Operator: Good morning ladies and gentlemen. At this time, we would like to welcome everyone to **QGEP's third quarter 2016 earnings conference call**.

Today we have here with us the executives **Mr. Lincoln Rumenos Guardado, CEO of the Company, Ms. Paula Costa Côrte-Real, CFO and IRO, Mr. Danilo Oliveira, Production Director and Mr. José Milton Mendes, Exploration Superintendent.**

We would like to inform you that this event is being recorded and that all participants will be in listen-only mode during the company's presentation. After **QGEP's** remarks are over, there will be a question and answer section. At that time, further instructions will be provided. Should any participant need assistance during this conference call, please press star 0 to reach the operator. There will be a replay facility for this call for one week.

Before proceeding, let me mention that forward-looking statements that might be made during this conference call relative to the company's business perspectives, projections and operating and financial goals are based on the beliefs and assumptions of **QGEP** 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 **QGEP** and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to **Mr. Lincoln Guardado, QGEP's CEO**, who will start the presentation. **Mr. Guardado**, you may begin.

Mr. Guardado: Good day everyone and thank you for joining QGEP's third quarter 2016 earnings results conference call.

If you are following our presentation on the QGEP website, I will begin on slide 2. Speaking a bit about the sector's scenario, during the third quarter with the consolidation of the new government of Brazil we could perceive a greater attractiveness in Brazil's oil and gas sector.

We continue to monitor the trend with regards to greater flexibility of Brazil's oil and gas industry with initiatives aimed at advances in the sector regulation, such as alteration of rules related to local content, multiple operators in the pre-salt polygon, renovation of Repetro, as well as the announcement of new bidding rounds in 2017. We see this scenario as favorable for the company's business in the mid to long-term.

Please turn to slide 3, where we present our third quarter 2016 operating and financial highlights. We continue to observe the effects of a decline in gas consumption in the country directly impacting production at Manati Field, which produced 4.4 million m³ per day in the quarter. As a result, we have maintained the projected average of 5.1 million m³ per day for 2016 and expect an average production of 4.9 million m³ per day for 2017.

It's always worth mentioning that Manati's production capacity remains unaltered at 6 million m³ per day with 2P net gas reserves for QGEP of 4.9 billion m³ at the end of 2015.

Regarding to our exploration assets, another important highlight of this quarter was our acquisition of Pacific Brazil's interest in three exploration blocks, in the Foz do Amazonas and Pará-Maranhão basins. Now we hold 100% stake in the blocks PAMA-M-265 and PAMA-M-337 and 65% working interest in block Foz do Amazonas-M-90, which enables future farm out operations in these areas given that we have an intense schedule of drilling that will begin as of next year by other companies. We will discuss this in more detail further in the presentation.

Other topic is about the delayed delivery of the FPSO to Atlanta field, which has been postponed due to challenges encountered in adapting the vessel, Petrojarl I. The schedule now foresees FPSO arrival only in the third quarter of 2017, with first oil expected for the end of 2017.

Financially speaking, our financial position remains solid, even with lower production in Manati we recorded a positive Ebitdax of R$46 million and net income of the R$63 million in the third quarter. In addition, we ended the third quarter with a cash balance of R$1.2 billion equivalent to R$4.78 per share. Considering that we ended the quarter traded at R$4.65 per share, we understand that there is much room to grow the value of our shares.

I will now turn the call over to our CFO, Paula Costa Côrte-Real, for a closer look at our operating and financial results for the quarter.

Ms. Côrte-Real: Thank you Lincoln. Let's start with slide 4. As Lincoln mentioned, Manati’s daily production fell by around 12%, reaching an average of 4.4 million m³ in the third quarter of 2016 still due to Brazil's recession, which resulted in a decline of gas consumption throughout the country. In the nine months comparison, production was down around 6%, from 5.5 down to 5.1 million m³ per day.

On slide 5, we can see that revenue decrease was lower in relation to the drop of gas production since Manati Field has a take or pay contract which includes annual contract price adjustment by Brazilian inflation. Consequently, revenue in the third quarter was down 3.3% from the third quarter of 2015 to R$108.4 million.

The nine month revenue was up 2.7% to R$333 million, precisely due to the previously mentioned contract price increase which offsets the decline in production. Ebitdax in the quarter exceeded R$46 million with an Ebitdax margin of 59.2%.

Please, turn to slide number 6, which gives you a closer look on our operating expenses. Costs were in line, both quarter on quarter and in the nine month comparison. Production cost increased 16% to R$20.6 million in the quarter, primarily due to the fact that this was a full quarter of operations at the gas compression plant compared with only half a quarter of operations in the third quarter of 2015. This plant started to operate in mid-August of 2015.

Higher maintenance costs of R$10 million in the quarter compared to R$3 million in the third quarter of 2015 refer mainly to the maintenance and painting of the platform in progress at Manati Field.

QGEP has already spent R$24 million of the total R$50 million budgeted for this year. During the same period, depreciation and amortization were significantly lower compared to the same quarter of 2015, resulting from foreign exchange variation over the provision for abandonment and the revision of this amount by the operator, which occurred in the end of 2015.

Please, go to slide number 7. We can see that higher production in maintenance costs were offset by decreased amortization costs in both periods. Production costs increased by R$3 million quarter on quarter, while maintenance costs were R$7.1 million higher, totaling a positive variation of R$10 million. Amortization values in turn were lower by R$10.6 million in the quarter, offsetting practically all increase in cost.

On slide 8, general and administrative expenses were up 38% to R$13.4 million in the third quarter of 16 compared to the same period of last year. This was mainly due to reduced activities in the operated blocks, which in turn decrease the transfer of costs to partners in blocks where QGEP is the operator.

In the nine month comparison, G&A expenses fell by 5.5% as a result of the company's continuous effort to pursue cost reduction related to consulting services.

You can see our Capex of 2016 and 2017 on slide 9. The amount budgeted for 2016 is maintained at US$60 million with US$42 million already spent through September 30, which represents 70% of our total budget for the year. Of this amount, 47% was spent on development of Atlanta, 36% on the acquisition of seismic data for blocks at the 11th ANP Bidding Round, and 16% on Block BM-S-8.

For 2017 we are adjusting our Capex estimates reducing our budget to US$73 million compared to previous estimates of US$95 million. In 2017 50% of expenditures will be concentrated on Atlanta field, the remaining 50% on exploratory activities related to BM-S-8 and blocks of the 11th ANP Bidding Round.

This reduction mainly stems from the postponement of drilling activities in Block CAL-M-372 and from this third Atlanta well that the drill should occur only after the start of production in 2018.

I would like to point out that our Capex requirements for 2016 and 17 total US$133 million, therefore, we are 100% funded for these investments.

In the next two slides, I will comment on our profitability in the period. On slide 10 we show our Ebitdax, which fell as a direct result of lower production of Manati gas in the country, a lower demand for this gas in the country. Ebitdax reached R$46 million in the quarter compared to R$62 million in the third quarter 2015 due to lower production at Manati coupled with higher maintenance and painting costs in the period.

In the nine months of 2016, Ebitdax totaled R$151 million, down from R$212 million in the first nine months of 2015 due to higher operating expenses related to the startup of the Manati gas compression plant and higher exploration costs with the acquisition of seismic data for blocks of the 11th ANP Bidding Round in 2016.

It is worth mentioning that Ebitdax in the third quarter 2016 was much higher than second quarter 2016, when there was a higher concentration of expenses for the acquisition of seismic data.

The same trend is seen in net income, as you can see on slide 11. The financial results fell in the third quarter 2016 compared to the same period last year due to an appreciation of the Brazilian real in the quarter; contrary to what happened in the same period of 2015.

Therefore, while net income substantially increased from second quarter 2016, we recorded a 47% drop year on year. This volatility in the result given the fluctuation of exchange rate is a result of our policy to avoid risks. We have hedging positions to protect our ability to invest in the future considering that a good deal of our Capex is dollar-denominated.

I will now turn the floor back to Lincoln for a review of our asset portfolio.

Mr. Guardado: Thank you Paula. Please, turn to slide 12. We already mentioned in the second quarter conference call Statoil's entry as partner and operator in the Block BM-S-8. They are investing approximately US$2.5 billion in this project, which gives the dimension of the value that this discovery has, and it's important for the growth of the company in Brazil.

The operation was already approved by CADE and we are only awaiting the ANP's final approval. We believe that Statoil's entry brings security to Brazil's pre-salt potential, renewing the confidence in Brazil's energy sector. This transaction took place immediately after Shell's acquisition of BG Group for US$52 billion approximately, a transaction which occurred early in the year and involved assets worldwide.

These two operations highlight the attention that Brazilian assets have been getting from the global industry, as we highlighted in the beginning of this presentation.

As you know, Carcará has been showing very encouraging results from the tests carried out at both Carcará Norte and Carcará Noroeste wells. The test showed high-quality oil with no contaminants, as well as an oil column in the accumulation of at least 530 m. The oil-water contact was not identified in either of these wells.

All of these results confirm our opinion that BM-S-8 is one of the most attractive assets in the Brazilian pre-salt. It is worth mentioning that the Carcará discovery comprises both Block BM-S-8 and its neighboring area to the North to be included in the next ANP bidding round, scheduled for the second half of 2017.

The timeline of activities of BM-S-8 remains unchanged. The next steps are a drill stem test at Carcará Noroeste, scheduled for 2017, as well as the drilling of a wildcat well at Guanxuma, also expected to take place starting 2017.

Please turn to slide 13. We will now talk about the transaction with Pacific disclosed in early October.

QGEP announced the execution of an agreement with Pacific Brazil to take over three exploration blocks. One of them in the Foz do Amazonas basin and two in Pará-Maranhão basin. As part of the agreement, Pacific settled the default of R$51.2 million with us referring to the acquisition of seismic data for the Pará-Maranhão blocks and advanced US$10 million to QGEP as part of minimum obligations in the blocks.

The additional amounts of commitments made in the minimum exploration program by QGEP with the increase interest in these blocks is R$132 million. This amount will decrease to R$87 million until the end of next year considering the obligations already paid referring to seismic data in these blocks.

Also, with this agreement, we will have more space in our portfolio for future farm out operations in these areas. It's always worth remembering that QGEP already asked for an advance of two blocks in Pará-Maranhão as a commitment, and this is being assessed by ANP.

Please turn now to slide 14. Let's make comments on Atlanta field. This will be the first production Block operated by QGEP to start producing oil. The first stage of production at Atlanta will be the early production system (or EPS), which comprises of two production wells with daily output of 20,000 barrels per day. The Consortium also has the possibility to drill an additional well, which could take production to 30,000 barrels of oil per day on average. Petrojarl I, the FPSO that will be used in this phase, is still being adapted in the Netherlands in Rotterdam by Teekay, the owner of the operation.

We simply have to be disappointed to see that the FPSO arrival has been postponed again and it's now scheduled for the third quarter of 2017, with first oil in Atlanta scheduled for the end of the year.

In order to follow up the process, Danilo, the production director and myself, were recently in Rotterdam where we met directly with the top management of Teekay. On a positive note, I can say that most of the technical the issues are behind us and the challenge ahead is mostly linked to the work that still needs to be done by Teekay and by the shipyard.

We are quite hopeful that the outstanding points will be resolved in time to meet the new timetable that was set. We are working hard on this case and really expect this timing delay to be our last for this vessel.

Please turn now to slide 15, to talk about our exploration portfolio. We carried out the first exploration phase of the blocks acquired in the 11th ANP Bidding Round. The seismic data for the blocks of Foz do Amazonas, Ceará and Espírito Santo basins were already acquired and processed and have been interpreted to analyze their potential, their exploration potential.

As to the blocks in the Pará-Maranhão basin, the preliminary processing of seismic data acquired is currently underway, which should be completed by year-end. Total cost for the acquisition and processing of such seismic data in these blocks and related expenses should total approximately US$19 million in 2016, reflecting QGEP's higher interest acquired from Pacific, as we already mentioned.

In Block CAL-M-372 the schedule for drilling the wildcat well was postponed to 2018. We are still discussing with the ANP about obtaining an extension of granting terms due to the market conditions and the lengthy environmental licensing process affecting this area.

With regards to our two blocks in the Sergipe-Alagoas basin, at the end of August 2016 we received the terms of reference from IBAMA (the environment regulator) referring to the environmental licenses to carry on the acquisition of seismic data.

Currently, the company is assessing the exact time to start this process, expected for the end of 2017 and we have conversation with some companies that deliver seismic data acquisition along the Brazilian coast.

Please turn to the last slide, number 16, to our conclusions. We continue optimistic about 2016, we have a strategic and adequate portfolio with a deep understanding of the oil and gas sector in Brazil, and we believe that our strategy has proved to be right.

Manati field is still available source of revenue, Ebitdax and cash flow despite the reduced production. As we can see an improve demand for gas we will be able to increase production and accordingly profitability since of the production capacity in Manati remains at 6 million m³ per day.

We will be planning the activities in Block BM-S-8 in partnership with Statoil, the new operator. This is an extremely relevant asset for QGEP and for Brazil, and we are confident that Statoil’s entry will bring higher visibility to its development.

We carry on our long-term strategic plan actively exploring the opportunities in the sector. We have generated important value in the last 12 months by optimizing our portfolio to maintain our focus on the highest potential assets.

We are the operator and the so owner of two high-quality assets in the Sergipe-Alagoas basin, which has shown significant potential in Brazil.

We will pursue acquisitions and farm out opportunities, and the same holds true for the Pará-Maranhão blocks recently acquired from Pacific.

To sum up, we are confident that QGEP's experience as an operator in deep waters, its relationship developed by means of partnerships with large corporations in addition to diversity and quality in our asset portfolio places us at an excellent position to reap the benefit of the sector’s growth foreseen for 2017 and upcoming years.

We welcome you all and we will be here to take your questions.

Q&A Session

Operator: Ladies and gentlemen, we will start now the question-and-answer session. If you have a question, please, press star one on your touch phone now. If at any time you’d like to remove yourself from the questioning queue, press star 2.

Our first question comes from Mr. Bruno Montanari, from Morgan Stanley.

Mr. Montanari: Good afternoon, thank you for the opportunity. My first question has to do with Atlanta. I want to understand the challenge of this project. I understand that the FPSO requires a lot of customization given the specificity of the oil, which is too heavy. What gives you confidence that the new guidance for first oil is now reasonable?

And considering the technical challenges, what makes you confident that recovery of oil in the field will be in line with the level of 2P reserves already announced?

My second question, still on Atlanta, can you give us an update on the situation of OGX regarding the cash calls? And what happens in case of default, what would be the steps?

And finally, a third question. Did you discuss with Teekay any compensation given their consecutive delays in delivering Petrojarl I? Thank you.

Mr. Guardado: Well Bruno, you posed a set of questions that we could expand two hours but we will try to summarize up for you. I'll ask Danilo to start answering the first two questions and then we can also comment, and with regards to OGX and the compensation from Teekay, I will answer this question.

Mr. Oliveira: Good afternoon Bruno. Well, technical challenges for Atlanta, I'd like to clarify that these challenges are related to the customization and adaptation of the FPSO.

As we mentioned, according to Teekay's assessment, it would take 14 months, so they would simply upgrade the vessel, the plant and they would renovate the vessel, but that didn't happen. In the first month their engineering department detected that the plant would require a much greater update, they had to remove the existing equipment, they had to commission new equipment and the new equipment was only delivered at the shipyard practically at the time when the vessel was supposed to be in Brazil, February-March 2016. That's when that happened.

So, the technical challenges were precisely related to the design of the plant, but these challenges have been overcome. The equipment has arrived at the shipyard, the equipment is all there, everything is in the vessel, we just need to do the installation, interconnection and the tests.

But this delay caused another problem: How to deal with the chartering company, which is us, and how to deal with the contract and also how to address the contract with the shipyard because they have some time during which they would work on the vessel, and they are waiting on that, and the problems related to that.

We are now addressing these problems with Teekay, we are actively participating with them in the process, we are in direct contact with the CEO of Teekay, as Lincoln mentioned, we were in Rotterdam and we met with the top management of Teekay so that together we could try to solve or to deal coupled with all these battle fronts so that the FPSO will be delivered and so that we can have production starting in the end of 2017.

Now as for the reservoir, we continue with the same studies that we performed last year. All of the simulations that we ran are valid. The tests were excellent, the reservoir produces and produces at the amount that we have simulated, and we do not see any issues related to production. The only bottleneck is the arrival of the FPSO so that we can actually start production.

Now, Lincoln will address your two other questions.

Mr. Guardado: Well, Bruno, as for the default by OGX, they continue to be in default. We do not see them in a condition to pay us. Today the default considering what they owe here in Brazil and to our branch abroad, which is responsible for some of the equipment, the amount totals about R$51 billions. This is what OGX still owes to

QGEP and we continue with our usual protections, the concession contract and the joint operating agreement.

We have been in contact with ANP, they are following the situation of OGX up close and we are managing the situation. Of course, we are always hopeful that they will be able to pay us eventually. They continue to proceed in the process to sell their stake in the market, we always help them in whatever we can; we make presentations to prospects and we believe that this is the best way out for them today.

So, we've been helping them, we've been assisting them in this way; we are monitoring them, we provide all of the information required by ANP and we try to respond to some companies that show interest in the project for a possible acquisition of OGX's stake. And this is what we're trying to do to help them.

We have little chance to fulfill their obligations, except that they sell their stake. Since there is a certain group of companies interested, we continue to carry on in this way without really taking actions to guarantee our rights. But we always disclose the status of this default to ANP, the regulator, because they are monitoring what's happening and they are the one in the position to take action regarding the presence of OGX. But today we are managing the situation and we are trying to help them sell.

As for Teekay, yes, all of these contracts, as you probably imagine Bruno, have provisions related to delay and fines, these provisions still exist. Now obviously, we do not try to use these fines or penalties, but they are part of any agreement that we are trying to make, and we are in contact with Teekay, we are trying to find ways to mitigate all of these delays understanding what is happening over there.

But, undoubtedly, all of the provisions related to delays are being considered. However, what we do want is to get the vessel; this is what matters to us, this is what is really going to add value to our portfolio and we expect that this will now happen with a six-month delay, but hopefully we will finally be able to resolve this.

But we are sparing no efforts to resolve this issue in 2017. 2017 is a deadline for us and we are confident after our visit to Rotterdam and our conversations with Teekay, we are confident that they will now be able to meet the deadlines because now they just have to do the integration. All of the equipment is on board, and now it's more engineering work.

So, this is the situation. I don't know if I have answered your question.

Mr. Montanari: Yes, thank you very much, it was very detailed, thank you.

Operator: Our next question comes from Mr. Felipe Santos, from JP Morgan.

Mr. Santos: Good morning everyone, I have two quick questions.

One is, given the delay in Atlanta, do you think it would be necessary to book a provision to account for this delay? I mean, is there anything that could impact the fourth quarter that you could think of?

And my second question also has to do with OGX. How long has OGX been in default and what is the deadline for you to pursue a court solution rather than just trying to help them sell their stake?

Mr. Guardado: Felipe, I will turn the floor to Paula because she will explain the procedures that we adopt whenever we have delays, and the second question I will answer later.

Ms. Costa: Hello Felipe, good morning. As for Atlanta delays, we are now expecting first oil for the last quarter of next year, of 2017. This will not bring any impact to us, so we don't need to make a provision for the Atlanta asset given this delay in our timeline.

It's a test that we run, we do run annual tests and we do quarterly review and we didn't identify any need to provision for anything based on the value of the asset.

As for OGX, Lincoln will answer your question.

Mr. Guardado: Felipe, we have a document, which is the concession contract and it has a provision that says once default is declared and once the Consortium is required to act against the company in default, the agency has a process that they can trigger and at the end they can give a deadline. In the contract, it is 90 days, 3 months, so that the company will fulfill with their overdue payment or else it can be kicked out from the contract and from the project. However, this whole process has intermediary periods, which will be natural when they are trying to sell. So, if OGX is contacted they will say that they will try to sell.

We have made a communication to the agency, to ANP, and obviously, we've been talking with OGX and we know that they are in the process of doing this, that they done this before, they get in direct contact with some prospect companies and with this revival that is happening in Brazil related to the oil and gas sector, there are now a number of companies that are coming back, they are turning their eyes again back to Brazil, they are looking at Brazil differently. Of course, the global market has come to a certain stability with oil prices at US$50.

So, what would be required from OGX they are now doing it. They got in touch with us, they asked us for some help and this is the normal process, that's what they should do under the offices of ANP request.

But now we are just awaiting to see how this will unfold so that we can perhaps change gears and they could then perhaps exercise our right. But since to us, first and foremost, we are interested in having them sell to a partner that will have some more muscles for the project, not just muscles for now, but muscles for the future as well, and so we are in a common agreement with Barra waiting to see how the processes to sell their stake will unfold.

Mr. Santos: Okay, thank you very much. Just one follow up question. Aren't you considering to dilute OGX stake given the Capex that has been spent so that they will have zero steak and so that the Consortium could take over 100% of the block?

Mr. Guardado: Absolutely, yes that possibility has always been in our radar. It is something that could be done, but this wouldn't be done through an administrative process. Initially, we will try to do this via an agreement with OGX. But still we prefer to have them sell their interest because we always have to look at not only the current default, but this assumption we have to look at our future responsibilities, and that's why this market test is quite important to us because as soon as it comes and shows interest, it would help us at a later stage to perhaps find an agreement with OGX, so that we could take over their stake.

I cannot speak for Barra, but initially the Consortium would take over. But this has always been in our radar, but we want to use the first hypothesis first.

Mr. Santos: Thank you very much.

Operator: The next question is from Diego Mendes, from Itaú BBA.

Mr. Diego: Good morning everyone. Good morning Lincoln. My first question is: What about the sales strategy of the assets from Pacific? Will you wait somebody to drill a block in the region and then do the farm out or would you move the straight on to a farm out right now?

My second question is on a more broader term: What about the assets in Brazil? The government is very open, welcoming new changes in this scenario for new blocks, but we also know that there are many constrains about what was already granted and, therefore, new assets would be more attractive compared to former ones, particularly in terms of local content.

What's your take on competition for these assets? In Brazil is everybody keeping an eye on whatever was granted before, high content or more focus on new things, which theoretically would have local or lower local content. Thank you.

Mr. Guardado: Diego, great question. Mendes is here and very much involved in this area and he's going to answer your first question because we are not going to wait too long for this process. So, he's going to answer first and then we are going to talk about your second question, about Brazil's interest.

Mr. Mendes: Good morning Diego. Answering the question about farm out, in the block where we are increasing our share and our stake involves not only Pacific, now we took over the state of Pacific, but at a broader context in the block in the 13th around in Sergipe blocks, certainly we are searching for partners for the farm out to carry on the project.

This is still underway, like Lincoln said before, we had a significant change in the scenario; we already have many companies in contact, large companies show an interest in these assets and this is already underway. We have the confidentiality process and as soon as possible we want to get into this process.

We are very much encouraged because if you consider our process starting interpretation for the entrance on the bid of Foz and Pama Blocks, the seismic data acquired in the area, this is all making us more comfortable and more optimistic about these areas, so we are very bullish about the process underway so we can be with other companies with Foz, PAMA and Sergipe-Alagoas blocks.

Mr. Guardado: Is that all right, Diego?

Mr. Mendes: Yes, thank you.

Mr. Guardado: As to the environment Diego, everybody clearly sees the change in the mood about Brazil considering macroeconomics or if we consider the new PECs that are being approved about expenses, tax issues. Everybody is changing the mood in Brazil.

In parallel to that, the oil and gas industry has been growing attention to, we already have that pre-salt with no amendment whatsoever, we had 5 highlights to be assessed and none of them became more prominent. These are highlights that might be a hinder to the presence of other operators in the pre-salt. So, this is gone, this is part of the past.

So, all the changes right now are to bring more competitiveness to Brazil. Everything that is being proposed by the industry has the purpose of adding competitiveness now that we still have a better scenario in oil prices compared to early in the year and possibly even better in 2017, but despite of that, these effects by some regulations have brought a lot of interest for Brazil.

Many companies are coming back to Brazil, asking questions about Brazil, and there are two groups of clear interests: Companies that keep an eye on pre-salt because pre-salt is expected to have a bidding process, which is expected to be very competitive and for the areas already discovered and unitized; and secondly, we have all the other remaining areas to be used as a concession, including Sergipe-Alagoas. Sergipe is an area that is really attractive in our scale. Sergipe comes right after Campos and Santos today as the main area prospects to Brazil.

But by and large, every deep-water is open, but we also expect to see a stronger concentration from the Northeast to the South since the investment phase for the equatorial part will start in 2017. Between 2017 and 18 we expect to see something and between 2018 and 19 to our activities.

So, I hope, or considering everything that is taking place in the institutional and regulatory scenario and with the gradual recovery of oil prices, I expect to see a lot of interest in Brazil, particularly in these two bidding processes: first, with the unit pre-salt areas, and the other concession including some basins, not necessarily the frontier or border, but I highlight Sergipe-Alagoas. This is a highlight because we decided to make it happen a year ago, we already believed at that time that this would be the next exploration frontier in Brazil, this area of Sergipe-Alagoas.

Mr. Mendes: Thank you very much.

Operator: Our next question is from Gustavo Alevato, from Santander.

Mr. Alevato: Good morning everyone. I have three quick questions. The first question is about BS-4. Did anything change with Shell's contract due to the delay for oil?

The second question is also about BS-4: If any partner sells, can QGEP be together and is this considered to be a strategy of the company if the prices are attractive?

and the third question is about Manati. Considering the drop in demand for gas, is there any room in the agreement, any provisions setting forth a price adjustment unlike what happened in previous years? Thank you very much.

Mr. Guardado: Hello Gustavo. With regards to Shell, our sales agreement, the answer is no. It remains unchanged. Shell's still doing marketing work for this oil trying to pursue the best way to sell it through a Brent trend.

So, in our agreement, there is nothing related to this. Naturally, we want to have this oil in the market as soon as possible, market to market, and also to have Atlanta oil as a stream. So, we don't expect to see any change with regards to the agreement with Shell, but we will try to expedite production as soon as possible in Atlanta.

With regards to a possibility, a possible sale or not, should any partner sell Atlanta, which is a specific case in OGX case, we don't necessarily have any kind of hedge or a tag-along in these contracts, but these are commercial aspects Gustavo. No doubt about it. We are always here to do business and to add value to our shares and to our shareholders.

Atlanta may be very important for us in terms of operation and our presence as an operator in deep-waters in Brazil, but if we have a good and interesting offering to us when it comes to our strategy, we might sell it. But we don't have any contract commitment in which we have a mandatory sale or not, but this will constantly be assessed on a case-by-case basis.

As to Manati, the answer is no. There is no provision, no clause allowing to have a contract revision about the price. The whole contract considers the total volume in Manati, and there is no possibility whatsoever to revisit the numbers. There is criteria for minimum take-or-pay, but we don't have any predictability when it comes to a reduction in price.

Mr. Alevato: Crystal clear. Thank you very much.

Operator: Our next question comes from Mr. Luiz Carvalho, UBS.

Mr. Carvalho: Good afternoon everybody, Lincoln, Paula, Danilo. Two quick questions. Lincoln, in the prior question you mentioned that you do not intend to exercise the penalty due to the delay by Teekay, that you can perhaps negotiate.

I just want to understand this a little better. Can this penalty be possibly used for a reduction of the daily rate because of this penalty? Or the option to not exercise it is just due to an intend to maintain commercial relationship?

My second question is regarding to Atlanta. Since you are going to have this delay of almost one year, wouldn't it make sense to consider drilling the third well this year given that the rigs' market is very long? Perhaps you could get a window there, or did you decide not to drill the third well because you want to wait for the results of the first two?

And my third question very quickly about Carcará. Statoil has declared interest in increasing their stake, particularly their interest on the external area. Did any of the partners (in this case Barra) have they shown an interest to sell their stake? Because to me would be simpler for Statoil to buy the take of the existing partners than wait for the unitization process. Are you talking with Statoil about a possible farm in? Thank you.

Mr. Guardado: Luiz, thank you for your questions. I did not say that we are not going to exercise our right to the penalties, we will not give up on the penalties. We will try to exercise all of our rights in the contract, but what we do is a commercial negotiation, which could result in a change.

But this is something very broad. What I did say is that we do not have a pure and simple interest in exercising the penalty that we are entitled. I said that our ultimate goal is to have the vessel arrive here in time, but all of the elements of the contract referring to delays will be considered in our negotiations with Teekay. We continue to negotiate with them, and quite actively I could say, so that we will not have any further delays and losses.

Now as for the third well, yes, undoubtedly, there would be a greater leverage if we wanted to drill a third well. But we don't see a lot of merit in doing that now given that we have a company that is in default. We would need to invest more cash to advance their payment, their share, and we believe that a decline in drilling costs will remain throughout 2017, we don't envision any changes in drilling costs and in the daily rate next year. So, for us it doesn't really make a lot of sense to bring forward the Capex.

We will be doing this in a very controlled way, which is once we start production and once we have a track record of our production, then we will adapt the third well to our interests, perhaps we might drill it further out or at another location so that that will help us not only in terms of production, but also to answer some questions. So, there is no merit now, to do it now, even with the daily rate and costs being low.

Right now, there is no merit in making, in bringing forward to this kind of investment, it's not necessary. We expect to drill between 4 and 6 months after production starts. This is what we expect between 4 to 6 months. We have all of the equipment and this is true, but we expect to drill in that way, always thinking about optimizing this third well. That’s what we always keep in mind.

As for Carcará, it is very difficult for us to comment on the Statoil's the strategy, we also see this wish of Statoil to be there. Of course, this is not surprising to us, not at all, this company has come to stay. Carcará is an important piggyback for them to consolidate their footprint in Brazil also in what refers to the sale of gas.

This is from what we understood and what has been disclosed to all. This is only natural that Statoil wants to have a dominant presence in the Carcará discovery, and they can do this through the bidding process that is about to come or perhaps by approaching the partners (us included), so if they have a working interest that will justify the price they paid.

Well, there was no action, no address of action in terms of a potential attempt to acquire our stake. But, you know, we are here to add value to our actions, to our stakeholders, and we are here to do business. If this option makes sense in the future for the company, it will be considered, but if you ask me what I prefer to do, I would prefer to be a partner of Statoil in a bidding round abroad in the future. I think it adds more value to us and to them.

Mr. Carvalho: And I am sorry for the first question, I had understood slightly different, but I understood it now, thank you.

Operator: Our next question comes from Mr. Vicente Falanga, Bank of America.

Mr. Falanga: Lincoln, Paula hello. I just want to understand what the company is thinking about dividend payout. If you sell your stake in an asset and if there is a clear generation of value in terms of cash, are you thinking about perhaps paying some dividends or perhaps not to given the lifecycle of company's investments? Do you think that this could be too early to consider? Thank you.

Ms. Costa: Hello, this is Paula. As for dividend payout, we have a dividend payout policy which is approved by our shareholders meeting and with them abiding by this policy, which is $0.15 per share. Any change to the policy has to be approved by the board and the shareholders' meeting. Today we haven't seen any signals that the criteria that we have been using lately will change as $0.15 per share.

Mr. Falanga: Okay, thank you.

Operator: Would like to remind you that if you want to ask a question, please press star one.

As a reminder, if you want to ask a question, please press star one.

This concludes today's question and answer session. I would like to invite Mr. Lincoln Guardado to proceed with his closing statements. Please, go ahead Sir.

Mr. Guardado: Well, again I would like to thank all of you for joining us for your questions and for the interest you showed in our company.

Undoubtedly, we brought some novelties which were not very positive given the delay in Atlanta development, but I want to reiterate that we are sparing no efforts to consolidate our strategy in terms of production, and we want to continue with our exploration processes and projects. We are considering farm outs in these areas, we want to attract more companies to share all these challenges with us, and we believe that the current motivations in the country when we will look at the regulatory landscape, oil price, and improvement of economic conditions, all of that will drive this kind of decision that we have been pursuing for so long.

I would like to thank you once again for joining us, and I would like to stress that our investor relations Department is always available, we are always available to discuss with you, clarify any further questions that you might have.

Thank you very much, and I would like to invite you to our APIMEC meeting, which should take place on November 22 here in Rio de Janeiro, during which we are going to have an opportunity to discuss more the unfolding of our projects and processes.

Thank you very much, have a good day.

Operator: That does conclude QGEP's conference call for today. Thank you very much for your participation and have a good day.