

Q1 2013 Earnings Call

Company Participants

- Carlos Tersandro, CFO
- Joe Paul, VP
- John Willott, Chairman
- Milton Franke, CEO
- Nilo Azambuja, CTO
- Ricardo Bottas, Executive Manage
- Wagner Elias Peres, President

Other Participants

- Andre Sobreira, Analyst
- Bruno Varella, Analyst
- Caio Carvalhal, Analyst
- Luana Helsinger, Analyst
- Luiz Carvalho, Analyst
- Unidentified Participant, Analyst

Presentation

Operator

Good morning, ladies and gentleman. Welcome to the audio conference call for the First Quarter 2013 results of HRT. 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 analysts and investors and instructions to participate will be given at that time.

(Operator Instructions).

This event is also being broadcasted simultaneously over the Internet and may be assessed through HRT's investor relations website at www.HRT.com.br/ir by clicking on the banner webcast First Quarter 2013.

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 teleconferences attended by Mr. John Anderson Willott, Milton Franke, Carlos Tersandro, Wagner Peres, Joe Paul. And Nilo Azambuja.

I would now like to turn the conference over to Mr. Milton Franke, CEO of HRT. Please go ahead, Sir.

Milton Franke {BIO 17311636 <GO>}

Ladies and gentleman. Good morning. I thank you for joining HRT's First Quarter earnings conference call and it is a great pleasure that on behalf of HRT's board of officers, I am here to present the First Quarter results and highlight the main achievements of the Company in this three months of the year.

Before beginning the presentation, as previously announced, we have here with us John Willott, newly elected president of HRT's board of directors and I would like to turn the call over to him for his remarks.

John, please join us.

John Willott {BIO 16988551 <GO>}

Good morning, ladies and gentleman. I'm John Willott, the chairman of the board of HRT. I want to thank you for joining us on this important call today. As you know, HRT's founder and CEO, Marcio Mello, recently decided to resign from his position as a CEO of HRT. He will remain as a member of HRT's Board of Directors.

The board and I want to thank Marcio for his tireless commitment, passion. And contribution in building HRT from an idea to the fourth largest oil and gas company in Brazil with world-class assets in Brazil and Namibia.

Marcio assembled an outstanding staff and excellent acreage position and strong investor funding. He recently finalized to the purchase of Polvo field in offshore Brazil that transforms HRT from an exploration company to an exploration and production company. He has also forged strategic relationships with key partners including of the government in Namibia, the state of Amazonia, TNK-PB, Rosneft, Petrobras. And the Brazilian government. The board and I want to personally thank and congratulate Marcio on his vision of and his commitment to HRT.

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The board moved quickly to a point Milton Franke to the position of CEO of HRT. Milton joined HRT in 2009 and has served on the board of officers recently as CEO of HRT oil and gas. Milton's vast experience in the industry, his familiarity with HRT. And to the respect he commands will enable him to provide stability and leadership to the Company during this important stage. On behalf of the Board of Directors, I want to congratulate Milton on his appointment as CEO and look forward to working closely with him to deliver HRT's full potential. He will be speaking later on the call.

As you also know, Wagner Peres, president of HRT America has chosen to lead HRT. Wagner and his staff, his technical team based in Houston, have led at the exploration effort in West Africa with a focus on Namibia. They have developed to the prospects, finalized the farmouts, designed. And executed the drilling program and that we will comment on later in the call. Wagner will also remain on the board of directors and the board and I want to thank Wagner for his leadership and exploration skills that have strongly positioned HRT for the future.

HRT's officers will appoint Joe Paul, Wagner's second-in-command, to lead HRT America. Joe has a vast worldwide exploration and production experience principally in the South Atlantic sedimentary basins. There will be no impact or change in our drilling plans in Namibia where we will drill at least two additional exploration wells and will continue to pursue additional drilling and farmouts opportunities. Joe Paul will also speak later in the call.

In summary, the board especially the chairman of the board committees, the Company officers. And I are committed and working very hard on a smooth and seamless transition given the recent changes. We will execute the program said that we have planned for 2013 including the drilling in Namibia, the exploration in the Solimoes basin of Brazil, the continued production at Polvo field. And continued opportunity pursuit and capture worldwide.

With that, I'd like to turn the call back over to Milton.

Milton Franke {BIO 17311636 <GO>}

Thank you, John.

If we continue on that same slide number three, we have the highlights of our call today. We will start with the corporate information then we will go over the Solimoes Basin, the Namibian basins, the Polvo. And we end up with the financials of the First Quarter.

If I start again with the same slides with the corporate, the biggest achievement to during this First Quarter was the position or the signing of the PSA with respect to the Polvo oilfield in the Campos basin. This and the confirmation by ANP of HRT being a Class A operator; two key milestones in our implementation of our strategy to diversify our portfolio beyond exploration assets.

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In line with this a strategy to concentrate our efforts on the Company cloud business, we have signed a binding term sheet with Erickson Air-Crane regarding the sale of Air Amazonia. The transaction involves the sale of our 13 helicopters for 65 million and we have the understanding that Erickson Air-Crane due to its experience will provide air services for HRT operations in the Solimoes in a very efficient way. The issues regarding Solimoes and the Namibian operations, will be further developed from this presentation by Nilo Azambuja and Wagner Peres

If I progress to slide number four, please we have here the names of our present board members the last annual shareholders meeting held on April 29. A new Board of Directors was elected for a two-year period and I would like to at this time, congratulate the new chairman and vice chairman of the Board of Directors, Mr. John Anderson Willott, former vice president of explorations for North and South America and Vice President of worldwide productions Geosciences for Exxon Mobil was elected for chairman of the board.

And in addition to Oscar Alfredo Prieto current CEO of Pan-American Energy that was elected as a vice-chairman of our board. On behalf of HRT's management, I would like to welcome the 11 members elected and to emphasize our commitment to keep focusing on areas of corporate governance and compliance to ensure that HRT can grow and continue to reflect international best business practices.

In addition to the changes in the board, HRT also introduced its shift of counsel and if we go to slide five, we have the names of the three full members Jaime Luiz Kalsing, Marcello Joaquim Pacheco, Edmundo Falcao Koblitz. And the three alternates, Fabio Renato do Santos Gameleira, Murici dos Santos. And Arnaldo Joe Vollet. I also send a warm welcome to the six professionals that joined HRT fiscal council. The first meeting of this Council will be today in the afternoon.

With this said, I now pass the word to Nilo Azambuja for the presentation of the Solimoes project achievements over the period.

Nilo Azambuja {BIO 17702625 <GO>}

Thank you, Milton.

Good morning, ladies and gentleman.

I would like to start with the main highlights. We have selected five main highlights. ANP approvals, seismic acquisition, results of HRT 10, mobilization of HRT 11. And gas monetization project. Let's go to slide number eight.

Regarding regulatory issues, HRT had two main achievements in the quarter, a four-year extension of 10 blocks in the Eastern and Southern concessions and a qualification as Operator A allowing the Company to operate in all areas of the country; onshore and offshore.

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Moving to slide number nine please. Seismic acquisition in block 194 and 195, in the figure you can see the achievements HRT last quarter, we had demonstrated important (inaudible) in the results obtained for the drilling wells. In this quarter we conclude the first study based on new perimeters [ph]. Approximately 460 kilometers of seismic were acquired in blocks 194 and 195 with 15 meters of the drilling charts that confirm the improvement in data qualities.

Thanks to this new seismic data qualities it will be possible to enhance the maximum of several prospects in the mentioned block that may be objectives of future drilling. We conclude the tender for the new seismic and close the first agreement for the acquisition of 1,600 kilometers of seismic in the eastern portion of the basin. The next step will be to contract seismic acquisitions in the west and southwest portion of our possession extending exploratory frontier southward from the existing discoveries.

Please is slide number 10. HRT 10 well results confirmed the extension of the hydrocarbons frontier to the southern blocks. In the block 192 HRT 10 well found natural gas in two intervals with good reservoir productivity, which extends southward the hydrocarbon potential of the Solimoes basin.

The implication of the presence of residual oil observed in the core reservoir that produced gas in DST are being analyzed. This combined with the identification of several leads in the region with the existing size [ph] as shown in the map has reinforced HRT's strategy to proceed with that condition of medium-sized in this frontier blocks.

Slide number 11 please. Regarding HRT 11, this well was drilled in less than 60 days. It has reached its final depth to 1,402 [ph] meters, (inaudible) blocks and the well is currently under evaluation. Final results should be announced soon.

Slide number 12, gas monetization deliverable and timeline, project management, final monetization report and recommendations to the steering committee, done. Subsurface group; the resource and production profile report was already done. Engineering; options screening and basis of design is also done, environmental and health environmental studies, ongoing. Cost estimates completed, final report due in July 2013.

Regarding the market, direct reports on regulatory regime and markets is done. Draft conclusions on monetization options, delivery of the final report and executive summary. Regarding economics, draft economics model and inputs are ready and final model is being done.

Let's go to slide 13. The highlights of the gas monetization from the Solimoes is the natural gas monetization project is ongoing as expected and our (inaudible) conclude, they conclude, the engineering study for the construction of production [ph] infrastructures including collection systems, production facilities. And export pipeline.

Downstream technology (inaudible) and its transformation into chemicals, alcohol. And sugar such as (inaudible) including cost estimates for each option. Several units in the

United States were visited during this stage. The market study for Solimoes gas is being finished and the economic model for each option is still ongoing.

Slide 14 please. In conclusion, the First Quarter of 2013 offered a very important information for Solimoes exploration. The seismic acquire [ph], the new per meter [ph] demonstrates the improvements of the data quality which will result in better definition of prospects and better future results.

The amounts [ph] of HRT 10 well results concluded that the West and South blocks have important exploratory potential and should involve the objectives of new seismic studies and new draining. The draining process of HRT 11 was concluded and though well is under assessment. The results will be released soon.

The natural gas monetization project (inaudible) is on schedule. These engineering studies virtually concluded including the (inaudible) to production units in the United States.

I would like to thank you for your attention. Now I will turn the word to Milton.

Milton Franke {BIO 17311636 <GO>}

Thank you, Nilo. Having concluded the Solimoes, I call Wagner Peres for the Namibian activities.

Wagner, you have the word.

Operator

Ladies and gentlemen, please wait while we reconnect the speaker. Thank you.

Ladies and gentlemen, please wait while we reconnect the speaker. Thank you.

Milton Franke {BIO 17311636 <GO>}

We have a connection problem with our (inaudible) in Houston. We will proceed with that the Polvo Field description and later will come back with the Namibian information.

Wagner Elias Peres {BIO 18042971 <GO>}

Milton, we are back. I'm sorry. We are back.

Milton Franke {BIO 17311636 <GO>}

Okay. Wagner, go ahead.

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Wagner Elias Peres {BIO 18042971 <GO>}

Ladies and gentlemen, we apologize for the mishap. But basically, my role is going to be very short. I would just like to introduce Joe Paul. Joe Paul is in the transition period here to a new management in HRT America. He will be taking the role as soon as the transition period is completed. So I will pass to Joe Paul for him to go through the results and highlights in the Namibian operation. Thank you, very much.

Joe Paul {BIO 6208207 <GO>}

Thank you, Wagner.

Hello, everyone. Good morning.

WINGAT well drilling update. The image we see here is a 3-D view of the main objectives at the WINGAT well location. This is the first prospect to be drilled in offshore Namibia by HRT and the spud occurred on March 25. We are targeting albian carbonate reservoirs in a combination structural and stratigraphic trap with approximately 380 square kilometers of area. This prospect has the capacity to hold over 350 million barrels of oil equivalent of recoverable reserves. Our current drilling and evaluation activities will be completed by next week.

Slide 17 is a summary of the WINGAT well results. First, we're looking at a seismic image of the WINGAT prospect and if you'll notice the small map in the upper left-hand portion of the slide, this is an amplitude extraction of the WINGAT prospect. Is this a seismic line is a located as a small line with A to A' indicating the orientation of the image. The top of the carbonate platform is the blue dashed line on this image. The well has drilled to a TD of 5,000 meters and we are currently evaluating the well information.

Page 18, the planned Murombe well. Again, we are looking at a seismic image of the Murombe prospect. You can see the Murombe-1 well proposed location as a blueline on this seismic image. If you look at the map, in the upper left-hand corner of the slide, you see an image of an amplitude extraction on the Murombe prospect. Line C, C' illustrates the location of this seismic image. In the lower right-hand corner of this image you see the scale of five kilometers.

The opportunities that will be penetrated with the Murombe-1 well include the Baobab prospect shown shallow on the top of the seismic image and then we see the location of an intervening source rock interval. Next we see another source rock interval deeper below that and then you see the top of the Murombe fan complex which will be penetrated with this well.

Finally, we will continue to well down through the Sivaradi complex which also has adjacent source rock. That's all the information we will provide on HRT Africa's ongoing operations at this time. Well results will be forthcoming.

I would like to turn the presentation back over to Milton Franke.

Milton Franke {BIO 17311636 <GO>}

Thanks Joe Paul. Well done. I will go over now on the Polvo field presentation with slide 19. On this slide you see a nice picture of the Polvo platform and the drilling rig. Please go to slide 20. On slide 20 we have general information about the Polvo field. I will stress a few points of the slide.

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Number one, the concession. The declaration of commerciality of this field occurred in July 2005. If we look a little bit down on the platform and FPSO, we see that this is a platform with a 24 slot platform and a turret-moored FPSO. When you look to the wells dry trees, we have still now 10 producers and one water injector. That means that we still have several slots available on the platform. If you look to production, you will see that the first production started in 2007.

If we go now to slide number 21, we have a regional map of the Campos basin oil and gas fields mostly oil fields and you'll see that the Polvo field location regional location with respect to other fields you see what really lies on the producing trend of the Campos basin in shallow waters. It's already a small field compared it to many other fields in Campos but it is a field, it's not an exception. It's a field in the high trend [ph].

If we go to slide number 22, we have some information about the Polvo field infrastructure. We see that this field has a set of very interesting and important facilities available and I will highlight only a few such facilities.

Number one, it's the production and drilling rig platform and this is a very nice platform still in good condition and the same happens with of this drilling rig. Number two, 10 active producing wells and one injection well and the main facilities our production and test manifolds, multi-phase pumps, flare system, chemical injection skid. And drilling facilities. So this is a fully prepared production platform and we go now to slide number 23.

This ship is the Polvo FPSO that is outsourced to a third-party that offers it under contract to BP. It has people on board of 70 people, 70 persons. It's a turret anchored FPSO. It has oil storage capacity of 1.5 million barrels of oil. It has power generation capacity. It has production capacity and it has water injection capacity. All of the processing facilities of the Polvo field are on this FPSO.

If we go to slide number 24, I couldn't pass without giving you a map, a geological map of the Polvo ring fenced. You see in yellow the outline of the Polvo ring fence. You will see there is some area outside the producing assets and this source right away there are some upside in this ring fence, some important sides. This map also shows a classification of the outlines in proved, while we have proved these wells, while we have probable these wells. And possible these wells. And even where we have some high risk contingent resources mapped in this ring fence.

Certainly you can imagine that these assets offer risks but it is very important to stress that we have tremendous upsides in this ring fence. With HRT knowledge, we are sure that we can make use of such upsides.

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If we go to slide number 25, here we have some additional information about the Polvo deals and by the outline only a few points of this deal. We are acquiring 60% of the interest of the Polvo field. There is a second party that owns the 40% that compliments the 60%. The properties of the deal will include these wells proven and development, probable, possible. And discoveries in appraisal.

There will be a transfer of operatorship. HRT will become the operator of this field. We have met with teams and the teams are fully dedicated to the assets and they will be transferred to HRT and last but not least, the closing of this deal is still subject to certain conditions and one of such conditions as the final approval by ANP.

If we pass to slide number 26, this is a very important slide and we would like to have your attention for a few points. Number one is that HRT has a long history with Polvo field. HRT America staff came from Devon and they worked with Polvo for some time; several years. They have maps. They have done reservoir simulations and they are very keen to come back and work with us on the Polvo field.

Then if we remember HRT IPEX or HRT petroleum, we were a service provider to BP and to Devon and again, we have some activities related to the Polvo field and we are well acquainted with this field.

Second, I want to stress HRT strategies with the Polvo field. Number one, we were very impressed with presentations made by BP about their work over the last two years to maintain and safe and compliant operations in Polvo and understand and we have visited the units in the field and we have seen that they have given priority to people to HRT practices.

They have described and trained the personnel on a list of strategies that will be very important for the future of our operations and we have made this work that is being presently done by BP as the first of our strategies. We want to maintain the same procedures with respect to safety and compliance operations.

Number two we have already discussed about how we can sustain the established oil production and to introduce some measures and initiatives for production increase. You heard when the production of Polvo started. It's not so long ago but production is in decline and we want to introduce measures to sustainable production and to make this field have a longer life than it has today.

Number three, we want to work on Polvo re-exploration. Our group with the experience that we have with HRT America if needed we will acquire a new seismic data. We will drill new exploration wells and we will drill a new development follows as we go.

Number four, we really have debated this internally in HRT and we have identified that new production alternatives in mature fields in Campos basin and even elsewhere are on our list. We will try to enlarge our portfolio with activities of like that.

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To end, number five, it's important for us to have the cash flow from the Polvo field from the proved reserves on the short-term and from cash flow from the upsides on the middle term. We think that this will be a very important for HRT.

If we go to slide number 27, there are some additional points about the Polvo deal, mainly the next steps. We already signed the PSA on May 6. We agreed on the conditions precedents and transition period and we are working now to see if we proceed in the process. We have taken as our first priority to work on people and we are trying to get a very smooth transition when the deal is completed.

We continue in the next steps the normal course of operations under BPs operatorship and we plan in the next 2 to three months work on the transition in a way that when AP approval comes, HRT will be able to be the operator of this field.

Having said this, I pass the word to Carlos Tersandro our CFO and he will give us a presentation on the quarter financials.

Tesandro, you have the word.

Carlos Tersandro {BIO 17615272 <GO>}

Thank you, Milton. Good morning, everyone. During today's presentation, I will give you the highlights on the First Quarter of 2013 financial results.

If you go to slide 29, in relation to is the partner transaction, on January 2013 the farmout agreement transactions the Company GALP Energia signed a 40% interest in exploratory rights over three Petroleum explorations license specifically pel [ph] 23, 24. And 28 was approved by the Namibians ministry of mining and energy.

On March 25, HRT deployed its first of four wells in exploratory campaign and on April 2 received its first cash flow from that partner.

In the divestment programming, the next slide, on March 2013, the Company signed a binding term sheet with the US company, Erickson Air-Crane Inc. for the sale of its Logistics business. The transaction comprised of one of its wholly owned subsidiaries, Air Amazonia and its entire (inaudible) fleet. Composed by 14 helicopters of which seven equipment F6-1, five (inaudible) and two AS 350.

That's during the First Quarter of 2013 the transaction value was allocated under assets held for sale in the amount of BRL109.2 million. In relation to the Polvo fields, although this does not affect our First Quarter 2013 financials, due to the relevance of the deal, we'll disclose it.

HRT has signed on May 6 a purchase and sale agreement BP energy in Brazil Ltda and BP UK to buy a 6% stake in the oilfield as well as 100% of BP energy Americas. The 83 [ph] that corresponds the platform and the drilling rig and operation for the amount of \$135

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million. For that, HRT committed to pay to BP UK and deposit in an escrow account to guarantee the (inaudible).

To conclude the deal, HRT as guarantor and its wholly owned subsidiary HRT oil and gas has entered in a loan agreement with Credit Suisse Brazil through a financial instrument called Federal of Cedula de Credito Bancario for \$75 million. The loan has a term of two years and will be repaid in five quarterly installments after 12 months grace period.

It's important to mention that the transaction has a condition precedent including ANP approval. When concluded, the deal will be attractive to January 1 2013 and the results from the fields since then will be used to adjust the purchase price.

Going to the financial results on the next slide, then net results presented in the First Quarter 2013 represents an improvement when compared with 4Q 2012 if we consider only the recurring expenses and stable if we include the right off of the well HRT-7.

The expenses continue to present a declining line since G&A expenses decreased an additional 73% in the first Q compared to 4Q 2012. On the other hand, third-party service has increased related to legal expenses.

Also, HRT board has approved the performance bonus in December 2012, the forecasted payment for cash for the employees as well as cash and our stock options for some of the strategic employees in a proportion of 25% in cash and 75% in shares with a discount price of 60%.

The cash payment in the amount of BRL14.8 million has been effective in January 2013 and recognized as 4Q 2012, in the first period 2013, the Company recognized (inaudible) an expense of BRL21 million related to the difference between fair market value and stock price for stock options as requested by IFRS rules.

The next slide we present the cash position of the Company. The company ended the First Quarter with a consolidated cash balance of BRL829 million represented a decrease of 21% over the balance of Fourth Quarter 2012 in due to disbursements for the exploratory campaigns in the Solimoes and Namibian projects.

This chart also presents the liquidity of the Company consolidated cash by maturity and cash collateral given as guaranteed chart of the rate and drilling related services to be used in the Namibia exploratory campaign. In addition, it can be observed at the breakdown by financial institutions where HRT group's funds are invested.

In this slide, we present a chart with the evolution of disbursement by group of expenses and its impacts on HRT's consolidated cash position on first Q 2013 compared with the previous quarter.

In the next slide, we show expenses incurred with the exploratory campaign amounting BRL174 million. And refer to disbursement on drilling activity logistics, HSSC [ph] as well as

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expense for personal third-party service and insurance.

Expenses with seismic in the amount of BRL34 million are related to the acquisition of seismic service in data processing and interpretation in both fronts. G&A, tax. And financial expenses total BRL25 million refer to corporate expenses with personnel and the initiative expenses and corporate insurance which were not allocated directly to the exploratory campaign activities.

Around BRL10 billion is related to tax, withholding tax from financial revenues and exchange rates variations. The headcount reduction during 2012 also contributes (inaudible) to present the decrease of around 22% when compared with 1Q 2012.

Next slide, these charts present variation of the average it daily cash burn rate interest in the Q1 2013 where it can be noticed a slight increase in the 1Q 2013 versus the previous quarter as well as the comparison between the forecast CVR versus actual.

The increasing CVR in this quarter is expanded mainly due to the performance on (inaudible) January 2013 and by exchange rate variations. Not considering nonrecurring events above the CVR should be in accordance with the forecast in the First Quarter of 2013. As such, we are confident that we accomplished the forecast to reach CVR for the entire year at an average of BRL1.9 million per day.

On the last slide, I would like to just make an update about the potential upside is that have been presented in the previous presentations. On March 13, the company signed (inaudible) a binding term ship with excellent (inaudible) remaining only precedent conditions to be fulfilled and GALP Energia starts to contribute to the GV the (inaudible) 23 as (inaudible).

With this, I would like to hand back to Milton for the final remarks.

Milton Franke {BIO 17311636 <GO>}

Thanks, Tesandro. Ladies and gentlemen, to conclude this call, I want to say a few words about Marcio, our leader over the past three years. He did not leave us because he will still be with us as a board member and I am sure that he will use his brains to generate new ideas for the benefit of HRT has before.

During these years, what really impressed me about Marcio is his availability, his energy. And his care for people. He was available almost 20 hours per day, seven days a week with no holidays over the last three years. And I understand that HRT needs all of these three elements over the next two days, weeks. And months for all of its employees.

We have to do even more than what we did over the last three years and now that Marcio has left us. Following Marcio's words, I would like to call all of our fans to believe in HRT and offers constructive suggestions on how to proceed. Thank you, Marcio. Thank you, all

of you for believing in HRT. I conclude this call and open it up to Q&A. Thank you, very much.

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 Mr. Bruno Varella with Bradesco BBI.

Q - Bruno Varella

Good morning, everyone. I have a couple of questions here. Starting with Polvo, I would like to know what is the breakeven production Polvo and if there are any clients (inaudible) vis-a-vis larger added capacity at the (inaudible)?

The second question regarding the CapEx and taxes, just a quick follow-up to understand, almost a BRL700 million (inaudible) for 2013 and what is the sufficient cash value add. And the last one regarding the monetization of the projects, the monetization of gas. Is there any idea at this point of how much gas could be consumed in the (inaudible) project?

A - Milton Franke {BIO 17311636 <GO>}

Bruno, with respect to Polvo breakeven, this information is still not available at this stage to HRT and we have some ideas but this is then not disclose above. We cannot disclose this. With respect to the monetization projects, could you repeat the question?

Q - Bruno Varella

If there is any idea of how much cash could be consumed in these projects; or in other words, how much (inaudible) supply to this project.

A - Milton Franke {BIO 17311636 <GO>}

Yes, we are now working with hypothesis. We have the numbers are with the existing wells drilled but this is a very conservative view and it ranges between 5 million and 7 million cubic meters per day. There are two scenarios of growth in this order of magnitude. We think that this will increase with time as we build a new wells and we develop the fields that we already have discovered.

Q - Bruno Varella

Okay. And the third one regarding the CapEx and the OpEx?

A - Milton Franke {BIO 17311636 <GO>}

Talking about CapEx and OpEx with respect to what?

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Q - Bruno Varella

If the previous guidance is maintained. The BRL700 million for the year.

A - Milton Franke {BIO 17311636 <GO>}

Yes. It's the same.

Q - Bruno Varella

And the expectation of cash by year end is the same?

A - Milton Franke {BIO 17311636 <GO>}

Yes, about the same.

Operator

Our next question comes from Andre Sobreira from Credit Suisse. Please, you may proceed.

Q - Andre Sobreira {BIO 16337358 <GO>}

Hello. Good morning, everyone. I have a few questions. The first one is a follow-up on the previous question on the cash drag. If I take the current cash drag on the quarter, your cash balance won't decrease (inaudible) Q1 2014. So I would just like to understand that on how you have managed the drag through the year to reduce that.

Of the second question, more strategically, I want to understand how the board is thinking just thinking about M&A and monetization of the company's assets in general because the shares are not given any credit for the assets outside of the cash run on the balance sheet. So I want to think how the board is thinking about it.

The third one, on Polvo, who in HRT will manage that asset? Will anyone from HRT America's poor who has worked with BP before? Do you manage in that field or is it going to be someone else? You also mentioned that you had (inaudible) increase production the longevity of the field, I would like to understand what you think you can do. And thirdly, any (inaudible)? That will be it. Thank you.

A - Milton Franke {BIO 17311636 <GO>}

Andre, starting with the third question about Polvo, who will manage it. We are building our group and it is based on the present that today manage the field so all operations people will be transferred if the deal is completed to HRT but inside HRT the asset belongs to HRT oil and gas.

It will be responsible for the project, for the total project and we are discussing this in-house for example HRT America had a group that is very well prepared for the technical studies and challenges reservoir and to support all the (inaudible) how to advance with respect to the upside new (inaudible) and so on.

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Our financial group, the same persons that are responsible for the financial control for the (inaudible) buildings and all of the other projects that will work on Polvo and then there are issues with safety.

We have a few persons that have long-term offshore experience with safety matters, environmental matters, we have been pulling these people together within a group and they are in (inaudible) oil and gas and it will take care of this asset.

Today we are still in the beginning of the deals of the measures and our main task today is people. We have to really work on to get together our best. We have to manage these assets and make sure that the best BP has managing today will come to us and work with us in the future.

I will pass now to Tesandro to respond of about the cash drag in the quarter and eventually we can come back on the monetization of Solimoes gas.

A - Carlos Tersandro {BIO 17615272 <GO>}

Andre, if you compare the First Quarter with the First Quarter you will see that there is an increase in BRLO.3 per month. As I mentioned in the presentation, this is mainly due to the payment of our performance bonds for the employees of the company. If you can split this it's something around 1.8 of this a 0.3. It's related to this. We have some exchange rates variation due to the investments that we have a broad. If you remember we have around BRL150 million of the funds placed a broad and we have some (inaudible) in HRT Canada, HRT Africa. And HRT America.

In this suffers with the exchange rate. If you have a look in December we have around a one dollar variation from 31 December from 31 March. (inaudible). So if you can divide this I would say that's around 1.0 -- 0.18 related to the performance and zero 12 related to the exchange rates variation. As I mentioned, we are confident that we can reach the forecast of our cash burn rate since these are nonrecurring issues and to this exchange variation we can be in the negative (inaudible) exchange rates behaving in the half of the year.

We take that these are nonrecurring expenses and then we can easily come back to the forecast for the whole year to have less than BRL2 million in a cash burn rate for the whole year.

A - Milton Franke {BIO 17311636 <GO>}

And then if I advance something on your third question about (inaudible) related to monetization of gas in Solimoes, I could say that we are presently with a set of companies consulting firms international and local working on all old turn of you for the monetization of Solimoes gas.

We are modeling this to come up with such as the best alternatives with respect to the visibility and we are trying to find or to identify who could be our potential partners with respect to some of these, each of these alternatives. We are not working by ourselves. We signed this MOU [ph] with petrol gas and TNK BP. TNK BP was acquired by the

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(inaudible) today. HRT petrol gas and (inaudible) are working on this project. The first phase will be concluded now in July and we are discussing trying to work out how to proceed.

Does this respond your questions?

Q - Andre Sobreira {BIO 16337358 <GO>}

Yes, it does. I was thinking more about M&A in general, not necessarily related to the monetization of the gas. But that's fine.

Operator

Our next question comes from Luana Helsingier with GBM. Please, you may proceed.

Q - Luana Helsingier {BIO 16132814 <GO>}

Good morning, everyone. Thank you for the call. I have a quick question about this (inaudible) in Solimoes. I wonder if there is a position on the HRT-12; if you guys are planning on drilling this year or will it be postponed? Thank you.

A - Milton Franke {BIO 17311636 <GO>}

We will ask Nilo Azambuja to answer this question.

A - Nilo Azambuja {BIO 17702625 <GO>}

The plan for HRT-12 we have finalized the acquisition of the size covered some prospects in the block 194 and 195 as we mentioned. Of the results of the acquisition (inaudible) will help us to mature the prospect and to decide at each location we are going to take the rig.

A - Milton Franke {BIO 17311636 <GO>}

Luana, did this answer your question?

Q - Luana Helsingier {BIO 16132814 <GO>}

Yes, I just wanted to know if you think this year could it be a possibility.

A - Nilo Azambuja {BIO 17702625 <GO>}

Yes, we still think that well number 12 can be billed this year.

Q - Luana Helsingier {BIO 16132814 <GO>}

Okay, thank you very much.

A - Nilo Azambuja {BIO 17702625 <GO>}

You're welcome.

Operator

Our next question comes from Mr. Luiz Carvalho with HSBC. Please, you may proceed.

Q - Luiz Carvalho {BIO 18040760 <GO>}

Thank you. Good afternoon. I have basically two questions. First of all, it's a follow up on the Polvo field. I would like to ask two questions. The first one is with regard to the contract of the unit. The FPSO it (inaudible) property and I think the contract will expire next year. Is there any conversation to renew that (inaudible) case of the (inaudible) to grow (inaudible) profitability of the project of really affected?

And the second question about Polvo, if you could give us a little bit of color with regard it to the other prospects that you see there and during the acquisition process. The third question just a follow-up with regards to Solimoes and HRT-11. Are you using LWB in that well? Thank you.

A - Milton Franke {BIO 17311636 <GO>}

Luiz, yes, we are using LWB, in Solimoes since HRT 10 with very good results.

Q - Luiz Carvalho {BIO 18040760 <GO>}

So you are already achieved the reserve, right? Is there any indication of oil or any hydrocarbons in the area because you have to file at ANP and I haven't seen anything? So could you give us an update on that?

A - Milton Franke {BIO 17311636 <GO>}

This information, Luiz will come out very soon. I will pass to the help of Ricardo Bottas to tell you a little bit about the Polvo field FPSO contract.

A - Ricardo Bottas {BIO 18071813 <GO>}

About the FPSO contracts, during this transition period, we still have together with BP talked with the suppliers and contractors with of the field it to renegotiate the material agreements. So during the transition period, we have to talk with the suppliers. So for the FPSO, the same of the other contracts.

A - Milton Franke {BIO 17311636 <GO>}

Luiz, you have the third question about Polvo, I think it's a with respect to other prospects.

Q - Luiz Carvalho {BIO 18040760 <GO>}

Yes, exactly.

A - Milton Franke {BIO 17311636 <GO>}

Wagner, are you still online?

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A - Wagner Elias Peres {BIO 18042971 <GO>}

Yes we are.

A - Milton Franke {BIO 17311636 <GO>}

Could you answer this question?

A - Wagner Elias Peres {BIO 18042971 <GO>}

Milton, could you please rephrase it for me just to be sure that I got it?

Q - Luiz Carvalho {BIO 18040760 <GO>}

Sure. With regards to the Polvo acquisition, somewhat later on what the company saw and just apart from the production field.

A - Wagner Elias Peres {BIO 18042971 <GO>}

Luiz, during the time that our teams are still working at Devon we had already a portfolio prospect to be tested in the ring fence and also in this transition time where we are receiving all of the information all of the data from Polvo, we are going to reevaluate all of the data because we know that BP reprocessed in the data, the seismic data (inaudible) and we need to have access to all of this information for us to run the data or rebuild all the ring fences study for the new prospects and that we have already in mind there.

We are committed that there are prospects it to be drilled but these prospects, they need to be revisited with the new data. As new information in the beginning, we are also considering the possibility that if necessary we will shoot a high-resolution 3-D over the area for not only to better understand how the reserves that that we have in Polvo. But also to interpret the prospects for better positioning the wells that are in plans to be drilled there.

So in that sense, we are expecting a lot of work ahead of us and it drilling in the area would happen sometime in 2014. So that's the way that we are looking at right now.

Q - Luiz Carvalho {BIO 18040760 <GO>}

Okay. That's clear. Thank you, very much.

Operator

Our next question comes from Caio Carvalhal from JPMorgan. Please, you may proceed.

Q - Caio Carvalhal {BIO 16605563 <GO>}

Thank you. Good morning. I have a couple of questions and I will try to be brief. One of them is related it to the gas monetization project. You mentioned the range of 5 million to 7 million cubic meters per day as far as (inaudible) for this project. You have an estimate of how long this could last and then of course I want to ask what is the (inaudible) volume

that you believe you have already earned during the discovery dig. So I want to know pretty much how many years do you believe you can sustain this productivity between five and seven.

In relation to the media, (inaudible) question, how dependent the Murobme well should be on the reserve of the WINGAT? I know that they are independent. But in geological terms, the indication that they are going to get from WINGAT, we could further support a group result or a better reserve on Murobme.

And on Polvo field, I think many questions were asked on that, I'm not sure how much you can share. But could you tell us just a little bit about the economics of the FPSO? Where is that (inaudible) break? Or I apologize if you already said that this is something that you cannot disclose. And that's it.

A - Milton Franke {BIO 17311636 <GO>}

Caio, welcome to our call. Thank you, very much for your questions. With respect to the gas monetization timeframe, these volumes are expecting to be a plateau of 20 years. With respect to Polvo, the question about the FPSO and the economics, we still cannot release any information. We are in a transition period. We are really learning about the field. (inaudible) calculations but we have fully confidential reasoning with BP. We cannot open any private information to the public.

I will call Wagner and maybe Joe Paul to tell a little bit about this question about the WINGAT and Murobme.

Can you help us Wagner and Joe Paul?

A - Wagner Elias Peres {BIO 18042971 <GO>}

Yes Milton. Caio, as from the beginning of the process, HRT put together three to four well drilling campaigns and each one of the prospects that are going to be drilled is totally independent from the other well. So Murobme is very independent from WINGAT. But logically, with whatever we find in WINGAT can make us feel better or worse about Murobme. But at this stage we are going to Murobme with a lot of optimism and the prospect is totally independent from the results of WINGAT.

Q - Caio Carvalho {BIO 16605563 <GO>}

Okay, thank you very much.

Operator

Our next question comes from Daniel (inaudible) from CTN [ph] (inaudible). Please, Mr. Daniel, you may proceed.

Q - Unidentified Participant

Good morning, everyone. Could you please tell us more color about the deal with GALP? Because in the release of the First Quarter you mentioned that you have received BRL51 million both for the first (inaudible) in WINGAT.

A - Milton Franke {BIO 17311636 <GO>}

I will send you to Carlos Tesandro to answer you, Daniel. Thank you for your questions.

A - Carlos Tersandro {BIO 17615272 <GO>}

Yes, Daniel, it's true. We did receive our first cash call from GALP of \$25.5 million and this is for the first period. I didn't understand exactly what you asked us.

Q - Unidentified Participant

(inaudible) you can receive the same amount or this is not (inaudible) do?

A - Carlos Tersandro {BIO 17615272 <GO>}

No, not necessarily the same amount. Any well we are going to receive (inaudible) GALP. But not necessarily for the same amount.

Q - Unidentified Participant

Thanks.

A - Carlos Tersandro {BIO 17615272 <GO>}

Okay, thank you.

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 - Milton Franke {BIO 17311636 <GO>}

Thank you, very much. It's Milton talking. I think all of you for participating in this call and I welcome you for the next calls or to visit HRT. Thank you, very much.

Operator

That does conclude at the HRT audio conference for today. Thank you, very much for your participation. Have a good day.

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