

Y 2012 Earnings Call

Company Participants

- Carlos Tersandro, CFO and IRO H RTP
- Marcio Rocha Mello, CEO H RTP, Chairman of the Board and Founder
- Milton Romeu Franke, Engineering, Drilling and Production Officer
- Unidentified Speaker
- Wagner Peres, CEO HRT America

Other Participants

- Andre Sobreira, Analyst
- Bruno Varella, Analyst
- Fernando Valle, Analyst
- Frank McGann, Analyst
- Gustavo Gattass, Analyst
- Unidentified Participant

Presentation

Operator

Good morning, ladies and gentlemen. Welcome to the audio conference call for the fourth quarter 2012 results of HRT Participacoes. Thank you for standing by. At this time all participants are in a listen only mode. Later we will conduct a question-and-answer session for our analysts and investors. And instructions to participate will be given at that time. (Operator Instructions)

These result is also being broadcasted simultaneously over the Internet and may be accessed through HRT's Investor Relations website at www.hrt.com.br/ir, by clicking on the banner Webcast 4Q12.

As a reminder this conference is being recorded and the presentation will be available to download shortly also through HRT's Investor Relations website. Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of HRT's management and on information currently available to the company.

They involve risks, uncertainties, and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions, and other operating factors could also affect the future results of HRT and could cause results to differ materially from those expressed in such forward-looking statements.

The teleconference is attended by Mr. Marcio Rocha Mello, CEO, Carlos Tersandro, the CFO and IR officer, and Milton Franke, CEO HRT Oil & Gas; and Wagner Peres, CEO HRT America.

I would now like to turn the conference over to Mr. Marcio Rocha Mello, CEO of HRT. Please go ahead, sir.

Marcio Rocha Mello {BIO 1923136 <GO>}

Ladies and gentlemen, good morning, everyone and thank you for joining HRT's fourth quarter 2012 earnings conference call. It is with great pleasure that on behalf of HRT's Board of Directors [ph], I am here to present to you the fourth quarter results and highlight the main achievements of the company for 2012.

I'd like all of you to look for slide number three where we have the 2012 highlights, Corporate, Solimoes Basin, and Namibian Basins. In 2012, we had experienced two very important months. The year started with the need to promote a few adjustments in our company through the review of our organizational structure.

The preservation of our cash flow and the planning of our exploratory campaign in Namibia and Solimoes Basins looking for oil.

2012 ended with outstanding natural gas discoveries in our Solimoes wells. Conclusion of the partnership would help initiating the Namibia concession and we are in the beginning of studies of gas monetization in the Jurua clusters jointly with Petrobras and TNK-Brazil. So what you can see, it was a year of hard work and a lot of achievement. A year that we prepare ourselves for 2013. And these was only possible due to our keen dedication and commitment in a super activity work environment that presents a friendly work place, no doubt that it was a year to overcome the limit.

We have increased the operational efficiency of our drilling rigs reducing considerably through lowering costs, the drilling time and cost in the Solimoes Basin. We're experiencing 40% improvement in the average drilling time needed by a day. In HRT-9 and 10 in relation to the four previous wells HRT-5, 6, 7 and 8, the average timing now for a well around 3,000 meters is below 60 days. We started HRT-11 with 60 days.

The discoveries speak for themselves, from the five natural gas discoveries made in 2012. HRT-9, HRT-10 and HRT-5, present high gas flow rate in case whole of DST and are considered as the first, the third and the tenth largest gas flow rates among all the wells ever drilled (inaudible) in Brazil.

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(inaudible) of up 750 [ph] million liters per day. From the 20 main natural gas discovered inland in Brazil to all times in terms of flow rate, four belongs to Petrobras and were drilled this year -- sorry for HRT. As a result of these discoveries, HRT, Petrobras and TNK-Brazil signed a letter of intent with an agreement to develop feasibility study to monetize the natural gas discovered and those to be in the Jurua clusters and its surroundings.

This project is progressing with several tracking campaigns turning the best opportunities to more attractive resource and the resource will come before to us. Our recognition of HRTs exploration effort and commitment to the Solimoes Basin, any geographic in 2012 and additional two year period extension for the second exploration period for nine blocks in the Solimoes Basin, not taking the central or north portion. These results enhance a significant value to HRT portfolio decreasing the short scale pressure, one of the premium resources, allowing sufficient time to carry out a new high resolution seismic campaign with some initial results has been outstanding and consequently allow us the dedication of mature profit for the drilling campaigns to occur in 2013, and 2014.

Talking about achieving results, net highlight defined our agreement with Galp Energia. Together we restarted the Namibian exploratory campaign in the Wingat and Murombe prospect both situated in PEL-23 followed by Moosehead prospect at PEL-24.

It's very important to remind all of you that HRT was granted with the extension of all our concession by the government of Namibia, in respect of the first exploration right over the 10 blocks that we operate. And through the end of 2016 we have also concluded the largest 3D seismic campaign and each interpretation ever conducted in that region. And that we are able to record one additional 0.5 billion BOEs to HRTs portfolio in Namibia reported in 2011 as well as an increase of 6.6% in previous estimated volumes for the HRT exploration license.

All of these was done using the best 3D results possible. And the data is really outstanding. The HRT now has (inaudible) of net risk being in prospective resources in Namibia and Solimoes of approximately 7.8 billion BOEs in addition to the three significant resources of 25 billion BOEs in the Solimoes.

We are just in sight to finalize now and we see the report about (inaudible) regarding the Solimoes Basin and the results will be too announced further on.

On the financial side, we decreased almost 35% our cash burn rate in the second half of 2012 compared to the first half of 2012.

The cash burn rate in the Solimoes Basin was dramatically decreased. Although our cash burn rate regarding Namibia have increased because we, plant restart and we spud the well in the PEL-23 in the middle of this month. With respect to corporate governance, we have consolidated our cash flow position integrating the strategic decision as holding, with executive Board of Directors including members and now we have 11 members of which eight are independent.

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In addition to this trending of each committed structure, we started to approach this straight line of operational execution and support with the Board of Directors and the company management.

With respect to also the future, we have signed a term sheet non-binding document with American company, Erickson Air Crane Inc., for the transfer of air logistics business. This transaction involves the transfer of full rotary-wing fleet and it anticipates that the buyer will provide HRT Group with air services for a three-year period. We are closing the agreement, all the due diligence and so on and very short to concluding this transaction.

Before we move to the detailed presentations of the office, we are not ending this conference call with that. I'd like to first start, we're very confident that we are on the right track to succeed.

Farm-outs in Namibia is still ongoing. If farm-outs takes time, (inaudible) and that is off the document and finally we'll talk a little bit about that in this call. We are sure that we are going to work on also more difficult in Solimoes Basin, we are directing our rigs for the oil process and in the median we will start what we consider one of the largest exploration activity ever done at the same time in the (inaudible).

Now I will turn the call over to Mr. Milton Franke, HRT Oil, to talk about Solimoes Basin. Please Milton.

Milton Romeu Franke {BIO 17311636 <GO>}

Good morning ladies and gentlemen. Marcio already gave you the main headlines about Solimoes and Namibia. I will start saying slide number four that 2012 was really the best year in the Solimoes so far for three good reasons. First due to the important gas discoveries Marcio described namely wells HRT-5, HRT-8, 9 on the second and third quarter of 2012 and then HRT-10 in the fourth quarter.

These four important gas producers allows HRT to find an even more important LOI with Petrobras and TNK to start the feasibility studies of this worldwide [ph] gas monetization.

Second again very important is that, we are able to have exactly one of the critical issues of the Solimoes, we redesigned our drilling plans and we are able to conclude in 2012, three wells drilled in less than 60 days in sequence in the basin. And third we finally were able to start the mobilization of the QG-VIII rig to the Arua Cluster to build the Cajazeiras prospect. This mobilization is going on very well and this spudding of this well is expected for mid-March 2013.

Going to slide number six, this is a very important slide for you to see and analyze. On the left you see outlined in orange, the gas area where we drilled our first ten wells and add this results everybody knows and on the right, the area in red or purple where we plan to drill our next well, exploration wells in the Solimoes. In the north you can see the Cajazeira prospect is our well HRT-11, where I just mentioned, we are not realizing the rigs to start this well now in March.

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More to the south you see three locations one is Pequi, Guarana, and Bacuri, we are working on the seismic details of to mature these three prospects. They -- the prospects -- next prospects to be drilled and on the Far East in the north Macadamia, is again one of the locations we are discussing to do deals in 2013.

This new seismic we are working on with very important effort of which at least these area is very remote. We are now working with completely different process to acquire seismic in the Solimoes, we drilled well the whole down to 15 meters of depth with perforators and we are getting much better signal to noise ratio with seismic at the levels up there, our potential to go through the horizon.

So we are really starting new phase in our exploration in the Solimoes. If we go to slide number seven, I just thought the well HRT-10 to give you field results we obtained on this well. Number one, the results of this interval we separated and we tested around 2,250 meters of depth and we were able to reduce almost 400,000 cubic meters per day in this test from DST with half inch choke and AOF of 2012 was calculated at something like 1.6 million cubic meters per day, which again was one of the excellent wells we drilled in the Solimoes.

This well, on the other hand, you'll see that it's the southernmost well, we have drilled so far, we've expanded our hydrocarbon frontier to the south and we plan to go even more south in the next wells we drill when we come back to this area in the future.

If we go to slide number eight, I'll talk a little bit about our gas monetization plan and this is scheduled what we are doing and how we organize the project. We have project management team with Steering Committee with the three companies getting in. We have a Subsurface Group that is responsible to evaluate the resources and production profile. The first report will come out I think, beginning now of March.

We have an Engineering Group; this Engineering Group is doing all the engineering work from E&P to each of the technologies we are working on this HAZID/ENVID, these are the environmental and safety studies of the technologies we plan to apply in the Solimoes. We are working on the cost estimate for each of the technologies we are analyzing and the final report will come out in April-May this year.

We are doing a market study, we have a group working on this and a group that is doing the economic modeling of each alternative to come up with the feasibility study.

The final report is forecasted for July in mid 2013. If we go to slide nine, which is the last slide, I conclude my presentation about the Solimoes and providing that HSE had an excellent year in the and ended with the fourth quarter in a very positive way with this HRT-10 well and we had some excellent in our view outlook for 2013, the Cajazeira well has had an oil potential. We believe that we can have an oil discovery in this well. The new prospects we are mapping with the new seismics will have much better definition and again the new prospects that are coming out had an oil potential. The gas monetization project is working, is progressing very well and we are starting to work on our farm-down projects in the Solimoes.

With this, I pass the work back to our CEO, Marcio Rocha Mello.

Marcio Rocha Mello {BIO 1923136 <GO>}

Thank you Milton. And now I would like to invite Wagner Peres, the CEO of HRT America to go -- last year's highlights. Please, Wagner.

Wagner Peres {BIO 18042971 <GO>}

Thank you Marcio. Ladies and gentlemen, good morning. I would like to before starting talking about our specifics for 2012 results, I'd like to take this opportunity to thank every one of you that has been supporting us during our long journey in our preparation to develop our exploration prospects and to get ready to restart our drilling program in Namibia. This will be the largest drilling campaigns ever implemented within the same year and by the same operator in this friendly African nation.

Our excellent team of professional has done everything that was needed to put our organization in the privileged situation and I want to assure you that we are ready.

The Transocean Marianas the semi-submersible rig, the long-lead items and our personnel are already in the country and we should spud in our first well within the next two weeks. We are all very happy and excited about our future. Our prospects look great and even though we recognize that the inherent rate associated to this frontier-exploration, we really like our chance and I hope that you all share the same excitement with us.

Once more, thank you so much for your support and also to our team members for the outstanding job that they have done through the year.

Now getting back to our fourth quarter results, I would like to ask you to turn your attention to the our slide deck. Let's go to the slide number 10 and this is why we are addressing the D&M certification of HRT's prospective resources in our Namibian assets. The report was completed in the middle of the fourth quarter and the results were excellent, our company -- excellent to our company and our shareholders. This study confirms the outstanding exploration potential of our exploration license that has been identified by HRT 13-14 early in the year and it provided an increase of about 500 billion barrels over the 2011 certified volumes. This addition represents about 7.2% increase over our Namibian asset previous certification and overall HRT resources about 6.6% increase.

The next slide, the number 11, we would like to give you an update of our stage of preparation for our drilling campaign. Our base onshore in the Luderitz Port, you can see on the pictures, on the line on the top one. These are aerial photos which was taken about one year ago and in this picture you'll see outlines in terms of range that represents the HRT is using for installing out the material and the facilities that will be needed for us to run our drilling campaigns.

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(inaudible) the lower portion of the slides, they show the current stage of the base that was taking about a month or so ago and I can tell you it is beautiful and it is ready. The base is coming very well organized and its area adjust [ph] policy follow strictly HRT's guideline which match or surpass the best practice of the well renowned oil and gas companies. It took a lot of planning, a lot of teamwork, a lot of determination and a timely execution for us to reach this stage. HRT signed a lot of contracts and we have committed to a lot of financial resources for us to execute our drilling campaign.

If we move to the slide number 12, we would like to give you an quickened update of where we are on our farm-down effort. HRT completed the farm-down of 14% participating interest in three petroleum license to GALP in last December. The Namibian Government officials already approved all paper work and HRT and GALP completed and signed all legal documentation, inherent to the partnerships, such as the joint operating agreement and also the turn-out agreement.

GALP is going to participate in the drilling of three wells with us, with Wingat and Murombe and license number 23 and the Moosehead in license number 24.

If we go to slide number 13, we are making a quick summary of the wells that we are going to be drilled that we are committed to drill in Namibia as of today. And we have provided in the results a little more detail that we have discussed in the past.

Our partnership is really, really happy with the potential that we have identified in the rigs and also with the quality of this prospect, however, we want once more to highlight how important it is to say that we cannot share our optimism with you without alerting you that we are exploring for hydrocarbons in the country that is not an oil producer yet.

In this way our prospect will still face risk that is associated with this kind of frontier exploration for hydrocarbon. The resource potential for our three prospects is really excellent and they are specifically certified by D&M near 5.2 billion barrels of oil equivalent.

Their estimated total dry hole cost is going to surpass \$260 million in a gross way. And the total time that we would take for us to drill this prospect is going to be around 185 days.

Watchfully we are excluding from this 185 days the 22 days that took for us to mobilize the Marianas -- to Namibian waters. I would like to ask you to go through slide number 14, in which we are providing you some new picture in additional detail on the Wingat prospect, which one is going to be our first well should be drilled in our campaigns.

Wingat well is expected to be spud in about 10 days or so I would say anywhere by the end of this week and beginning of the next if the maintenance of the Marianas is completed as forecasted, after this. And it will be drilled to total depth of about 4,100 meters. And I would like to ask you to take a look in the units that is on the slide is a beautiful picture. And it is a three dimensional display of the structure of the Wingat Albian carbonate.

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The colors that you see in red and in cones of greens are the amplitude anomaly that we graded over the structural map and it represents our interpretation of the distribution of the total zones that we expect to find on this prospect.

The D&M unrisks Pmean and P10 resource potential that is currently estimated for the Wingat prospect. So that's 1 billion and 2.1 billion barrels of oil equivalent respectively. The (inaudible) is the largest estimate of the P10 number. It has about 382 square kilometer and the trapping mechanism that we are expecting to work here for the hydrocarbons is denominated as a combination trap.

Just for clarification, combination trap as in Wingat, is the combination of part of the structure and a part of its geographic [ph] trap. This is a very current style of extracting out hydrocarbons in South Atlantic, principally in favor of Petrobras fields in Brazil.

In Wingat if take in consideration forming the structural component of the trap, which is about 40 square kilometers, we can find in the restructured field if it gets filled down to a few point up over 350 million barrels, just for you to have an idea of the significance of this prospect. And when it is refined, 350 million plus, it is significantly inside of the volumes that would determine the commercial health of the project.

Going to the slide 15, I want to give you an update where and what we are doing with our semi-submersible Marianas that is already in the Namibian waters.

We took possession of this rig on January 15 in the first hours of January 15, and we mobilized her through the Namibian waters within the 22 days that we had planned and as we had informed you in the past.

If you look in the map, the red circles that you see there are displays the red circles that you see there, explains the route that they reach in Walvis to Namibia. Here, right there on the February 7th and she was completely prepared to coming to the shallow-water of the Walvis Bay. And right now, she is undergoing a final stage of her mandatory inspection and maintenance of the key items before she kept the Luanda back to Yaounde for us to take her through our gas well, in gas one well location.

And just for the assurance of the performance, HRT hired a highly qualified team of professionals are working in drilling to perform a very detailed inspection, now the function, now that the equipment inside of the Marianas.

This inspection was initiated back in November and the well is still in operation in offshore Ghana. And because we want to see her in full function for us to see if it's complied with HRT's requirements. And that inspection will continue until the day before HRT takes possession of the rig after completion of her maintenance and mandatory inspection in Ghana. So once we are sure that the rig is in perfect condition to operate for us, then we will start saving the daily rates and we start the mobilization of the rig from the Walvis Bay to the license number 23 what is in gas well will be driven.

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The feature down you see the multi-trend there lower portion of these line there is the feature of the rig, that is a feature that we took about a two weeks ago of the Marianas inside of the Walvis Bay. So it is -- she is there and it is very good situation for us to start our program out there. So with this out there, we see here the formation that we would like to provide you on the Namibia information.

And I would like to pass the microphone back to our CEO Marcio. Thank you.

Marcio Rocha Mello {BIO 1923136 <GO>}

Thank you, Wagner. Turning to job that HRT American HRT (inaudible), you guys could note everything is ready in the next Q3 start and what we've have been prepared for the last three years. Now I'd like to ask Carlos Tersandro, CFO of HRT to take you of our HRT finance. Please Carlos.

Carlos Tersandro {BIO 17615272 <GO>}

Thank you, Marcio. Good morning everybody. From the financial point of view, the most important issuance in 2012 was the financial transaction involving HRT better energy. The impact of such transaction can be seen in the results, in our cash position, in an increase of our total assets in (inaudible) and we can explain other items in our financials.

Comparatively it includes its efficiency when we compare it later with those of prior quarters or even prior years. As we stated in last quarter, this transaction along with the discount of receivables from with Citi Bank, our outlook feature since you've heard of all liabilities to our feature and improve our cash and position in about 493 million reais when compared with the cash position from previous years. And the 236 million reais is we refer to the one installment in December 2011.

If we move to slide 17, as we can see financial revenues went down through a combination of lower domestic affordability of an installation the domestic market along with a consistent reduction in domestic interest rates during the year and particularly in the second half. And as a result for the entire year, shows a loss of 270 million reais comparing for a loss of 3 million or 4 million in 2011. The positive effect of the transaction amount to HRT TNK were in 2012 was 186 million reais.

If we go to slide 18 to analyze the variations and expense between 2011 through 2012 -- 2012 and 2011, it is important to note that we are comparing full year expenses incurred in 2012 with those in 2011. This is campaign just fully started in the second semester. In addition, the seasonal cost of real HRT-7 around 44 million reais was allocated under RT operating expense in Q2 of the region expense in 4Q '12. This is well declared with low production capacity. A 36% headcount we're now seeing that impacted around 14 million. We are in this and now recurring personnel expenses as a result of our retention plan and performance bonus in the amount of 60 million that its cash and stock options involved in 2012 as already spoke.

In the slide 19, and you can see that the company ended the year with a consolidated cash position of 1.05 billion reais of which around 80% for region and the remaining place and are granted as collateral to guarantee our positions.

Next one is roughly the most in the domestic market in places (inaudible). On the right, it's possible to check the graph with diversification by banks all of them consider investment grade.

Slide 20 presents the evolution in cash flow with changes in the cash balance with emphasis on the recurring and non-recurring disbursement, inflow for revenue, most of them financial revenue, inflow from receivables from the (inaudible) and from cash flow by this exercise of warrants and loans.

Moving to slide 21, we can see disbursement by products for the whole year by type of expenditure, as well as byproduct. I want to draw your attention to the consistent decrease and then Solimoes due to the release of two weeks to include them and the average of around 40% and the reduction of headcount around 36%. Non-recurring disbursement for fixed assets weeks in the amount of 75 million refers to payments in purchase two helicopters in the first quarter and final payments for the acquisition of the four Chinese rigs.

Move to slide 22, it shows the cash burn rates both and net concepts by projects, in which we can see that Solimoes consistently lost cash quarter by quarter, end of this year with the range of 1.5 million which increase a cash flow rate for this at 50 projects.

Turning to slide 23, with respect to the 2013 CapEx/OpEx, its forecast with three onshore wells in Solimoes, the acquisition of around 1,700 kilometers of seismic and the drilling of three offshore wells in Namibia.

Towards this progress is net of the inflows from team KVP, was new start our plant that might enter our plant and it was natural figure HRT which (inaudible). On the right side of the slide, our forecast of the consolidated last year's run rate for 2013. In the case of Solimoes, there is strong reduction from 1.5 million to 0.7 million is a second meaning they either second deal drilling run rates in oil and gas will start the cash hold in for various participation has 45% EBITDA source.

And slide 24, the last slide presents major upside in the figure you can fulfill in a three-year period and should be similar components already off the OpEx/CapEx for instance, show in the business strategy. As you know, the majority of the upsides of addition in barrels cannot be disclosed in this support. But in management it is difficult again for some of that will come true in 2013.

With that said, I pass the words to Marcio for his final remarks.

Marcio Rocha Mello {BIO 1923136 <GO>}

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Thanks, Milton. We have been different, all we could see 2013 would be a very exceptional year for HRT and for our shareholders. We had worked very hard at general sales in all terms regarding to 2013. After there, wonderful results in the GALP project which will comply with all the requirements for aiming team regarding today. That block we focus 2013 for oil and with the results of the new seismic, we are able to divert our rigs and to a fact the Solimoes Basin oil cluster starting with HRT-11 as well, that we plan to start the around the middle of this month. Very important to say that the new seismic technology that we're applying with will increase in the ratio for almost four time. And we are confident that the success of our campaign there could expect with the discovery of oil that we are looking for.

In this time of this year to focus in seismic in order to prepare the 2014 campaign where not only the prospects will lead to the block would be achieved, but the reality of HRT is focusing now in our Namibian exploration campaign. As you could see it and noted by Wagner speech, everything to be in placed, everything should be in plan and work. We really well, we aim to funding the (inaudible) project by March 10th, March 15. And we are looking at the potential of rig run.

We have done everything possible to reduce the exploration risk. The 3D seismic data all the geological, the clinical data have moving together. Our campaign in each we feel very confident.

This will be a critical year, our financials are under control. We lowered our cash burn rate to pretty much tremendously. We expected to add this year with reasonable cash, money in our account. We are looking forward 2014, where we have several up sights that will allow us to be confident that we have enough cash for the next two years.

Then I would like to finish this call all of you with that HRT, all the employees are global leaders, are very confident that everything that we brand, only these are variety we're focusing, we have very high potential of oil in Namibia and the potential of oil collected of this Solimoes will be fulfilled.

Then I would like to thank all of you for your presence and we're going to open for questions.

Questions And Answers

Operator

Ladies and gentlemen, we will now begin the question-and-answer session for analysts and investors. (Operator Instructions) Our first question comes from (inaudible) with JP Morgan. (inaudible) you may proceed.

Q - Unidentified Participant

Hi, this is actually (inaudible). I have two questions for you. One related for the oil [ph] prospects talking about the prospects presented in slide number six. I have a couple of

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questions for you, I'd like to summarize, first of them I want to understand that if you'd expect to have the two rigs testing these prospects or if you're going to have one rig testing the oil prospect and the other rig (inaudible) the natural gas discount. And also I would like to note how these seven prospects from oil -- how many of them are like standalone prospects and how many of them are contingent to bring new of order prospects pretty much.

And the next one on the same topic is in terms of geological horizon. What are the main targets here, what are the main prospects due to well clustered and as well I mean these wells also, we also target 20 million as well or even will defect -- that they're located in the eastern portion of the Solimoes Basin, both in sense to grow as deeper than the involvement. These are my questions on the Solimoes Basin. I'm going to leave you for one direct and simple question pretty much, any of those three wells contingent to the successful time out of the remaining 26% or not and these are my questions. Thank you very much.

A - Marcio Rocha Mello {BIO 1923136 <GO>}

Okay. Thank you very much and I'll pass to Milton first to answer your question. Please, Milton.

A - Milton Romeu Franke {BIO 17311636 <GO>}

Thank you (inaudible) for the questions. Number one, we expect that all in principle oil prospects, the seven ones we have listed. With respect to contingent wells, you asked, if the Cajazeiras well, it's not yet -- let's say complete success, the next wells in this are continuing to do new seismic acquisition. And the oil wells are all independent, there are no contingent wells.

The main target always our main reservoirs in the Solimoes where due to our formation transforms that produce in almost all the wells with respect to Cajazeiras well is a good producer. But in most of them that the volume makes the second target mainly in a key -- we have a very fixed section of the volumes those well could be good reservoirs. And wells like Macadamia we still don't have so many wells in Macadamia also in this area that again you may have three middle section that could be opened soon. I'll pass to Wagner to give you information's about the Macadamia wells.

A - Wagner Peres {BIO 18042971 <GO>}

The question that you have, if the wells that we are going to drill in Namibia, the three wells that we need here today. If they are dependent on us, getting additional partners for the project, the answer is, no. That everything is set for us to start campaign have (inaudible) the rig already in Namibia and drilling through those three wells with the partnership we have. We are still in the search for the partners, we still have our field business are going on there. And as long as we have not reached the objective in Mexican wells, large country, I still open to discuss the procedure of partnership in somebody. But at this time, we are drilling and we are proceeding ahead with the partnership that we have the plans installed.

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Q - Unidentified Participant

Okay. Thank you very much. If you have a lot difficult situation, on you answer and second one, do you expect to have one -- what is your strategy for rig management. Are you going to add one rig to (inaudible) prospect and you saw the rig that lineate the natural gas discovery or you're going to have both rigs best in (inaudible)?

A - Milton Romeu Franke {BIO 17311636 <GO>}

Well, we are starting now mobilizing one rig and during the years, we have planning to mobilize the second rig to some of this process.

Q - Unidentified Participant

Thank you very much.

Operator

Our next question from (inaudible). You may proceed.

Q - Unidentified Participant

Hi, guys. Thank you for your call. Just to follow on the Farm-Downs in Namibia. Even after the completion of drilling at Wingat Farm-Out, another Farm-Down should take place? Thank you.

A - Marcio Rocha Mello {BIO 1923136 <GO>}

(inaudible), this is Marcio. Thank you very much for your question. The Farm-Out in our Namibian asset is still going on. As most of you guys know, discussions about drilling, discussions about FLA and fixed time, we have a number of companies that we are still talking and we hope very soon to conclude some of destocking's and then we can inform, if the result would be positive or not. But there are still several companies and we are expecting that we'll bring another partner to this.

Very important to say that, of course, the results of Wingat will change a lot, the perceptions that have there. But it's important to say and we talk about this several times that all the three prospects Wingat, Murombe and Mooshead, Wingat in advance profit. They are targeting independent and manage to try and (inaudible) independent to mature Wingat. And the one is not dependent. The success of Wingat is not related to the success of Murombe, of course, it will be wonderful for everything, but they are independent process and that's why we choose this independent and large profits to be drawn.

Q - Unidentified Participant

Thank you very much, Marcio.

Operator

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Our next question comes from Mr. Bruno Varella from Bradesco BBI. You may proceed.

Q - Bruno Varella

Hi. Good morning, everyone. I just have two questions mainly on the financial side. First, to get some break down which we have around 60 million reais of OpEx and CapEx for the remainder of the year. Second, what is the cash position, Marcio mentioned, you expect for year-end '13, roughly 1,600 million reais, looks like for year-end '13, roughly 1,600 million, just to confirm the info.

A - Unidentified Speaker

I didn't understand your last question. Can you repeat please?

Q - Bruno Varella

Yeah, sure. I'd like to confirm the cash position you guys expect for year-end '13.

A - Unidentified Speaker

Okay. Talking to that, we can -- if you look all the investments that we're doing in Q1, we can give an estimate of worst case, targets and best case, but we can say that the worst case is towards the upside of Q1. It will be around 400 million and 460 million. And the other point that you ask is about the CapEx of the full-year 2012, correct.

Q - Bruno Varella

Yeah. That's it. The breakdown between CapEx and OpEx for settlements.

A - Unidentified Speaker

Full investment through cost of (inaudible) in 2013 is 265 million with this 100% base to something like 150. And we won't this time separate between CapEx and OpEx, because the other thing is exploration. Normally, we'll make clear the OpEx when we come to production costs.

Just to conclude your questions, I just want to say that for the end of the year, HRT is very confident with some of the investments that we're doing now and we hope that we can show to our shareholders a much better cash result for the end of 2013. These investments are going fairly well and we hope that you'll see better numbers at the end of 2013.

Q - Bruno Varella

Okay, thanks. And if I may, a third question. After the sale of -- the potential sale of Air Amazonia, what would be the incremental expenses, it is irrelevant?

A - Unidentified Speaker

No, Bruno -- it's, we don't know, we didn't expect any increase in the expenses. On the other hand, we expect reduction because of the more efficient control of the operation.

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Yeah. Very important to say, Bruno, that the creation of (inaudible) was a big success. As you recall, we managed to put this company, we managed to operate for almost two years. We had zero accident, we managed to optimize unbelievable decisions and drop the cost of logistics there. This partnership with Erickson which was finalizing all the (inaudible) will allow us to reduce very much the operation cost. HRT will be very, very concentrating our focus now in the excellence of Eriksson and maintenance is also one will allow us to increase and optimize and secure our operations in a much higher model and contract, okay?

Q - Bruno Varella

Okay. Thanks, guys.

Operator

Our next question comes from Mr. Andre Sobreira from Credit Suisse. You may proceed.

Q - Andre Sobreira {BIO 16337358 <GO>}

Hi. Good morning, everyone. I had two questions. One on Namibia. Is there a cut-off after which you would decide to stop the formal process and not proceed any more or would you like to leave it open until you keep drilling the wells? And the second question, farm-outs, potential farm-outs in Solimoes, what's the philosophy there? Would you like to keep operator shift or not? Do you think that the E&P licensing around will decrease interest for that? I'd just like to understand how you are thinking about it. Thanks very much.

A - Unidentified Speaker

Yes. Andre, good morning. Your question, if we have update set ups for the search for a partner in Namibia, the answer is no. The limit for us is until we hit the main objectives of the well. In our industry, Andre, is a common practice, when you are searching for partner, as long as the well does not have a conclusive result in terms of testing the new objectives, the possibility for partnering with somebody is always open.

In my previous career, we had seen -- I had seen things that the opening growth within the last week of the drilling the main objective. So we -- as you know, we are in the search for another partner. We keep this possibility open, a new launch and we would like to close another one soon, but it will be open until the moment that we have and we have the outcome of the results after all in the reserve.

Q - Andre Sobreira {BIO 16337358 <GO>}

Now, talking about the Solimoes fleet?

A - Unidentified Speaker

Alright. Andre, the turnout in the Solimoes is starting in blocks 648, 172 in our cluster, and we are already analyzing, but there is still not concerns to turn down some of our shares

and some other areas of the basin. As you know, we will have a very intense seismic acquisition plan and witness something that we may look for partnerships.

We are starting with our Brazil plant in the gas monetization area. And again, on the southern blocks where Brazil (inaudible) and we will be looking in the future, but this is still not decided for new partners to help us in the investments we have to make in the Solimoes.

Operator

Our next question comes from Mr. Fernando Valle with Citi. Please go ahead, sir.

Q - Fernando Valle {BIO 17218988 <GO>}

Hi, guys, thanks for the call. Just three quick questions. The first is just a cleanup question on Solimoes, can you give us a brief update on how the licenses are on the exploration. I know a couple were due to expire in March and you're trying to kick in those licenses?

The second question was just on your budget for 2013, we saw that G&A was around 216 million for 2012, just wanted to see what your estimates were for 2013 given that there are few non-recurring in 2012? Thanks.

A - Unidentified Speaker

Regarding your question Fernando, the license, last September, we stopped to talk with E&P and we put our reason for extension of the blocks in the south and the east part extension of the blocks in the south and the east part, we have been talking to a lot of freight indeed. About two weeks ago they granted an extension to us for 30 days, more than 30 days. And while the Board is on a light pledge for next station above this block. We hope to have a positive wear-and-tear till March, then HRT do not see a problem regarding to that and this will give us lot of time and we've planned almost 5,000 kilometers of seismic 2D in that block. And we're very confident that this is conservative to us. Regarding the CapEx and OpEx for G&A --

Q - Fernando Valle {BIO 17218988 <GO>}

I understood in the --

A - Unidentified Speaker

You're asking for the 2013 CapEx, OpEx by projects and we have 44 million for the corporate. But we don't have the disclosure of G&A by projects.

Q - Fernando Valle {BIO 17218988 <GO>}

No, not by projects, just G&A in general, because is that comprise within the 44 million and if so, the -- I mean, it range significantly higher this year, so I just wanted to understand how you guys want to curve that G&A to keep within the 44 million. So the question was, if the G&A within this \$44 million you are putting on your budget, 44 million reais, and if so, how you get there?

A - Unidentified Speaker

Okay, yeah. If you know, its reais, this is not a dollar. And if you see --

Q - Fernando Valle {BIO 17218988 <GO>}

Sorry, sorry. My mistake.

A - Unidentified Speaker

Okay. Very important to say also, Fernando that what the -- this investment of (inaudible) almost 100 will lead with the company. And this is very important that we reduce the numbers of HRT and our target is to keep it below 250 people. This had been a fantastic achievement by HRT and that with a lot from the results that we get occasionally.

Q - Fernando Valle {BIO 17218988 <GO>}

Okay, Marcio. Thank you.

Operator

Our next question comes from Mr. Frank McGann with Merrill Lynch. Please go ahead.

Q - Frank McGann {BIO 1499014 <GO>}

Okay. And good afternoon. Just one question in terms of timing of well results and the drilling of the wells. If the wells take 60 days that would suggest if you start within the next several weeks that sometime, perhaps it May or June you have the result. I was just wondering if you would be thinking that or following you on when results would be available. And then, how quickly can you move the rig. And I'm just wondering there's a risk on 280 days is going to be a little bit tight that you start, if there are some delays. So I was wondering what that exact or what the expected return date would be for the rigs?

A - Marcio Rocha Mello {BIO 1923136 <GO>}

A very important question. Everything has been under control, everything has been on time. We have our target, we expect those wells will start in (inaudible) same time. You know that when you do a short drilling, even if you run with all the controls possible, you always have a contingent plan, but we expect to conclude the Wingat well in 60 days. And the full engineering, all items, everything is ready. We are sure that we will not expect any kind of delays, then we don't see any problem and fulfill our problem in the media with the time that we have, okay?

Q - Frank McGann {BIO 1499014 <GO>}

Okay. And in terms of results, when do you think you might have results from the well? Would it likely be say the end of May, early June?

A - Marcio Rocha Mello {BIO 1923136 <GO>}

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This is difficult for you to have an idea about what will -- the results will be announced after we complete the well and then the products, then in June '13, then let's say next week, March 10, then you can count an average 60 day from that rig.

Q - Frank McGann {BIO 1499014 <GO>}

Okay. Thank you very much.

Operator

Our next question comes from (inaudible). Please go ahead, sir.

Q - Unidentified Participant

Hi, good afternoon. I have two questions. The first with regards to the drilling in Solimoes. I want to know if you feel that this time you have good quality seismic test that then -- that allow you to be sure about what you are going to expect in the ratings. And the other one is with regards to the CapEx plan, you say that in the meantime, that you're going to invest 320 million reais in 2013. But the three first wells will cost \$300 million. So my question is, do you expect to drill all the half of the three wells in Namibia this year and that is it for the moment?

A - Marcio Rocha Mello {BIO 1923136 <GO>}

Coming then back to your question about Solimoes drilling, we believe we have now better control of our seismic quality and eventual results of the well. We have a nice base in the modeling to understand what kind of fluids we expect in these areas. But there is always an exploratory risk in these wells and all the -- its chance is calculated around 25% on this well. So we expect an oil well, but its exploration risk unfortunately to the drilling. I'll pass to Wagner.

Q - Frank McGann {BIO 1499014 <GO>}

Got you.

A - Wagner Peres {BIO 18042971 <GO>}

Your question is quite interesting. First, we are not going to stop it halfway, because we have really to test our objective there. In terms of the CapEx for the wells, is what we have in our project to date, it is very important that you thought this in what we are saying, reais or dollars. We are -- what is in our budget for us we stand there, net figure is \$160 million for us to grow the three wells. That's net to HRT, okay. Remember, we have partners out there.

Q - Frank McGann {BIO 1499014 <GO>}

Yeah, but always 14%.

A - Marcio Rocha Mello {BIO 1923136 <GO>}

Yeah, but what you realize is, they have 14% but we are not saying 14%.

Q - Frank McGann {BIO 1499014 <GO>}

Okay.

A - Marcio Rocha Mello {BIO 1923136 <GO>}

Okay.

Q - Frank McGann {BIO 1499014 <GO>}

Do you have the breakdown between yourselves and Galp?

A - Marcio Rocha Mello {BIO 1923136 <GO>}

What I'm saying here is it's important (inaudible). We have an agreement there that we cannot talk about numbers, it will be out of responsibility of that. If you take the numbers out there, you can come up with a conclusion, what is their contribution on the drilling process.

Q - Frank McGann {BIO 1499014 <GO>}

Alright, alright. Thank you.

A - Marcio Rocha Mello {BIO 1923136 <GO>}

Thank you.

Operator

Our next question comes from (inaudible) with Morgan Stanley. Please go ahead.

Q - Unidentified Participant

Good afternoon. So just a few follow-up on the Namibia timing question. Some of them taken out had mention that it could take 90 days to drill a well. So I'm wondering if there was any discrepancy in the discussions between the partners because HRT says 60 and the govt says 90 days, that's the first question.

Second question is just to double check the amount of forecast for dry holes in Namibia if I got that right and how the company put that number? Thank you very much.

A - Unidentified Speaker

It is important that we're going to refer to somebody else, making statements about how long it will take to drill, how much will cost. It's very important to make it clear that I have not seen the press release from them that they have mentioned about the 90 days of drill. HRT is the operator, we have prepared a drilling program and we are engaged in a very detailed design for the well.

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We also include in these wells a contingent for non-productive times that is what it means when the drilling starts for any reason. So that is the standard of the industry. And we showed today in our slides there, there is an information that the Wingat well will take 56 days in between disposing, it's turning the ridge of that we drilled rig to the right and OMV with formal (inaudible) well that was a 56 day's time for us to drill the well in case of more success.

If we find hydrocarbon as we expect there, we may stay on location one rig more or 10 rigs more, some time that range for us to collect the proper information about the fluids that we have encountered. So if you add the 56 days that that is a dry hole case, if we find hydrocarbons, if we have 10 more days there, it will get around 56 days. That is our forecast at this moment. If these numbers are associated to a normal and moved operations, just taking into consideration 15% of non-productive that is HRT includes in its wells.

Q - Unidentified Participant

Perfect. Yeah, that's very clear. Thanks a lot. And then on the dry hole cost, just to double check the figures if I got it right.

A - Unidentified Speaker

Yes. On the dry hole cost, the same thing, the things that we provide you there, we are estimating the dry hole cost days on this time of operation that you have there for 56 days or around 60 days of drilling time. You are going to get about -- the same about \$78 million to accomplish that drilling.

Q - Unidentified Participant

So, how shall I observe the daily rate of the rig. Is that right?

A - Unidentified Speaker

What you're saying?

Q - Unidentified Participant

That's just the day rate of operating the rig.

A - Unidentified Speaker

Well, it's not only the rig. If you get the number of rigs or the price, the amount of money for us to drill it and the number of days, you are going to find there what we call a spread rate. That means all of the cost associated the rig, support vessel, the amount of supply, all the good that goes into the drill amount accounting, everything else. So that is the total cost that we probably pay spread rate for the drilling. So that includes everything there, Bruno.

Q - Unidentified Participant

Okay, perfect. Thank you very much.

A - Unidentified Speaker

Thank you.

Operator

Our next question comes from Mr. Gustavo Gattass with BTG Pactual. You may proceed, sir.

Q - Gustavo Gattass {BIO 1702868 <GO>}

Hi, guys. I've got two quick questions for you. The first one, I just wanted to understand something that was on slide, just one second, I'm coming back to it, it was on slide number 23 for the total. And that really has to do with the cash burn rate for Namibia. Looking at slide 22 and slide 23, we actually see that the cash burn rate that you guys are looking at is the same on the fourth quarter and the first quarter. I just wanted to understand whether or not that is consistent given that you effectively have the possibility of spudding the wells to overcome in the course of the next week. So that's question one.

The second question that I just had, I just want to understand how are you guys thinking about the bid round for Brazil now in May? Is some cash already certified for that operation, is it something that you guys are going to do only on a conditional manner? How are you thinking about, I know you probably don't want to get out an average for it, but just the mindset you are in today?

A - Unidentified Speaker

Thank you very much. We can see, we always consider your (inaudible) for the last and I'm -- we are very glad that you put the big -- Namibia, so one. But the answer to you is that regarding to the deground, as you know, HRT has a very deep knowledge about the hydrocarbon potential for the consumer margin operations. Our group is studying for more than eight months leveling the ground. We have been looking at several areas for blocks that we think that is potential. We are comparing them with our Solimoes. We do not want to compromise and today, mainly of our budget that we have kept for Namibia and for Solimoes for their (inaudible). We have talked with a lot of other companies and trying to use and leverage our knowledge in a way that partners will carry HRT on a campaign and also other operations that we are doing. If we're successful, we could participate actively in the revenue derived.

Regarding the cash burn rate, HRT is doing a tremendous effort and we know that we have been playing very active in that, regarding to us, if you're seeing, I have put to my operation now and -- the managers are kind of zero tolerance in cash preservation. We dropped the cash burn rate of the Solimoes even further from the target at that time, I put forth, we could see that we have an increase in the Namibian operations, because Namibia is our great survey, great campaign for 2013.

I'll pass to Tersandro to give some details for you.

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A - Carlos Tersandro {BIO 17615272 <GO>}

I see that it's quite normal that control -- the cash burn rate for Solimoes and Namibian company, it's about to commence. But we have a little bit of threshold in the cash burn rate for that project. It's important to mention that these projects was not costing less cash burn rate that would not consider any financial leverage and it does not consider any upside that we are presenting (inaudible).

So this is going to happen, if you see the second quarter, it will be the most expensive to have and the reason is that we are forecasting to drill two wells in the same quarter. So, you're right, it's -- if you see only Solimoes, we see, in slide 22, a very declining curve from 2.3 in the first quarter to 1.5 in the last quarter. And there is a presence you have some expense in the Namibia there.

Q - Gustavo Gattass {BIO 1702868 <GO>}

Okay. Tersandro, just to understand, the Solimoes drop, the way I read it is you guys are cutting costs and you're going to start sharing costs with TNK, so that to me looks great actually. What I was just wondering about is in the first quarter of '13, you guys probably didn't budget then any of the well drilling cost. Is that a fair assessment or is this just a component of, I'd say, GALP's payment and that actually reduces the impact on the first quarter?

A - Marcio Rocha Mello {BIO 1923136 <GO>}

Yeah. In the first quarter, we still have a support in 100% of Solimoes. As you know, we a tier of 175 million to TNK Brazil and we expect (inaudible). So first quarter, second quarter, we are going to cash -- to be cash flow at TNK for their participation. That's why we have this huge decline 1.4 to 1.7. This correspond of the cash flow of the TNK Brazil.

If you have a look in the total, we are requiring for 3.6. And even in the last, in the second quarter 2013 that was the last, the worst case scenario, we have declined from 3.6 to 2.9 that is even with the full comparing in Namibia. We still have more than 1 million reais of cash flow decline. So this is a very, very (inaudible). As you know, we put this strategy and we are seeing a close to -- because it will reduced Solimoes.

We put our emphasis in the new site, we are exchanging complete the gain there. And we accommodate for you have an idea to keep Solimoes, with definitely Solimoes, and increase the cost of Namibia, in which the differential of the upside is unbelievable. You can see what you are looking from one well in Solimoes as a result and one well in Namibia. Then this is the, I'd say, of HRT, not only Solimoes, but also in Namibia, but the difference between the Namibian upside or the Solimoes upside, are incredible and this is why we have prepared ourselves so hard for 2013.

Q - Gustavo Gattass {BIO 1702868 <GO>}

Okay. Perfect. We are all (inaudible) let's get a good well.

A - Marcio Rocha Mello {BIO 1923136 <GO>}

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Thank you my friend.

Operator

This concludes today's question-and-answer session. I would like to invite Mr. Marcio Rocha Mello to proceed with the closing remarks. Please go ahead, sir.

A - Marcio Rocha Mello {BIO 1923136 <GO>}

Okay. Ladies and gentlemen, I would like to thank all of you representing in this call. I'd like to thank all of you for the support that you guys gave us in 2012. We had been working very hard, the most important point that I'd like to leave it to you that HRT has present itself for 2013 in such a way that we are very confident that our team came in Namibia and in Solimoes. We also feel this patience of our shareholder and can really fulfill and perform our expectations and have a very good day and thank you very much for all of you.

Operator

That does conclude the HRT audio conference for today. Thank you very much for your participation and have a good day.

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