

DOMMO ENERGIA S.A.

CNPJ/MF: 08.926.302/0001-05
Listed Company – B3: DMMO3

MATERIAL FACT

– TUBARÃO MARTELO FARM-OUT AGREEMENT–

Rio de Janeiro, February 3, 2020 - Dommo S.A. (“Dommo” or “Company”) (B3: DMMO3; OTC: DMMOY) pursuant to article 157, paragraph 4th of Brazilian Corporate Law n^o 6,406/76 and CVM Instruction n^o 358/02, announces to its shareholders and the market in general that on February 3, 2020 the Company, upon approval from its Board of Directors, executed a Farm-out Agreement (“FOA”), a Joint Operating Agreement (“JOA”), and other ancillary documents with PetroRio O&G Exploração e Produção de Petróleo Ltda (“PetroRio”) with respect to 80% of the Tubarão Martelo Field (“TBMT”) (the FOA, JOA and other documents together the “Transaction,” Dommo and PetroRio together the “Companies”).

The Transaction is taking place in conjunction with PetroRio’s acquisition of the OSX-3 Floating, Production, Storage and Offload vessel (“OSX-3 FPSO”). The OSX-3 FPSO was acquired by PetroRio from its owner, OSX3 Leasing B.V., who was chartering the FPSO to Dommo for use on the TBMT field.



The OSX-3 FPSO on the TBMT Field

The acquisition of the OSX-3 FPSO combined with the Transaction, will provide substantial economic benefits to the Companies as outline below:

- 1) The Polvo Field, owned 100% by PetroRio (“Polvo”), has a fixed production platform (“WHP-A”) that is located approximately 9 kilometers from the OSX-3 FPSO. The Companies will undertake a project to connect the WHP-A to the OSX-3 FPSO (“Tieback”), expected to occur by mid-2021, permitting the production of oil from both fields on a single FPSO
- 2) The operational unitization of TBMT and Polvo will allow PetroRio, as operator, to realize significant cost synergies and reduce operational expenditures (“OpEx”), that will also benefit Dommo: the fields have a

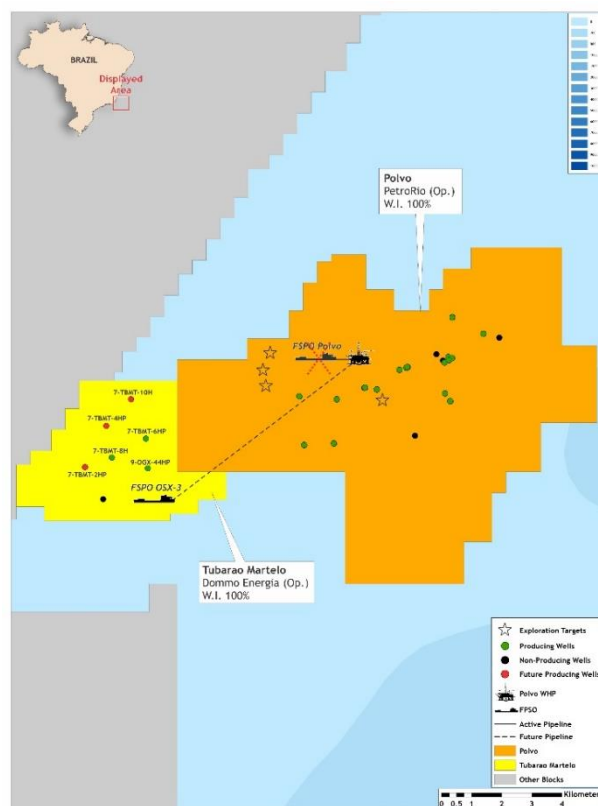
combined OpEx of around US\$ 200MM per year, and this OpEx could be reduced to US\$ 80MM per year once the Tieback takes place¹

- 3) The Companies will be able to connect and produce Well 7-TBMT-10H, which has been drilled and tested by Dommo, but was subject to a unitization agreement between the Companies
- 4) The Companies plan to explore additional opportunities that lie within the fields and leverage PetroRio's Enhanced Oil Recovery (EOR) expertise combined with Dommo's accumulated knowledge of TBMT, which could lead to an increase in the recovery factors and profitability of the fields: PetroRio estimates an increase of 40 million barrels to the reserves from the combined fields (above current Polvo reserves)
- 5) The above-mentioned OpEx synergies and increase in production will significantly extend the useful life of both fields, pushing production out more than 10 years, until 2035¹ and allow the Companies to postpone, and potentially reduce, abandonment expenses ("AbEx")
- 6) The Companies also believe they can achieve important reductions in per-barrel offloading and delivery costs, such as freight and associated expenses, by increasing the size of the offloads

The map on the right shows the position of the fields: TBMT in yellow and Polvo in orange. It also pinpoints the existing wells and exploratory targets for both fields.

Most importantly, it shows the relative position of the OSX-3 FPSO, the Polvo WHP-A and the Polvo FPSO. The latter is currently chartered by PetroRio from BW Offshore.

The dotted line delineates the approximate distance required to connect the WHP-A to the OSX3-FPSO, removing the need for a second FPSO within the two fields.



TBMT and Polvo Fields with Wells, FPSOs and WHP-A

In addition to the above, the Transaction provides other

¹ PetroRio estimates as per their Material Fact

financial benefits to Dommo. In exchange for the 80% working interest that PetroRio will receive in TBMT, Dommo will receive the following consideration:

- 1) 100% exemption of all future charter obligations (currently US\$ 47.2MM per year plus variable charter)
- 2) 100% exemption of all future capital expenditures (“CapEx”)², including: i) existing well workovers; ii) connection of Well 7-TBMT-10H; iii) future exploratory campaigns; and iv) the Tieback
- 3) 100% exemption of all AbEx, including any guarantees as required by the regulatory agency, currently R\$ 296.7MM for TBMT³
- 4) Until the Tieback, Dommo will receive for its working interest 20% of the oil produced by TBMT and will pay a fixed US\$ 840k per month to cover OpEx (equivalent to 20% of Dommo’s current OpEx ex-Charter)
- 5) Following the Tieback, Dommo will receive for its 20% working interest in TBMT the following entitlement: 5% of the total production from both fields, TBMT and Polvo, without being responsible for any of the associated costs (Charter, OpEx, CapEx and AbEx) (the “Revenue Payment”)⁴

Below a summary of the financial benefits that the Transaction will bring to Dommo:

Changes to Dommo regarding	Status Quo	FOA before Tieback	FOA after Tieback
TBMT lifespan	Expected 2 to 3 years	Estimated: 10 years	Estimated: 10 years
TBMT W.I.	100% Dommo	20% Dommo	20% Dommo
FPSO Charter	US\$ 47.2MM / year plus variable charter	Zero	Zero
TBMT CapEx²	100% Dommo	Zero	Zero
TBMT OpEx	100% Dommo	Dommo will pay US\$ 840k / month	Zero
TBMT AbEx	R\$ 296.7MM ³	Zero	Zero
Entitlement	100% of TBMT minus 100% of Charter, OpEx, CapEx and AbEx	20% of the oil produced by TBMT minus fixed monthly OpEx payments (US\$840k/mo.)	5% of the oil produced by TBMT + Polvo with zero expenses ⁴

² The Revitalization currently in execution remains under Dommo’s responsibility

³ As per Dommo’s 3Q19 audited financial statements, Note 17(b)

⁴ Reduced to 4% when the combined production of both fields reaches 30 million barrels of crude counted from the Tieback

Lastly, the Transaction will provide Dommo with important intangible benefits including:

- 1) Eliminate risks related to the operations: PetroRio, as operator, will be responsible for all the future potential liabilities (e.g. environmental, operational, and regulatory)
- 2) Reduce the exposure to fluctuations in Brent: the Revenue Payment, by definition, is always positive and will ensure cash flow to Dommo even in a low-Brent environment
- 3) Addresses going concern assumptions⁵ highlighted by the external independent auditors since 2018

Conclusion

Management and the Board of Directors have concluded that the Transaction is financially beneficial to Dommo because despite the reduced working interest in TBMT the Company receives a meaningful increase in cash flow from the asset when compared to the *Status Quo*, according to the financial models prepared by the Company and its advisors. Furthermore, the Transaction successfully transfers the liabilities, capital expenditures and operational exposure to PetroRio, the future operator of TBMT.

Many challenges still lie ahead for Dommo. Management and the Board of Directors believe that this Transaction will guarantee the continuity of the Company and will allow the Management to focus on resolving the legacy, existing and contingent, liabilities from its bankruptcy restructuring process. The continuity of Dommo will also allow the Management to continue defending the rights and interests of the Company in several ongoing arbitrations (a possible source of value creation in the future) and improve its ability to monetize its sizeable deferred corporate income tax credit, currently at R\$ 7.3 billion⁶.

The Company and the Board of Directors have hired the following advisors to help them evaluate and structure the Transaction: (i) Evercore Group L.L.C. acted as the exclusive financial advisor for the purpose of evaluating the financial terms of the Transaction; (ii) Faveret Lampert Advogados acted as legal counsel on the multiple aspects of the Transaction; and (iii) Vinhas e Redenschi Advogados as tax counsel.

The Transaction closing is still subject to approval from regulators and governmental authorities. The Company will update its shareholders and the market in general, as appropriate, regarding the Transaction.

Rio de Janeiro, February 3, 2020

Eduardo Yuji Tsuji
CFO and Investor Relations Officer
DOMMO ENERGIA S.A.

⁵ Note 1.3 of the 2018 Audited Financial Statements

⁶ As per Dommo's 3Q19 audited Financial Statements, Note 14: Deferred taxes and Business Plan



DISCLAIMER

These presentations may contain forward-looking statements. Such forward-looking statements only reflect expectations of the Company's managers regarding future economic conditions, as well as the Company's performance, financial performance and results, among others. The terms "anticipates", "believes", "expects", "predicts", "intends", "plans", "projects", "objective", "should", and similar terms, which evidently involve risks and uncertainties that may or may not be anticipated by the Company and therefore are not guarantees of future results of the Company and therefore, the future results of the Company's operations may differ from current expectations and the reader should not rely exclusively on the information herein presented. Under no circumstances shall the Company or its directors, officers, representatives or employees be liable to any third parties (including investors) should they make decisions or investments or carry out business acts based on the information and statements presented herein, nor shall the Company be liable for any indirect damages, loss of profit, or similar consequences thereof. The Company does not undertake to update the presentations and forecasts in the light of new information or its future developments. The Company does not intend to provide shareholders with any revised versions of the statements or analysis of the differences between these statements and actual results. This presentation does not contain all the necessary information for a complete investment assessment on the Company. Investors should carry out their own assessments, including of the associated risks, before making an investment decision. The figures reported for the current period onwards are estimates or targets. These indicators do not have standardized meanings and may not be comparable to indicators with a similar description used by others. We provide these indicators because we use them as measures of company performance; they should not be considered in isolation or as a substitute for other financial metrics that have been disclosed in accordance with BR GAAP or IFRS.

INVESTOR RELATIONS

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ANNEX: Additional Information on the Assets and the Companies

OSX-3 FPSO

The OSX-3 FPSO was constructed at an announced cost of US\$ 800MM by Modec Inc. for OSX3 Leasing B.V. It was originally chartered to Dommo in at a fixed daily rate of US\$430,000, which was subsequently reduced to US\$250,000 at the time of delivery, and again to US\$130,000 during the bankruptcy restructuring. As of December 2018, the Charter was renegotiated to a fixed daily rate of US\$129,315 plus a variable component⁷. The FPSO is a state-of-the-art facility capable of processing 100,000 bbls/day and storing 1.3MM bbls of crude.

Tubarão Martelo Field

TBMT started producing in 2013 and up to December 2019 has produced 17.1 million barrels. It is currently producing from three wells and is undergoing a Revitalization⁷ that is expected to be completed in 2 to 3 months. The Revitalization involves a workover to replace the broken ESP on well 7-TBMT-2HP and the upper completion and connection of well 7-TBMT-4HP. Once completed, the Revitalization should increase the production to approximately 10,000 bbls/day.

Polvo Field

Polvo was PetroRio's first acquired producing field in 2014. Polvo went through cost rationalization measures until 2016 when it increased oil production by 20%, after Phase 1 of the field's revitalization plan, through the use of Enhanced Oil Recovery techniques and other pioneering technologies in Brazil. The investment was followed by a successful Phase 2 drilling campaign in 2018, which resulted in a production increase of more than 50%, while extending its economic life to 2025 despite of the asset's natural decline rates.

PetroRio

PetroRio is one of the largest independent oil and gas companies in Brazil. The Company seeks long-term growth through the acquisition and redevelopment of producing O&G fields. PetroRio creates value by increasing its asset's production potential through well management, infield and near field development, while carrying out cost rationalization measures aiming at increasing margins and extending the economic life of its fields.

⁷ [Material Fact Nov 26 2018](#)