

## Q3 2020 Earnings Call

### Company Participants

- Ricardo Rodrigues Savini, Chief Executive Officer
- Rodrigo Pizarro Lavalle da Silva, Chief Financial Officer and Investor Relations Officer

### Other Participants

- Pedro Suarez

### Presentation

#### Operator

Good day and thank you for waiting. Welcome to 3R Petroleum Third Quarter 2020 Earnings Conference Call. Today, we have here with us Mr. Ricardo Savini, CEO of the company; Mr. Rodrigo Pizarro, CFO and Investor Relations Officer and other members of the management team.

We inform you that at this time, all participants are in a listen-only mode. After the company's remarks are over, there will be a question-and-answer session, when further instructions to participate will be provided. (Operator Instructions) I also inform that this conference call will be held in Portuguese with simultaneous translation into English. This event is also being broadcast simultaneously over the web via webcast.

Before proceeding, let me mention that forward-looking statements that might be made during this conference call relative to the company's business perspectives, projections and operating and financial goals are based on the beliefs and assumptions of the management of 3R Petroleum as well as on information currently available to the company. Such forward-looking statements are not a guarantee of performance. They involve risks, uncertainties and assumptions as they relate to future events that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and the other operating factors may also affect the future results of the company and may lead to results to differ materially from those expressed in such forward-looking statements.

Now, I'll turn the conference over to Mr. Ricardo Savini, who will start the presentation. Mr. Savini, you may begin.

#### **Ricardo Rodrigues Savini** {BIO 22108148 <GO>}

Good afternoon, everyone. My name is Ricardo Savini and I'm the CEO of 3R Petroleum. I'd like to thank all of you for joining us today. It is with great pleasure that we start our

very first earnings conference call with 3R as a company listed in the stock exchange. I will speak a little about the highlights of the third quarter and mention other relevant points about the company.

The big highlight is the conclusion of our IPO. It is the first IPO of a company in the oil and gas industry with a focus on mature fields and it is the first IPO after nine years, since an oil and gas company went public in the Brazilian Stock Exchange.

I'd like to highlight that our thesis is different from that of other companies listed in the Brazilian Stock Exchange. Our thesis is to have a portfolio based on producing assets with proved high-volume reserves with no exploratory effort. We have a portfolio incurred on production and reserves. So, first IPO that we concluded just now on November 12th brought us a primary inflow of BRL690 million to enable the growth of the company through acquisitions, taking part in the Petrobras' divestment program in which 3R has already been a relevant player and with these proceeds, we will continue to do so on a path of growth. And also to support the redevelopment, the revitalization of the assets we already have in our portfolio and we'll speak more about these assets along this presentation.

We have been acquiring these assets at extremely opportunistic multiples and reserves. We have an average entry multiple that we will explain later on of around 2.8x 2P+2C certified volumes and I will explain these volumes as well. And with this portfolio with the acquisition of four clusters or sets of fields from Petrobras, we already have in-house in our portfolio a production that makes us the third largest onshore producer in Brazil with around 8,400 barrels of oil equivalent produced in September 2020.

Another highlight to be mentioned in this quarter is that with these acquisitions and with the operation of the Macau Cluster or hub, we can show great resilience -- great financial resilience driven by the load lifting cost that we have in these assets particularly in Macau, which is the one that we already operating and we have an adjusted EBITDAX of practically BRL50 million with an adjusted EBITDAX margin of 61%. It is always important to mention and we will stress this in this presentation and in the coming quarterly conference calls with you that ESG guidelines are very important for 3R.

I'd like to say that we have those guidelines in our name, in our own logo with idea of recycling of revitalizing fields of using hydrocarbons particularly gas. And taking into account the social context and governance that we will also mention along this presentation, all of that is also part of our investment thesis and of our own essence.

During the highlights of this third quarter, with this IPO, we consolidated the company's market cap. Ours is a young company, but with a market cap of BRL2.3 billion. We have certified volumes of 2P+2C reserves proved in probable reserves of around 100 million barrels of oil equivalent and we will give you more detail on that.

We have the lifting cost of \$5.7 per barrel, which places as a benchmark in the Brazilian market. It is undoubtedly very low lifting cost and as we are operating already at Macau, it

is absolutely consolidated with our own contracts, with our own operations. So, this is no longer an estimate.

Net revenue in this quarter amounted to around BRL82 million and very important. With our IPO in the Novo Mercado, it confirms our high standards of corporate governance, which we already had, but now this becomes very transparent to the market.

Now speaking a little about our corporate restructuring. It happened under the scope of the IPO. Firstly, we are consolidating a portfolio that came partly from 3R Petroleum and partly from Ouro Preto, which is now one single company called 3R Petroleum. And 100% of our assets -- all of our assets belong to 3R and I think that this is quite relevant. And in our new ownership structure post IPO, we still have a relevant share of FIP's shares investment funds. FIP is controlled by Starboard. FIP 3R & FIP Esmeralda is the biggest shareholder of the company. But also and very proudly we consolidated RWE, a gigantic player in the German energy industry through their oil and gas arm DBO energy as one of our shareholders. They originally had a working interest in Macau and they had a roll up and are now 3R shareholders, and we have the free float of 30% of our shares. So, we are listed under Novo Mercado with a ticker RRRP3 of our 3Rs and P3.

And the summary of this offering which was completely primary showing to what extend the original shareholders believe in the future of 3R and on the resilience of our thesis, we consolidated our share price at BRL21 per share, totaling BRL690 million, which includes supplementary shares.

In the market cap that I mentioned of BRL2.3 billion. We intend to use these proceeds as we mentioned during the whole road show with our investors for three clear pillars. Number one, to pay for the deals that are underway to consolidate our portfolio, in particular for the acquisitions of Rio Ventura and Fazenda Belem clusters. We also have capital for new acquisition opportunities of assets belonging to Petrobras. We also mentioned in our offering documentation that we do have some initiatives underway. Negotiations with Petrobras are now, we have the resources to move forward with those and also to invest in the redevelopment of our biggest asset, the Macau Cluster with CapEx to accelerate our investments in our biggest cluster.

Now to give you 3R at a glance. I always like to highlight particularly in the beginning of our life together with our new shareholders they have joined us through the IPO and with our future shareholders. While I always like to mention what the 3Rs mean and going to state in this first meeting and I'm probably not going to mention it again in the future, but the 3Rs mean to redevelop, to revitalize, to rethink oil fields. This is what we are set out to do and it is what 3R has already been doing in the assets that we are operating. I'd like to remind you that in the Macau Cluster, we are talking about seven oils and gas fields onshore and off shore.

So, while we're focused looking at the value chain of the oil and gas industry, our focus is on producing assets fields located on shore and in shallow waters, with no exploration activity whatsoever involved. We are not interested in the exploration process. This is the

focus of other companies. The focus of 3R is to have a portfolio incurred on production and on reserves and on the redevelopment of these reserves.

We are not interested in investing in midstream or in downstream either, but yes, we're keen to have a balanced portfolio with a balance between oil and gas projects. We don't want to be an exclusively gas company, neither do we want to be an exclusively oil company.

As I mentioned, we have secured a portfolio with four assets, four sets of fields or four clusters, which right now total 19 fields, both onshore and off shore. As we can see on the map, we have three assets very close together with a lot of synergies among them located in the Potiguar Basin. They are the Macau Hub that we already operating, the Pescada, Arabaiana Hub, where we already had 35% working interest and we are not the operator; Petrobras is the operator.

But in this quarter, we signed the agreement to acquire the remaining 65% stake of the Pescada-Arabaiana Hub. These are offshore gas platforms. And also the Fazenda Belem Hub, a heavy oil hub in the State of Ceara in the border with Rio Grande do Norte State, but in the same geological context of the Potiguar basin. And the latest hub that we signed a sales and purchase agreement for with Petrobras also in this quarter was the Rio Ventura Hub in Bahia. So, we are opening a new production front in the Reconcavo Basin, where we can eventually and potentially grow through the redevelopment and revitalization of these eight fields located in the Rio Ventura Hub.

Now, moving to the next slide. We see the timeline with a history of 3R acquisitions. We mentioned the Macau Cluster, we have the closing of the acquisition with Petrobras. We have paid Petrobras and they have been operating the clusters since the end of May. So, we now have a full quarter, which we will present here a full quarter operated by 3R Petroleum. The Pescada Hub, like I mentioned, we signed the acquisition of the remaining 65% working interest totaling 100% ownership. So, we will take over the operations most likely in next year towards the middle of the year.

In Fazenda Belem and Rio Ventura Hubs, our clusters in the beginning of August, we signed the acquisition of 100% working interest of these fields in these two hubs and we also expect the closing of the deal by the first half of 2021. I'd like to remind you that this depends on approval by ANP, the Brazilian oil and gas regulatory agency. We are submitting all the documentation to take over as operator of these fields.

To detail, little further our acquisitions, these were very opportunistic acquisitions. We were able to close these acquisitions with entry multiples that were very interesting, as we can see here in the table. For proved volumes 1P+1C, we're saying we have a multiple of 4.7x these volumes or 2P reserves 3.2x and when we do not consider contingent payments that we have negotiated with Petrobras for the Rio Ventura Hub, if we don't have to make these payments and it really depends on the Brent oil prices, so if these payments never occur, the acquisition will have been made at 2.8x 2P+2C reserves.

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Let's speak a little about recovery factors. Our thesis is very much based on improving recovery factors compared to what Petrobras has done so far in the development of all of these assets. As we can see on the slide, the average recovery factor, in other words, the volume which is technically and economically retrievable, the volume of oil in place in the reservoir. This worldwide average fluctuates above 30%, on average around 35%. And in Brazil, the average is around 21%.

In the basins where we are working, look at the onshore fields of the Potiguar basin, we are talking about very low recovery factors of 15% and there's upside of this delta in the recovery factor is what 3R Petroleum is pursuing, and we already pursuing particularly in the Macau Cluster.

In order to capture an increase of these recovery factors, we have strategies and along the coming quarters, we will give you examples of that. But basically these strategies involve drilling more, conducting infill drilling campaigns. It involves changing the lifting systems that Petrobras normally uses for more powerful systems and finally increasing water injection volumes or gas or even steam injection volumes. Steam injection volume is in the case of Fazenda Belem. Other increased fluid injection, when it is there and when it isn't implementing secondary recovery projects. So, these would be the pillars to increase recovery factors, which underpin our redevelopment plans.

Speaking about our portfolio, in terms of certified volumes of reserves and contingent reserves as we will explain now. If you look on the table, we have 1P+1C, 2P+2C, 3P+3C. 2P+2C volumes, in other words, probable volumes and reserves, we have a portfolio of around 101 million barrels of oil equivalent in the four clusters. And please note that 70% of that -- basically 70% of that are proved volumes i. e, a very fairly low risk and this is the thesis. This is the focus of 3R to incur our portfolio in reserves, mainly proved reserves.

The largest cluster is the one at Macau, where we have approximately 48 million in 2P reserves and we already explained during our offer that all of that is certified by DeGolyer & MacNaughton for Macau and GaffneyCline or Fazenda Belem, Pescada & Arabaiana and Rio Ventura. In the case of these three last clusters, as we have not yet concluded the acquisition from Petrobras, their certifier has added a contingency note, meaning that the risk category of the proved probable and possible volumes are contingent to the conclusion of the deal with Petrobras. And then when we become the actual operators, these volumes will automatically turn into 1P, 2P and 3P. This was just to explain these contingent reserves.

Now once you add up the four assets we already have in our portfolio, this last quarter, we produced 8,500 barrels on average, this putting all four clusters together. The cluster we already operate, which is the largest one, the Macau Cluster already posted an improvement in production.

Despite the shutdown of our few gas fields and also the shutdown of the platforms of the Aratum field, which I will elaborate further later on. And even with some dropping production associated to these events, we were able to grow the production of the hub. Production is consistently higher than that of Petrobras, when they manage the cluster in

early 2020. And you see that even with the COVID-19 pandemic, there was no loss in production unlike other assets in Brazil. But in our case, we did not experience any major impact in our production caused by the pandemic. Almost 60% of our production in September was attributed to the Macau Hub.

Now looking at the next slide. We look at the Macau Hub and you see that in May, production was around 3,795 barrels. There was a decline, when we took over the operation, which happened in the end of May, we took over on May 30th. So, due to these two events together with Petrobras, we decided to shut down the Aratum field, because the transfer of the asset requires an operation license issued by IBAMA and this transfer may take a few months. So, in order to prevent any further delays.

Regarding 3Rs ownership of the asset, we decided to shutdown these platforms. And we lost around 140 barrels of oil equivalent and also we shutdown some gas fields. Therefore, we are basically waiting for improvement in commercial conditions in the months ahead. Therefore, we shutdown some gas fields, while we wait for these future events. And with that by the end of June, we had approximately 3,600 barrels and by September, we anticipate production to reach 4,000 boes.

With that, we surpass the production record of 2020 and even though we've only started operating the assets just a few months ago, we were able to enhance production by over 10%, when compared to what it was prior to the takeover. Therefore, we find ourselves in a very good position, even considering that this quarter we have not yet made any investments. We are preparing -- in September we are preparing the workover rigs to boost production in the next quarter, when the rigs have been operational, since the end of September.

Now in terms of the previous quarter, the second quarter of '20, we also managed to increase production by 5%. So, now let's follow-up and see how this will evolve looking forward. It is also important to highlight that our operation begins to show its early results, with increased production, safety, efficiencies, with zero incidents, or accidents. And our teams are working diligently and with great operating efficiency, even though they came over in this first operation, despite the fact that everything happened in the midst of the pandemic period, we just took over on May 30th. But as I said earlier, everybody is in good health and posting relevant operating efficiencies.

It's also important to highlight, even if we compare ourselves to other offshore projects, we have hundreds of wells in these clusters. And therefore, production is spread around and with that, we can mitigate risks. If we lose a well because one pump is down, this has no relevant impact in our production curve.

Despite all that with our operating efficiency, we are able to resume well operations very quickly, something that took Petrobras days or sometimes weeks to do. Our challenge is to resume operations in a matter of hours. With onshore, this is very feasible and this is what we have been doing. Another important thing we did in our first quarter of operation was the automation of about 50% of Macau's wells, the Macau Cluster and this will certainly allow us to be more agile in the quarters ahead.

Well, we already talked about synergies, especially when we start operating the new clusters in the Potiguar Basin. We will start using the control room that we have at Macau to operate all of the other clusters in the Potiguar Basin and this will be translated into fixed cost reductions once we grow our portfolio into Potiguar Basin.

As I said earlier, we are prepared to grow. We already anticipate some production increase because of the workover rig is already operational. And this is a landmark of this third quarter and it represents the beginning of our investment in the Macau Cluster.

And with that, I turn the floor over to Rodrigo Pizarro, our CFO, who will talk about the financial performance of the assets currently in operation.

### **Rodrigo Pizarro Lavalle da Silva** {BIO 22108156 <GO>}

Thank you, Savini. Good afternoon, and thank you all for joining us today. Our quarterly results demonstrate the resilience of our thesis and our assets.

Our net revenue in the period was close to BRL82 million considering Macau loan and 35% of the Pescada Hub. It is worth mentioning the cash generation related to 65% of Pescada as of January 1st 2020 and 100% of cash generation from Fazenda Belem out of April 1st 2019 will be deducted from the payments to Petrobras at closing days of these deals.

I would also like to highlight our adjusted EBITDAX of almost BRL50 million with margin of 61%. Adjustments to EBITDA to arrive at the adjusted EBITDAX basically reflect four factors. Firstly, the reversal of the effect caused by the return of exploratory fields to ANP of the former administration that has no cash effect.

Secondly, the allocation of BRL4 million in G&A related to the assets that are being transferred from Petrobras. Thirdly, the effects of competencies and cost, then expenses from Q2 that are allocated in the third quarter. And finally, costs related to the corporate restructuring and also the IPO.

Also our lifting cost is highly competitive and this is 3Rs competitive edge, as we posted \$5.3 per boe at Macau and \$9.6 per barrel of oil equivalent at Pescada, considering the adjustments aforementioned. Weighing it out with production, our average lifting cost is only \$5.8 per boe, which is something rarely found in any other company in the industry. And finally, I would like to highlight that a significant portion of our financial result reflects the exchange rates depreciation.

Having said that we can now move to the next slide, where we will show our capital structure and some aspects related to the company's obligations and debt position. In the third quarter of 2020, our gross debt was BRL692 million and our cash position was BRL163 million. Our net debt, therefore, was approximately BRL528 million. With the proceeds from the IPO in the amount of BRL690 million including also the greenshoe, our cash position is very net. Therefore, we are perfectly capable and comfortable to meet all of our payment commitments.

Our CapEx expenditure was very lean during that period. It was only BRL2.3 million in the period. And this CapEx was mainly earmarked for the purchase of equipment and systems, some of them related to the operation, and others related to the automation of the Macau Cluster.

Also in terms of our decommissioning obligation, throughout the acquisition process of the assets, being the four clusters we mentioned above. We signed agreements with Petrobras to share expenses, which we named decommissioning cost sharing agreement in the amount of \$152 million, which represents more than 55% of all of our decommissioning obligations foreseen in the reserve certification.

And finally, I would also like to mention some information related to the clusters that are still in the process of being acquired. We have a total of \$75 million in obligations related to the assets of Rio Ventura, Fazenda Belem and Pescada Arabaiana. Also, we have \$43 million, as mentioned by Savini, linked to contingent payments that will only be paid to Petrobras, if Brent prices in the next 12 months reaches an average of \$48. And this applies to 50% of this contingent payment and the other half if Brent reaches \$58, considering the average for the last 12 months. With that, our obligations come to a total of \$130 million, plus \$75 million to be paid to Petrobras with a payment schedule, as shown on the slide.

Moving to the next slide. I would like to highlight that our business plan is fully supported by the highest ESG standards. In relation to the environment, we are currently in the process of reconnecting three wind turbines that were acquired. With the Macau Hub that were not operational due to lack of maintenance, when we acquired the asset.

And with that, we will be able to supply 30% of the energy demanded by Macau. And this is a 100% clean energy. The remaining 70% of the necessary energy will be supplied via gas that used to be ventilated to the atmosphere or burned in the flare. But we are also involved in an engineering process to build a system to collect this gas, to use it in thermal electric generation in small units adjacent to our clusters.

As for the social aspects, our investments in the oil and gas productive chain, a mature assets that have been abandoned by the former operator. They have been -- this have been seen in something very positive by all the communities surrounding our assets. Since the beginning of the Macau operation, we did not have any type of accident or any type of incident.

And finally, when it comes to governance, we are voluntarily listed in Novo Mercado in compliance with the highest governance standards of B3. We have a multidisciplinary experience and multicultural team at 3R. And ethics and compliance are the pillars of our organization in our structure.

And to conclude, moving to the last slide, I would like to highlight three aspects. The first has been extensively mentioned and it relates to our resilience, our thesis, our assets and our lifting cost of \$5.8 per barrel of oil equivalent at Macau and 35% of Pescada, which is a great differential for a company.



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In the past quarter, we saw the consolidation of our portfolio with the acquisition of two assets in the Potiguar Basin, which were very much in sync with the Macau Cluster that we acquired earlier. In the beginning of the transition process at the Reconcavo Basin, a very important basin that Petrobras is divesting from as part of a two asset package that they are selling and we are also participating.

And the third aspect is related to the second one and that is that in the last weeks and months, Petrobras has finalized the conclusion of all their onshore assets, which are 3R's main pillars, and also our focus for redevelopment and revitalization. We are taking an active part in the divestment process and we are certain that with the company's capitalization and the new corporate structure, we will be perfectly capable of containing our pace of asset acquisition at extremely favorable multiples.

Thank you very much. And now, we open for Q&A.

## Questions And Answers

### Operator

(Question And Answer)

Ladies and gentlemen, we will now begin the question-and-answer session. (Operator Instructions) Our first question comes from Pedro Suarez with BTG Pactual.

### Q - Pedro Suarez {BIO 17276373 <GO>}

Good afternoon, Savini and Pizarro. Good afternoon, everyone. I'd like to clarify a few points. You conveyed a very positive tone in outlook in terms of what you're delivering, production, costs and the whole potential you have. So if possible, could you make this a little bit more accurate, more tangible in the short-term? Because for us and for the rest of the market, I think, it's kind of difficult to imagine what you can deliver? We saw a 5% growth quarter-on-quarter. And the September production compared to June production had an increment that is even stronger. So could you give some more color on this? What do you expect with the investments you will be making now, with the workovers that you intend to do? It seems that in the fourth quarter, we could expect a substantial increase in production. If you could give us more color on that, we would appreciate it?

And my second question. How would this impact the lifting cost of \$5.8 per barrel? As Pizarro mentioned, it is already very low, but I imagine that whether sharing fixed costs, you could have an operational lever to lower the lifting cost even further? It would be interesting.

And my third question. Pizarro, talking about M&As, you mentioned you were considering in your at final stages of some M&A opportunities in the Reconcavo Basin. So is there any expectation, that you would announce M&A deals this year? Can we mention that recovery factors of these assets once announced will be close to the average that you

explained in this presentation in the Reconcavo Basin or with the recovery factor of these assets would be -- would the recovery factors be lower? Thank you.

### **A - Ricardo Rodrigues Savini** {BIO 22108148 <GO>}

Good afternoon. Thank you for the question. Well, basically when asking the question, you kind of answered it yourself. In this first quarter, we as operator of the Macau Hub, which is our first hub, we haven't had any CapEx. We haven't made any investments. So we were able to increase production basically with our operating efficiency. We're working with a lot of determination in the fuel, so that the downtime of each well would be the minimum possible. And this is the secret, the big secret of an old mature field. And this is what we have been doing.

We have an O&M contract for a company that supports us with the six fields at Macau Hub. And indeed, the downtime of the well has been shrinking a lot. And this is why we are able to have this production increment, even without making a lot of investments. But as a highlight and you've mentioned it yourself, we started investing now in the past month of September, where the workover rig that started operating, and it will be able to rehabilitate some wells that have some mechanical issues, but were they developed proved reserve, but now as of October and particularly starting in November, the workover rig will start opening up new reservoirs in existing wells. And this will allow us to produce undeveloped proved reserves.

And with this, we do expect an increase to production in the coming quarter, particularly starting in November, and this will definitely be very visible in December. So basically, these are the two effects. Number one, operating efficiency. We're able to reduce the downtime of the existing wells. And in the coming quarters, the effect of our CapEx by using the workover rig.

### **A - Rodrigo Pizarro Lavalle da Silva** {BIO 22108156 <GO>}

And Pedro, good afternoon. Thank you for the questions. Regarding your question about the lifting cost, for the coming quarters, we expect to reduce operating fixed costs and G&A costs, due to the dilution, due to the incremental production. And when we were meeting with prospect investors, we're restricting that a good part of our costs are fixed and thus they can be diluted as we increase production. And with these two effects mentioned by Savini, both being more efficient operation and I should add that our more efficient operation also derives from the automation of wells.

We don't have to do visual monitoring, all of that start or relevant part of our production and we intend to increase automation even more, starts being monitored remotely. Any downtime in production, we can immediately mobilize the team to do troubleshooting and to repair the problem.

As Savini mentioned, we'll start with CapEx initiatives with a faster payback. We are reactivating, wells that were in operant due to lack of maintenance. Maintenance at Petrobras was not providing and in September, we started mobilizing the workovers rig to start this process of workovers in existing wells to access new reservoirs.

So regarding the lifting cost, this is what we can tell you in our view, operating synergies among hubs and internally, for example in the Potiguar basin. With all three coasters, we will have similar crews, our third party contractors will be able to expand their scope and that will reduce some costs. So all of that will have a positive impact.

Regarding M&A opportunities, I think, we spoke a little about opportunities in particular in Bahia in the Reconcavo Basin. Currently, Petrobras put up for sale all of their assets in Bahia. All assets that are relevant in terms of production. There are three hubs. When they called Bahia hub, which was recently put for sale. The other is the Reconcavo Hub and the other the Miran Hub. We are participating three out of these three processes. The most recent and the Reconcavo Hub, and we're waiting potentially for one of them to be completed by year end. Petrobras is in an accelerated process to put us, that's for sale and also to conclude the signing and the closing of the deals.

### **A - Ricardo Rodrigues Savini {BIO 22108148 <GO>}**

And Pedro, this is Savini, again answering your questions regarding recovery factors in the new clusters, particularly in first new cluster. What I can tell you is conceptual. The Reconcavo Basin, in the Reconcavo Basin, Petrobras has reached a recovery factors on average that are higher than in the Potiguar Basin. So here we don't see the same size of an upside that we see in the Potiguar Basin. Simply because the Reconcavo Basin is 20, 30 years older than the Potiguar Basin in terms of discoveries. So it has a longer track record of production in the Reconcavo. We have the oldest well in Brazil, has been producing for 80 years, 80, eight zero years of production, will be celebrated in 2021.

So the recovery factors are higher but the delta of the recovery factor will be lower than in the Potiguar Basin. But here there's another effect. The volumes of oil in place are substantially higher in the assets located in that Potiguar Basin and the Reconcavo Basin, Rio Ventura and the Reconcavo Hubs. And any incremented recovery factor, even if lower in percentage terms and what we can do in the Potiguar Basin. As regards volumes, we are talking about comparable things. So when we look in the future of the reserves, you will see that our reserves in the Reconcavo basin will be very powerful.

In comparable to the reserves we have in the Potiguar Basin because like I said, a small increment in recovery factor in the Reconcavo Basin in terms of volume of reserves represents a lot, it's substantial.

And once last point. There are some operating upsides in the Reconcavo Basin and that we stressed a lot in the meetings and in the data rooms with Petrobras. Although the fields are old, many of them never had secondary recovery projects. In other words, water or gas injection processes. So here again, we have an opportunity to increase the recovery factor by implementing secondary recovery programs. And in the new cluster, you will see this will be one of the pillars of redevelopment.

### **Q - Pedro Suarez {BIO 17276373 <GO>}**

Very clear, Savini and Pizarro. Thank you very much.

## Operator

(Operator Instruction) Now, I would like to turn the floor to Mr. Ricardo Savini for his final remarks. Mr. Savini, you may proceed.

### A - Ricardo Rodrigues Savini {BIO 22108148 <GO>}

I would like to thank you all very much for joining us today. This is a very historical moment for us. This is our first earnings results call. We know we still have a lot to do. We are working very diligently, with a lot of determination. We are anticipating a very strong fourth quarter and we work hard to make it a reality. So our team, our IR team and PR is available to clarify any further questions you may have regarding operating or financial results. We are at your disposal. Thank you very much.

## Operator

3R Petroleum conference call is now concluded. I would like to thank you very much for participating, and have a very nice afternoon. You may disconnect now. Thank you.

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