

Operator: Good morning ladies and gentlemen, thank you for waiting. At this time, we would like to welcome everyone to QGEP's third quarter 2017 earnings conference call.

Today with us we have Mr. Lincoln Rumenos Guardado, CEO of the company, Ms. Paula Costa Côrte-Real, CFO and IRO of the company, 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 all participants will be in listen-only mode during the company's presentation. After QGEP's remarks are completed, there will be a Question and Answer Session. At that time, further instructions will be given. Should any participant need assistance during this call, please press star zero to reach the operator.

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

Now, I'll turn the conference over to Mr. Lincoln Rumenos Guardado, CEO of the company, who will start the presentation. You may begin Sir.

Mr. Lincoln Guardado: Good morning everyone and thank you for joining us to review our third quarter and year-to-date results in 2017.

This was a very busy and productive period for QGEP as we worked on several strategic initiatives, succeeded in reporting improved financial results and set the stage for continued progress in 2017.

Let us review the key accomplishments for the third quarter, let's move to slide 2. First, in terms of production, our Manati natural gas production increased both on a year-over-year and a sequential basis, driving solid revenue growth at QGEP.

Second, with respect to development activities in the Atlanta Field, we reconfirm our guidance for first oil in the first quarter of 2018. In August this year, the Petrojarl 1 FPSO left the Netherlands and it's now in Norway awaiting commissioning of the plant particularly and it is a scheduled to arrive in Brazil at the end of this year.

Thirdly, we successfully completed the farm out strategy design when we were awarded 100% interest in the two blocks in the Sergipe-Alagoas basin at the ANP's 13th bidding round.

And together with our new partners, ExxonMobil and Murphy Oil, we succeeded in winning adjacent blocks during the ANP's 14th bidding round. These are two blocks offered in late September.

Finally, we ended the third quarter with a significantly improved financial position. Our financial position will be further strengthened by the proceeds of US\$189 million

from Statoil, reflecting the sale of our stake in Block BM-S-8. Payment is expected before year-end.

So now, I will turn the call over to our CFO, Paula Costa, for a financial review of QGEP's third quarter and year-to-date results. Paula, over to you.

Ms. Paula Costa: Thank you Lincoln, and thank you all for joining us today. Our solid operating performance coupled with actions we have taken over the last several months, such as contract renegotiation and cost optimization, have continued to strengthen our solid financial position.

In the third quarter, we delivered higher production compared to both quarter-over-quarter and year-over-year levels, we expended over margins and improved operating profitability. At the same time, we generated significant cash flow and ended the quarter with cash amounting to R\$1.5 billion.

As Lincoln just mentioned, our cash position will be further strengthened with the initial proceeds from the sale of Block BM-S-8 to Statoil and again in early 2018 with pavement from the farm out agreement of the Sergipe-Alagoas basin.

Now, turning to the results for the quarter, beginning with slide 3, our producing asset is the Manati field, with gas production average of 5.3 million m³ per day in the third quarter; the highest level we have achieved in 2017, 19% vis-à-vis the third quarter 2016 and 18% ahead of the second quarter of this year.

Now on slide 4, we show revenue in the third quarter growing faster than production, mostly due to a contract that calls for annual price adjustment to account for Brazilian inflation. This annual price adjustment occurred at the beginning of the year.

During the quarter, we had repair work in a damaged flow line, temporarily lowering our total capacity. Repair work is expected to be completed this month, and we expect production capacity to return to close to 6 million m³ per day.

Let us now talk about cost on slide number 5. During the quarter, total operating costs were 3% higher than the same period of the prior year, 2016, this is primarily due to higher depreciation and amortization expenses and royalties, reflecting higher production.

Maintenance costs, which have been a decisive driver of our higher cost over the past year, have gone down as the painting and maintenance project at the Manati platform was completed. We did however have an additional expense of R\$4 million this quarter for repair work of one of the flow lines that was damaged, as mentioned before. To-date, we have spent R\$8 million for this repair and total estimated cost at US\$50 million. Our portion is 45%, or approximately R\$21 million.

In the slide 6, we can see that effective cost control is part of our DNA. In the quarter, general and administrative expenses totaled R\$12 million; 13% lower than the same period of last year. Part of the reduction was due to lower stock option expenses as the company decided to not have a stock option plan in 2017.

Other contributors to the lower amount include improved optimization of overhead expenses including personnel compared to the same period of the previous year that over 50% lower than the second quarter of this year. During the third quarter we did not acquire any seismic data.

Let us now talk about our profitability on slide 7. With a 19% year-over-year production increase and only a 3% increase in operating costs, EBITDAX was up 65% compared to the same period of the previous year with a margin of 56% in the quarter.

On a sequential basis, the increase was similar primarily due to higher production and lower exploration costs. We generated net income of R\$61 million in the quarter compared to R\$63 million in the same period of the previous year.

Higher revenue in the current quarter was partially offset by a lower financial income due to the appreciation of the US dollar and the decline in interest rates in Brazil. In the third quarter, we opted to finish our exchange fund considering the proceeds from Statoil due to the sale of Block BM-S-8 all denominated in US dollars.

Moving now to slide 8, CAPEX in the third quarter of 2017 totaled US\$6 million, US\$3 million spent in the development of the Atlanta field. Through September we had invested US\$21 million, with the majority of the funds used to for the Atlanta field.

On this slide we show the breakdown of our planned CAPEX for 2017 and 2018. For the current year, we are budgeting a CAPEX of US\$50 million. Once again, the Atlanta field will account for the majority of our Capex, targeted at US\$26 million. The remaining funds are earmarked for exploratory activities and acquisition of seismic data.

The expenditure for seismic data this year is estimated at US\$14 million, of which US\$1.5 million will be reimbursed as part of the farm out agreement. This amount includes US\$10 million in signature bonuses spent on the blocks of the Sergipe-Alagoas basin acquired in the last ANP bidding rounds.

For 2018, we are currently budgeting a 15% increase in Capex to US\$57 million, which includes the possible drilling of a third well in the Atlanta field and the acquisition of seismic for the blocks of Sergipe-Alagoas basin.

In conclusion, we have taken several important actions this year that have strengthened our financial position and have provided flexibility regarding our strategies for growth and capital allocation.

I will now turn the call back to Lincoln for further remarks, after which we will open the call to questions.

Mr. Guardado: Thank you Paula. Moving now to slide 9, you can see an update on our operating activities.

In the third quarter, we saw significant uptake in our average daily natural gas production from the Manati field, which reached 5.3 million m³; considerably ahead the same period of last year and also the prior quarter of this year.

Continued drought condition in the Northeast of Brazil have significantly curtailed hydroelectric power generation, which resulted in increased dispatch of thermoelectric plants.

This situation has continued into October, and based on the current visibility we can reconfirm our guidance for average daily production of 4.9 million m³ of gas in 2017. For full year 2018, our initial projection is for average daily production of 5.1 million

m³ per day, which already takes into account that drought conditions will continue in the Northeast.

As I mentioned, we expect first oil in Atlanta field to be produced in the first quarter of 2018, we are projecting 2018 oil production at the Atlanta field at approximately 20,000 barrels per day based on two wells. The oil produced by the field's early production system will be sold to Shell, and we are currently expecting a smaller discount from Brent oil due to lower availability of heavy oil in the market, particularly in the US market.

The revised agreement with Teekay Offshore that we announced in July reduces our operating cost for the first 18 months of production by US\$410,000 per day, and production from Atlanta will positively add to our operating cash flow in 2018.

In addition, there is also a lot happening to the assets we hold in our exploratory portfolio. First, I would like to comment on the blocks we acquired in the 11th ANP bidding round. All of the seismic data has been acquired for the blocks in the Foz do Amazonas, Ceará and Espírito Santo basins. Also, we are currently analyzing final seismic data for the Pará-Maranhão basin to fully define the area's potential.

In the first half of 2018, the company will launch a farm out process for concessions in Foz do Amazonas and Pará-Maranhão basins, in which we hold 100% working interest, as the market knows.

With regards to the farm out process for SEAL-M-351 and 428, we are very pleased with our new partners and considered the farm out very successful. The decision to enter the 13th round in 2015 proved to be right, this was confirmed by the success of the farm out and the quality of the current Consortium members, given that we have signed two agreements: one with ExxonMobil, which will be the new operator in the area; and a 50% stake and another with Murphy Oil, which acquired a 20% stake.

They will also reimburse us for 70% of the R\$100 million spent in signature bonus paid when we acquired the blocks, among other revenues and compensations.

More important than the financial arrangement, however, is the strategic benefit of partnering with these 2 bidding companies, as this gives us confidence that we'll be using the most advanced drilling techniques in the Sergipe-Alagoas basin. Also, it will enable us to establish potential partnerships in other areas should these companies decide to increase their footprint in the Brazilian oil and gas sector, as we saw in the second and third bidding in the production sharing agreement.

Consequently, we increased our presence in the Sergipe-Alagoas basin with the acquisition of two blocks in the ANP's 14th bidding round. These blocks are adjacent to the first two, and QGEP will retain the same 30% ownership and also holding the same level of competitiveness and exploration capacity like the first previously blocks acquired and which were recently involved in the farm out process.

As to block CAL-372 in Camamu, we have 20% working interest. There is nothing new to report, we keep on our waiting an environmental license from the IBAMA that may be issued in 2018.

Moving now to slide 10, you can see that QGEP's exploratory assets are located across most of the key producing Brazilian basins of low to medium risk, or in frontier areas where a large exploratory effort is expected in the short-term. Something still

pending with the equatorial margin blocks, Foz do Amazonas, Pará-Maranhão and Ceará regards to the drilling permits, still pending to all these basins and all companies involved in this acquisition proposal, so we expect that by next year we will move forward in these licenses, which will allow us to start drilling the areas.

Slide 11 summarizes what we consider to be the key takeaways around our third quarter and year-to-date results as we come to the end of the year 2017. First, the operating and regulatory environment for the oil and gas industry in Brazil continues to move forward, although there is still room for improvement in the near term. While the pace of change is never as fast as we would like, we believe that the actions taken are in the right direction and it is clear that global oil and gas companies are becoming increasingly interested in investing in Brazil.

An important example is the result of the latest bids, not only considering the new players, but also the bonuses offered and percentages of oil/profit offered through the government in the sharing bidding rounds.

Year-to-date results point to full year 2017 being a year of some progress for QGEP with revenues and Ebitdax higher than 2016 levels. At the same time, the strategic decisions that we took in 2017 along with improving production levels have substantially strengthened our overall financial position.

Manati field production is expected to increase next year and the Atlanta field will come online in the first quarter of 2018. The sale of our 10% ownership in block BM-S-8 to Statoil is expected to increase our cash position by US\$189 million by year-end and significantly changing our... or reducing our short and medium-term capital expenditure commitments.

This has given us tremendous financial flexibility, and multiple capital location opportunities in terms of attractive investment and also dividend payout. We are very excited about the prospects for our exploratory assets in the Sergipe-Alagoas basin.

In short, we are looking forward to strong closing in 2017 and another year of progress, a very promising year in 2018. We are confident that QGEP is very well-positioned for short and long-term growth.

Here on slide 12, we highlight our strategic advantages that set us apart, we are a strong company financially and operationally, we have substantial in-house technical expertise and we are continuously optimizing our future assets with future relationships and partnering so we can give good payout to our shareholders.

This concludes our presentation, and now we'd like to open the call to questions. Thank you very much. Over to you, operator.

Q&A Session

Operator: Ladies and gentlemen, we are starting now the Question and Answer session. If you want to ask questions, please press the star one. If at any time you would like to remove yourself from the questioning queue please press star 2.

The first question is from Gustavo Alevato, from Santander.

Mr. Alevato: Good morning, Paula and Lincoln. I have two brief questions. The first question has to do with the payment of Statoil related to the sale of Carcará. By year-end, what is preventing or what still has to be concluded to have the payment made?

And along the same lines, if we think about dividend payout, should we expect to see that in 2017 or 18? And considering a solid cash position, would you consider the additional amount of the second portion or you'll still await the real payment of the second portion?

The second question is about farm outs. You talked about Alagoas, the blocks acquired in this round, so we want to understand if you are looking for additional farm outs or if these were the main two farm outs that you had in mind or that brought up opportunities, or should we expect anything different? Thank you very much.

Mr. Guardado: You are right, Gustavo: when it comes to payments and pending payments for the second portion, Paula is going to answer, and as to the farm out, Mendes is given to give you more detail.

Ms. Costa: Good morning, Gustavo. Answering your question, the first portion of Statoil payment, which is US\$189 million or 50% of the total price, this is pending ANP's approval to transfer the ownership of concession from QGEP to Statoil. So, we imagine this approval to happen this month or maybe next month and then right after that we would have payment by Statoil. So, we have this assumption that payment would happen by year-end.

As to the second portion, 12% of the total amount, this is related to the execution of the sharing agreement outside Carcará, the bid has already happened late last month and Statoil is the operator of the winning consortium, so we still have some time for the contract to take place, and after that we will have another term to the payment of the second portion. So, we estimate this to happen within the first quarter of 2018.

As to the payment schedule for dividends, dividend payout, this is not directly related to these events or payments by Statoil. As we've been telling the market, we are revisiting our internal planning, recently we made some significant movements, significant changes to our portfolio, new assets, new partnerships, we believe Sergipe-Alagoas will have an investment schedule that will be faster by operators considering the prospect and priority of the region.

So, we are working on our numbers in order to identify the excess cash and perhaps communicate the amount and the right date for it. But this is not directly related to receivable or by Statoil.

Mendes is going to talk about the farm out process.

Mr. Mendes: Good morning, Gustavo. Like Lincoln said, with regards to Sergipe, we had a very positive result, we hold 100% in this 13th bidding round, we had a very strong partnership with ExxonMobil and Murphy, as a result we moved even further in Sergipe-Alagoas basin. Everybody in the market knows the potential of Sergipe-Alagoas basin, but it's not completed yet.

The farm out process is still pending. It depends on Foz and PAMA. For Foz, we have roughly completed, and with PAMA we are just about to conclude the 3-D results for the area, it is very labor-intensive when it comes to the full assessment.

PAMA area, in our opinion, is one of the best areas in Brazil, not only Sergipe- Alagoas and we are very bullish, we want to start it until early next year and have good partnerships in order to keep on with our exploration activities in Foz and PAMA.

Operator: The next question is from Luiz Carvalho, from UBS.

Mr. Carvalho: Hello, Paula, how are you? I would like to go back to dividends, if I may. If you think about pricing of your stock and the cash position, net cash position you currently hold, and possibly receivables or proceeds related to Carcará and possibly even the farm out process, based on that we know that it has an impact on your cash and the pricing as well. So, maybe we don't have the right pricing for the rest of asset, maybe Atlanta or Manati, and our visibility, at least based on our conversation with investors, is that today considering volatile oil nobody's willing to pay for exploration activities, nobody's willing to pay for or invest just focused on equity.

So, if you consider your decision-making process, the set dividend payout, how important to you, how important is the reaction to the stock price? My question is the following, actually: if you allocate or earmark a significant amount of funds to exploration project, possibly the market won't pay for it, at least in the short-term. Whereas perhaps – how should I put it – paying investors in the shorter-term rather than having a longer-term visibility maybe there is a positive reaction.

So, I would like to understand your decision-making process and the impact it will have. That's my question, thank you.

Ms. Costa: Luiz, Paula speaking. In reality, our decision-making driver... well, definitely it is important to pay our shareholders well and also to better understand the longevity of the company, so we need this horizon for growth, we need to tap into opportunities so this profitability for investors happens not only right now, but also in the longer-term, along the life of the company.

So, keep an eye on our portfolio, our opportunities, our capacity to invest, there is no doubt that we are also considering the financial capacity of the company in the long run.

So, this might not impair care the financial performance of the company in the long-term, but the rationale for dividend payout is that once we have Statoil sale, well, we identify excess cash at the company and for surplus or excess cash we understand investors will manage to pay this cash better than the company considering this is not our core business.

So, once we balance opportunities on the radar, once we have a balanced portfolio then this excess cash should be given to investors. We believe that by doing so we will be generating value to each one of our investors, but without impairing our long-term horizon.

Mr. Carvalho: Right, it makes all the sense. Now along the same line, just a quick follow-up question. Once again, if you consider your net cash, the Capex commitment you have – how should I put it – and also on top of that considering future cash, possibly you will have excess cash despite all the projects in your pipeline.

So, based on what you said, is it fair to assume that possibly – I know you cannot assure it, but – possibly there will be a dividend payout, and what you considering right now is the size of this dividend payout. Is that correct?

Ms. Costa: Yes, we mentioned that we will pay dividends, but now we are trying to size this to calculate this according to the strategic planning of the company, that we are reviewing given the recent movements: the sale of Carcará, the purchase of 2

more blocks in Sergipe-Alagoas, the partnership with Exxon, Sergipe-Alagoas basin is an area where we have a high likelihood of having discoveries, and this development will be capital-intensive or also need cash for the development of Atlanta for the full system in addition to a possible third well for the early production system. So, this will consume cash.

But like I said in the beginning, even with these events we have identified that there is the cash surplus, and for this cash surplus we imagine that investors will be able to better remunerate compared to the company.

Mr. Carvalho: Fair enough. One follow-up question, please. Is there a timeline for that? The results for the fourth quarter, first quarter, 18? When can we expect a definition of your pipeline?

Ms. Costa: We haven't got a timeline for that, Luiz. Not yet. I haven't got a date. Not for the payout of dividends, nor for a possible announcement. I cannot tell you yet, but this is ongoing.

Mr. Carvalho: Excellent. Perfect, thank you.

Operator: Our next question comes from Fernanda Cunha, with Citibank.

Ms. Cunha: Hello, I have two questions. One has to do with this news that was out last month that Dommo would sell 30% of Atlanta to Azibras. At least, as far as we know, this is still being negotiated with the partners.

Could you comment on this negotiation and whether you are going to have a preemption right, because of the amount that OGX is owing to the Consortium, or will this be restated according to inflation of recent months?

And my second question, I would like to know if this increase in production for 2018 in Manti, increasing from 4.9 to 5.1, is this only due to the dispatch of TPP (the thermoelectric plants) or perhaps the TPP demand will be even higher in these 5.1? Thank you.

Mr. Guardado: Thank you for the questions, Fernanda. Undoubtedly yes, this news is real, and as for Azibras interest in acquiring 30% share of OGX (currently Dommo) and they would remain with a 10% stake, this is true. We know it's true because we introduced OGX to them, everything was done technically by us, and the commercial aspects are being discussed with Dommo.

Now, this is a work in progress, we haven't learned of any binding negotiation involving the companies. We are monitoring as far as we can, as much as we can and undoubtedly this will need to meet some requirements by the other two partners, QGEP and Barra, regarding the payment of their default, which currently amounts to R\$97 million, it increased a little more, in this last month it was R\$71, but the cash calls continue and the amount is up to R\$97 million.

But decisions are being made according to this. Apparently, "apparently", they have come to a target amount and it should satisfy the conditions of the partners regarding the payments of these values and regarding the guarantees related to the acquisition by Azibras.

And as for reinstatement, yes, our joint operating agreement (JOA) set forth corrections or restatement for a default amount and fine, interest on the default

amounts, and that amounts to R\$97 million. And as time goes by, this amount tends to grow and we do hope that this negotiation will advance and we need it to advance a little faster than what we've seen so far.

As for Manati, I will turn the floor to Danilo, who will give you more on that, but basically that's it. But he will give you more color on this.

Mr. Danilo: Hello, Fernanda. Our estimate for Manati production always starts on two pillars: first, our production capacity; secondly, expected demand for the future for the next year.

In 2016-17, we had very low demand given the recession, industrial demand is practically null, and what is driving consumption today are the thermal power plants given the low level of the reservoirs of the hydroelectric power plant.

So, what are we seeing for next year? We are considering Manati and we have the repair of the flowline, so we should be good on this and we are considering expectations for next year regarding the drought in the Northeast, we are expecting at least half the year with full demand in the Northeast.

And if demand is maintained, then we can revisit our forecast for the full year, but we are using 5.1 base on the strong demand in the first half of 2018.

Ms. Cunha: May I ask a follow-up question, please? So, if I consider that demand in the first half will be similar to the demand in the third quarter, we are saying that on average production would be 4.9, as it was this year. Is that a fair statement?

Mr. Danilo: No, let me explain. This year demand in the first and second quarters was about 4.2/4.3, in this third quarter it was 5.2/5.3, and it might increase even more when we have Manati 6. So, average would be 4.2 and a high average in the second half of the year, and that would give us an average of 4.9.

Now for 2018, we expect to begin the year way above 5.2. Something very close to 6 million m³ for the first half of the year, and expecting reservoirs to at least go back to a level in which we can turn off the TPPs then we would return to the lower level in the second half, and an average for the year of 5.1.

Ms. Cunha: Understood, thank you.

Operator: Our next question comes from Juan Pires, Charles River.

Mr. Pires: Good afternoon. I have a question about the payment of the sale of Carcará. You should realize a very high taxable profit given that the well is booked at 500 million, as we saw in the release. Are there any initiatives to try to use the payment of the tax, perhaps declaring dividends in the form of JCP?

Ms. Costa: Thank you Juan, this is Paula. Indeed, we do have a tax impact with the sale of Carcará, about R\$507 million, and this is taxable in the first portion and we do have a taxable profit.

Analysis of dividends and JCPs are analysis that we do in ongoing basis, we always analyze whether this makes sense internally, but today we have mapped taxation impact tied to income tax related to the sale of Carcará.

It composes the corporate base, so the next portions will be also depending on other corporate impacts that we might have in each one of the years. But we constantly do this analysis to have the best distribution possible.

Mr. Pires: Thank you.

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

Our next question was sent over the web by Mr. Eduardo Teixeira, with Fator:

"What is the price execution at Atlanta given the shortage of heavy oil in the market?"

Mr. Mendes: Our calculation to receive payment for Atlanta oil was also based or was always based on similar oils, in API, and it gives us a guidance of approximately US\$18 of discount based on the discount of heavy oil over Brent oil.

In the last 6 months, heavy oil gained momentum in the market given this shortage and a lot of production of light oil in the US, and even in the Brazilian pre-salt, and our oil does not have asphaltene, and we imagine that it will follow this price increase of heavy oil.

So, we are calculating that the discount that was US\$18 should be lower to around US\$11-13 of discount. So, there is a gain that we could enjoy, at least while there is this relationship between heavy oil and Brent oil with low discounts.

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

We are now closing the question-and-answer session. I would like to turn the floor back to Mr. Lincoln Guardado for his final statements. Mr. Guardado, please proceed.

Mr. Guardado: I would like to thank all of you for joining us, for your questions, your interest. Again, I would like to renew our beliefs in the results of the company, in its renewal, our believe in its portfolio.

With the changing business scenario in Brazil, we will have possibly other partnerships in more consistent thanks, such as crude oil price increases, that always improves our expectations of results, particularly when we have first oil at Atlanta in the beginning of next year.

I would like to reaffirm that you, and I would like to remind you that our IR team will always be available if you have any further questions, if you need further clarification.

We still have a long way to go until the end of the year and beginning of next year, but we are convinced that our Brazilian situation and the company situation will favor our results in the short and midterm.

Thank you very much for your participation and I hope to see you next time.

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