	<b>-</b>	<b>(63)</b>	<b>-</b>	<b>(89)</b>	<b>(106)</b>	<b>-15.9%</b>
<b>Nonrecurring</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>34</b>	<b>-95.3%</b>
Fixed Assets (equipment)	-	-	-	-	-	5	-100.0%
Exploration Rights and Acquisitions	2	-	-	-	2	29	-94.5%
Loans	-	-	-	-	-	-	-
<b>Total Net Disbursements</b>	<b>11</b>	<b>4</b>	<b>49</b>	<b>16</b>	<b>79</b>	<b>176</b>	<b>-55.4%</b>

(in millions of BRL)

Operating costs of R\$149 million as of June 30, 2014, with a decrease of R\$79 million when compared to the same period in 2013, refer to disbursements for exploration, production and logistics activities (air, fluvial and land), as well as personnel expenses and third-party services, directly related to the project.

Disbursements for seismic (G&G) activities, totalling R\$1 million, are related to exploration activities in the Polvo project, and include a seismic data acquisition. A decrease of 97% against the amount of R\$36 million posted in the same period in 2013, was mainly impacted by a reduced work program in the Solimões and Namibia projects in 2014.

General and administrative expenses, which include taxes, financial expenses and exchange rate variation, added R\$16 million at the end of Q2 14. These are corporate expenses related to personnel expenses, third-party services and general and administrative expenses, not directly allocated to the exploratory campaign, but incurred to support the development of the Group's operating activities.

## CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

Certain information contained in this document, including any information as to our strategy, projects, plans or future financial or operating performance and other statements that express management's expectations or estimates of future performance constitute "forward-looking statements". All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "will", "anticipate", "contemplate", "target", "plan", "continue", "budget", "may", "intend", "estimate" and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. HRT cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of HRT to be materially different from HRT's estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance.

HRT disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

## ABOUT HRT

HRT, through its subsidiaries, holds a 60% participating interest and it is also the operator of the Polvo Field, which is located in the southern portion of the Campos Basin, at 100km east of the city of Cabo Frio, Rio de Janeiro. HRT has the Brazil's seventh largest daily production of barrels of oil equivalent (boe), with 20.3<sup>9</sup> API, deriving from three producing reservoirs. HRT is the owner, through its subsidiaries, of "Polvo A" fixed platform and a 3.000HP drilling rig, currently in operation in the field, being the platform connected to the "Polvo FPSO" vessel, with capacity to segregate hydrocarbons and water treatment, oil storage and offloading. Polvo Field license covers an area of approximately 134km<sup>2</sup>, with several prospects with potential for further explorations. Additionally, HRT holds a 55% interest and is the operator of 19 exploration blocks in the Solimões Basin, and also operates ten exploration blocks off the Namibian coast, in the Orange and Walvis sub-basins. HRT is committed to minimizing any possible environmental impacts on the sites where it acts. Our commitment to the local communities is towards health conditions, safety and quality of life. For more information, please visit the Company's website: [www.hrt.com.br/ir](http://www.hrt.com.br/ir).



### Legal Notice

This document contains statements about future events. All statements contained in this document, except those relating to historic facts, refer to future events, including, without limitation, statements about drilling plans and seismic acquisitions, operating costs, equipment purchases, expectations of oil finds, the quality of the oil we expect to produce and our other plans and objectives. Readers may identify a number of these statements from the use of words such as "estimate", "believe", "expect" and "intend", and similar words or their negatives. Although management believes that the expectations indicated in these statements are reasonable, we cannot give any assurance that such expectations will be fulfilled. By their nature, statements about future events require us to make suppositions and so such statements are subject to inherent risks and uncertainties. We warn readers of this document not to place undue trust in our statements about future events, since various factors can lead to future circumstances, results, conditions, actions or events that may differ substantially from the plans, expectations, estimates and intentions expressed in these statements about future events and their underlying assumptions. The following risk factors could affect our operations: assessment reports on contingent or prospective resources involving a significant degree of uncertainty, and based on projections that may not be accurate; risks inherent to the exploration and production of oil and natural gas; limited history of operating as an oil and natural gas exploration and production company; drilling and other operating problems; breakdown or failure in equipment or processes; mistakes made in agreements or by operators; failure of contractors to perform; labor disputes, interruptions or loss of productivity; increase in material or personnel costs; inability to attract sufficient personnel; intensive capital requirements for investment and maintenance expenses that HRT may not be able to finance; costs caused by delays; exposure to fluctuations in exchange rates and commodity prices; economic conditions in Namibia and Brazil; complex laws that may affect costs or the means of carrying on the business; regulations in respect of the environment, health and safety that may become stricter in future and lead to an increase in liabilities and capital costs, including indemnities and penalties for damage to the environment; the early cancellation, non-renewal or other similar factors affecting the concession agreements; and competition. We warn you that this list of factors is incomplete, and that investors and others basing their decisions on statements about future events should carefully consider other uncertainties and potential occurrences. The statements about future events contained herein are based on the assumption that our plans and operations will not be affected by these risks. If our plans and operations are so affected, our statements about future events may prove to be inaccurate.

This legal notice applies expressly to all statements about future events contained in this document.

These statements are made as of the date of this document. We do not undertake to update these statements about future events, except when required to do so by the applicable securities legislation.

## BALANCE SHEET

(in thousands of BRL)

### ASSETS

<b>Current assets</b>	31-Dec-2013	30-Jun-2014
Cash and cash equivalents	33,582	349,581
Marketable securities	120,957	15,488
Accounts receivable	989	20,863
Assets held for sale	155,540	143,771
Taxes recoverable	42,523	53,761
Advances to suppliers	33,008	46,955
Prepaid expenses	3,057	8,776
Deposit given in guarantee	273,001	-
Inventories	-	12,261
Other receivables	10,594	5,176
<b>Total Current assets</b>	<b>673,251</b>	<b>656,632</b>

### Noncurrent assets

<b>Noncurrent assets</b>	31-Dec-2013	30-Jun-2014
Deposit given in guarantee	4,590	4,813
<b>Total Noncurrent assets</b>	<b>4,590</b>	<b>4,813</b>

<b>Fixed assets</b>	31-Dec-2013	30-Jun-2014
Property, plant and equipment	139,124	143,714
Intangible	988,315	1,126,125
<b>Total Permanent assets</b>	<b>1,127,439</b>	<b>1,269,839</b>
<b>Total Noncurrent assets</b>	<b>1,132,029</b>	<b>1,274,652</b>
<b>Total Assets</b>	<b>1,805,280</b>	<b>1,931,284</b>

## BALANCE SHEET

(in thousands of BRL)

### LIABILITIES

<b>Current liability</b>	<b>31-Dec-2013</b>	<b>30-Jun-2014</b>
Suppliers	63,362	105,180
Advance for disposal of fixed assets	-	39,645
Loans	70,380	-
Advances from partners	25,896	44,913
Labor charges	17,669	12,539
Taxes and social contribution	26,301	29,197
Income tax and social contribution	65	61
Financial instruments	11,163	-
Other liabilities	8,969	16,978
<b>Total Current liability</b>	<b>223,805</b>	<b>248,513</b>
<b>Noncurrent</b>	<b>31-Dec-2013</b>	<b>30-Jun-2014</b>
Asset retirement obligation (ARO)	-	82,619
Deferred income tax and social contribution	126,877	129,294
<b>Total Non current</b>	<b>126,877</b>	<b>211,913</b>
<b>Shareholders' equity</b>	<b>31-Dec-2013</b>	<b>30-Jun-2014</b>
Share Capital	3,821,205	3,821,206
Capital Reserve	416,914	416,914
Adjustments on equity evaluation	190,955	195,772
Accumulated loss	(736,606)	(2,974,476)
Current accumulated gain/loss	(2,237,870)	11,442
	<b>1,454,598</b>	<b>1,470,858</b>
<b>Total liability and shareholders' equity</b>	<b>1,805,280</b>	<b>1,931,284</b>

## STATEMENT OF INCOME

(in thousands of BRL)

	Q2 13	Q2 14	1S 13	1S 14
<b>Net operating revenue</b>	852	137,604	2,995	280,907
Cost of production	(602)	(49,601)	(1,101)	(135,236)
Amortization	-	(20,389)	-	(43,102)
Royalties	-	(12,455)	-	(24,113)
<b>Gross profit</b>	<b>250</b>	<b>55,159</b>	<b>1,894</b>	<b>78,456</b>
<b>Operating revenues (expenses)</b>				
Geophysics and geology	(15,742)	1,292	(26,972)	(3,720)
Personnel expenses	(57,932)	(9,771)	(121,059)	(20,544)
General & Administrative expenses	(6,492)	(3,299)	(13,324)	(16,958)
Expenses with third-party services	(19,105)	(27,707)	(35,952)	(30,500)
Taxes and fees	(4,715)	(2,342)	(8,314)	(2,980)
Dry well write-off	(450,238)	-	(450,238)	-
Other operating revenues (expenses)	(8,961)	300	(6,559)	22,954
	<b>(563,185)</b>	<b>(41,527)</b>	<b>(662,418)</b>	<b>(51,748)</b>
<b>EBITDA</b>	<b>(562,935)</b>	<b>34,021</b>	<b>(660,524)</b>	<b>69,810</b>
Depreciation and amortization	(8,063)	(2,754)	(14,482)	(5,476)
Financial revenue (expenses)	25,996	(1,637)	30,823	(8,747)
<b>Profit/(loss) before income taxes and social contribution</b>	<b>(545,002)</b>	<b>9,241</b>	<b>(644,183)</b>	<b>12,485</b>
<b>Income tax and social contribution</b>				
Current / Deferred	(1,056)	502	(1,056)	(1,043)
	<b>(1,056)</b>	<b>502</b>	<b>(1,056)</b>	<b>(1,043)</b>
<b>Profit/(loss) for the period</b>	<b>(546,058)</b>	<b>9,743</b>	<b>(645,239)</b>	<b>11,442</b>

## CASH FLOW STATEMENT

(in thousands of BRL)

	Q2 13	Q2 14	H1 13	H1 14
<b>Profit/(loss) for the period before taxes</b>	<b>(545,002)</b>	<b>9,240</b>	<b>(644,183)</b>	<b>12,485</b>
Adjustments for			-	-
Depreciation and amortization	8,063	23,144	14,482	48,578
Financial result, net	(25,996)	1,638	(30,823)	8,747
Share-based compensation	2,040	74	25,116	74
Accrual for contingencies	200	-	200	-
PP&E write-offs	7,220	-	7,220	-
Dry well write-offs & acquisition bonus on relinquished blocks	450,238	-	450,238	-
<b>Subtotal</b>	<b>(103,237)</b>	<b>34,096</b>	<b>(177,750)</b>	<b>69,884</b>
<b>Increase (decrease) in assets</b>				
Accounts receivable	277	(5,815)	1,597	(19,874)
Taxes recoverable	(1,694)	(12,812)	(2,775)	(11,238)
Prepaid Expenses	(1,304)	524	(3,578)	(5,719)
Advances to suppliers	(1,584)	(10,744)	(8,995)	(13,947)
Inventories	-	(31,527)	-	(8,256)
Other assets	(1,657)	(14,577)	(5,411)	5,418
<b>Subtotal</b>	<b>(5,962)</b>	<b>(74,951)</b>	<b>(19,162)</b>	<b>(53,616)</b>
<b>Increase (decrease) in liabilities</b>				
Trade accounts payable	72,478	(70,506)	91,656	41,818
Labor charges	8,274	88	1,730	(5,130)
Taxes and social contribution	7,254	(2,066)	(7,571)	3,806
Advances to partners in Oil and Gas operations	(56,958)	44,283	(56,958)	19,017
Other liabilities	17,273	(2,853)	831	8,009
<b>Subtotal</b>	<b>48,321</b>	<b>(31,054)</b>	<b>29,688</b>	<b>67,520</b>
<b>Net cash used in operating activities</b>	<b>(60,878)</b>	<b>(71,909)</b>	<b>(167,224)</b>	<b>83,788</b>
<b>Cash flow from investing activities</b>				
Application of capital in Bonds and Securities	29,273	117,961	271,715	128,297
Deposit given in guarantee	-	(89)	-	272,778
Sale (acquisition) of fixed assets and intangible	(150,128)	(6,882)	(272,543)	(3,269)
Acquisition of Polvo assets	-	78,554	-	(129,060)
<b>Net cash used in investing activities</b>	<b>(120,855)</b>	<b>189,545</b>	<b>(828)</b>	<b>268,746</b>
<b>Cash flow from financing activities</b>				
Loans	169,131	45,007	168,501	(25,373)
Paid-up Capital	2,540	1	4,075	1
Derivative transactions	1,180	-	(1,605)	(11,163)
<b>Net cash from financing activities</b>	<b>172,851</b>	<b>45,008</b>	<b>170,971</b>	<b>(36,535)</b>
<b>Foreign exchange differences</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>				
Cash and cash equivalents at the beginning of the year	49,409	186,938	37,608	33,582
Cash and cash equivalents at the end of the year	40,527	349,581	40,527	349,581
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(8,882)</b>	<b>162,643</b>	<b>2,919</b>	<b>315,999</b>