



Operator: Good morning ladies and gentlemen. At this time we would like to welcome everyone to the QGEP's 3Q12 earnings conference call. Today with us, we have Mr. Lincoln Rumenos Guardado, CEO of the Company, Mrs. Paula Costa, CFO and IRO and Mr. Jacques Saliés, our Production Manager.

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 section. At that time further instructions will be given. Should any participant need assistance during this call, please press *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 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 Rumenos Guardado, QGEP's CEO, who will start the presentation. Mr. Lincoln, you may begin the conference.

Mr. Guardado: Good morning everyone and thank you for participating in today's conference call to review our 3Q12 financial and operating performance. Joining me today are Paula Costa, our Chief Financial Officer and Investor Relations Officer, and Jacques Saliés our Production Manager.

We will provide you with an overview of our results for the 3Q and for the first 9 months of the year 2012 as well as provide you an update of our asset portfolio including our recent farm-in in the Campos Basin. Lastly we will highlight a few upcoming milestones for the Company and then we will open the call for questions.

Starting with slide 3, this was a period of significant progress for QGEP when we continued to effectively execute on our strategy to develop our asset portfolio in a balanced way. Among the highlights of the quarter we highlight the high production levels in the Manati Field which remained high, while moving ahead with exploration and production activities in our concessions.

The 3Q was also a period of very strong operating and financial results for QGEP. We reinforced our position as one of the most financially solid, independent oil and gas companies in Brazil.

During the 4Q we reached the final depth at Caracara well in Block BM-S-8 in the Campos Basin and we entered the important testing phase of this highly relevant project for the Company and for our partners.



At Block BS-4 we have moved firmly ahead with the development of the Atlanta and Oliva post-salt oil fields where we are the operator. We are negotiating contracts for services and for the long lead items such as rigs and other necessary equipments in order to start the drilling in the second half of 2013.

Another highlight is our latest news; our new farm-in agreement for the three blocks in shallow waters of the Campos Basin in the BM-C-27 concession. We are very pleased with this opportunity because it will add value to our assets portfolio and will allow us to diversify our coverage area. This is our first pre-salt target in the Campos Basin. Our 30% working interest will provide us with valuable geological data of the area and surrounding areas and will better position us for future acquisitions.

I would also like to highlight that I am pleased to announce that the Company's Board of Directors has nominated Mr. Sergio Michelucci as our new Exploration Officer. I have worked closely with Sergio for more than 20 years at Petrobras and he has vast knowledge on Brazilian basins, as well as basins abroad, in which he worked when he was at Petrobras. We are very confident in his ability to take on this fundamental role in the Company and to continue with our strategy to grow our activities in Exploration.

Moving to slide 5, here we have tracked the recent production trends at the Manati Field. As you know, this field located in the Camamu Basin is one of the largest non-associated producing gas fields in Brazil and we have the largest stake with a 45% interest in the field; which is operated by Petrobras. In the 3Q12, average gas production reached 6.7 MM m³ per day, similar to the level posted in the last quarter.

We also noted that compared with the 3Q11 we had a 60% increase in the production level. This increase in production was driven particularly by an increase of demand from Brazil's thermal power plants. Our forecast is that the average daily production capacity will be 6.0 MM m³ per day for the full year of 2012, taking into consideration October's production which was 5.7 MM m³ per day. In our assessment we will remain with this demand level for the remainder of the year.

A scheduled maintenance in the field is expected to take place during the 1Q13 and the expected maintenance costs are R\$ 15 million net to QGEP.

Let us now move to our exploratory assets. On slide 6 we have an overview of our most recent results at Block BM-S-8. In the beginning of the 4Q we reached a total depth of 6.671 meters at the Carcara well and the next phase, the testing phase that comprises Drill Stem Tests to determine the potential production of the reservoir, is underway. Data obtained so far at the Carcará prospect showed a major column of at least 471 meters of 31° API oil with more than 400 meters of microbial carbonates with excellent porosity and permeability characteristics, as previously informed to the market.

This discovery represents one of the largest columns of oil ever identified in the Brazilian pre-salt and therefore the testing phase should take longer than previously anticipated. Results from the well should be disclosed in the next few



months. We are aware of the importance of providing more information to the market on the estimated volumes associated with this important discovery, however we need to be very cautious in relation to this information mainly due to the potential relevance of this discovery.

In the end of October the consortium requested to the ANP - Brazilian Petroleum Agency - a revision in the Bem-Te-Vi Evaluation Plan due to the promising and excellent results obtained so far at Carcará. We continue to wait for ANP's answer.

Based on the results obtained to date we have included in our 2013 CAPEX budget the possibility of drilling additional wells here in this Block. For the year drilling and evaluation expenses net to QGEP at the Carcará well are expected to be US\$ 35 million. As soon as we have any additional relevant information that is agreed with our partners we will report them to the market.

On slide 7 we present you Block BS-4 where we are the operator and owners of a 30% stake. During the 3Q, negotiations advanced for the procurement of the drilling equipments and supplies necessary to remain in accordance with the schedule and requirements presented in the Atlanta and Oliva Development Plan which was submitted to the ANP. This plan includes an Early Production System comprising two horizontal wells over a three years period.

Full development is expected to be reached during 2017/ 2018 with an FPSO that has a capacity of 80-100 thousand barrels per day along with the integration of 10 additional wells for a total of 12 horizontal wells in the Field. This number has to do with the total production capacity or processing capacity in this Block. This block is also important for QGEP because we have identified a prospect in the pre-salt and also because it is located near the giant discoveries of Libra and Franco and close to the Petrobras discovery Dolomita Sul which is in the South West section of the Block.

The DRILLEX for the pre-salt called Piapara prospect, net to QGEP, is expected to be approximately US\$ 10 million for 2013 and US\$70 million for 2014.

Moving to slide 9, I would now like to go over some more details on our latest farm-in at blocks C-M-122, C-M-145 and C-M-146 in the Campos Basin.

As announced to the market yesterday, we have entered into an agreement with Petrobras for the transfer of 30% of exploration and production rights for participation at the Evaluation Plan area of the Guanabara prospect which encompasses Blocks C-M-122, C-M-145 and C-M-146, under the BM-C-27 concession, and is located in the shallow waters of the Campos Basin. Petrobras will remain the operator and retain a 70% working interest in the blocks. The transfer of the 30% participating interest to QGEP is subject to ANP approval.

The blocks are located 70 km off the coast of Brazil, off the coast of Rio de Janeiro, in water depths of approximately 50 meters. The Evaluation Plan area has one pre-salt prospect identified, called Guanabara Profundo which is expected to be drilled in 2013. According to the consortium analysis there is a higher probability of the occurrence of wet gas in this prospect.



This farm-in is important for the Company as it is our first acquisition in the Campos Basin. It allows us to diversify our portfolio and positions us in a region with probable occurrence of rift phase reservoirs, including the coquinas, considered a frontier area in a mature basin. In addition, the geological knowledge that we will obtain puts us in a favorable position for the potential acquisition of other assets in the region in the near future.

The agreement in place with Petrobras will not require QGEP to disburse any upfront money for participation in the block. QGEP will carry part of the drilling costs at the Guanabara Profundo prospect. The exploration investments to be disbursed by QGEP are currently estimated at US\$ 55 million.

Now I will turn the call over to our CFO, Ms. Paula Costa, to discuss our financials.

Ms. Costa: Thank you Lincoln. We will begin with the major financial highlights for the 3Q and for the first 9 months of 2012.

As we can see on slide 11, we had an excellent strong revenue performance for the 3Q12 when compared with the same period last year; again, this increase was driven by the improved production capacity at the Manati Field and strong demand for natural gas from Brazilian thermal power plants.

Net revenues reached R\$ 127 million in the period, a 72% increase over last year's 3Q when the fields were undergoing extensive unscheduled maintenance. For the first nine months of 2012, total net revenues amounted to R\$ 346 million, an increase of almost 70% over last years' same period.

Moving to slide 12, EBITDAX reached R\$ 87 million for the 3Q12 and our EBITDAX margin was 68%, 63% up when compared to last years' 3Q; this demonstrates the potential profitability of the Manati Field, where we are producing from all 6 wells and where we have a 45% stake.

Net income reached R\$ 62 million in the quarter recovering the loss in the first half of the year. This substantial increase over 3Q11 level was due to improved production volumes from the Manati Field, lower exploration costs and higher financial income.

For the first 9 months of 2012 we had net income of R\$ 35 million. The year over year decrease from the R\$ 68 million reported in the first 9 months of last year was due to exploration costs of R\$ 160 million incurred in the first half of this year, related to exploration activities mainly at Block BM-S-12 and the return of the Jequitiba prospect to ANP.

Here on slide 13 we have detailed the breakdown of our operating costs. Increased production at the Manati Field resulted in a 55% increase in operating costs year over year from R\$ 32 to R\$ 50 million. This figure includes royalties, special participation and R&D related costs, which vary directly with production.

General and administrative expenses totaled R\$ 14 million for the 3Q12, which was R\$ 6 million higher than that which was reported in last year's 3Q primarily due to the increased headcount at the Company to support the expanded scope of the



Company's operations. For the first 9 months of 2012, G&A expenses totaled R\$ 45 million, slightly below which was reported in the same period of last year.

Total exploration costs in the 3Q12 amounted to R\$ 9 million which included an additional cash call of R\$ 6 million for previous drilling activities at the Ilha do Macuco well in Block BM-S-12. Total exploration cost for the first 9 months of 2012 amounted to R\$ 169 million mostly due to costs of R\$ 160 million in the first half of this year related mainly to Block BM-S-12 and the returning of the Jequitibá prospect to the ANP.

On slide 14 we have a breakdown of our exploratory capital expenditure by block according to the Company's current estimates. US\$ 70 million have already been spent until the end of the 3Q this year and we expect a capital expenditure budget of US\$ 90 million for the full year 2012.

We estimate an increase in 2013's capital expenditure budget from the previously announced US\$ 165 million to US\$ 230 million, mainly due to the inclusion of costs related to Piapara at Block BS-4, as well as the drilling of Guanabara Profundo in the BM-C-27 concession referring to the recently announced farm-in.

For 2014 we expect to spend US\$ 170 million for exploratory work. This CAPEX does not include investments related to the development of the Atlanta Field.

Here on slide 15, you will see that at the end of the 3Q12 the Company had a very strong net cash position of R\$ 926 million. We paid down the BNDS and BNB loans, tied to the development of the Manati Field. These loans were paid in the 2Q12 thereby eliminating our debt. Our strong balance sheet provides us with a significant room for leverage as we look to grow our current and future exploratory assets portfolio.

Our cash is invested in dedicated funds and in fixed income assets always in Reais. The slide shows a breakdown of our investment portfolio, of which 94% is in triple "A" rated instruments.

With that I would now like to return the floor back to Lincoln to discuss a few upcoming milestones for the Company and for his final remarks.

Mr. Guardado: Thank you Paula. To wrap up today's presentation, here on slide 17 I highlight some of the most important milestones for QGEP based on our current asset portfolio. As you can see, in the upcoming months we expect to have the results from drilling and testing at the Carcará prospect at Block BM-S-8 which will undoubtedly be a transformational discovery for the Company.

We also plan to release an updated resources and reserves report which will probably be ready by the end of the first half of 2013. This is due to the longer period that it will take to evaluate the Carcará prospect. Also, in the first half of 2013, we plan to restart the drilling at JEQ#1 prospect at Block BM-J-2, as well as begin an exploratory well targeting the Cam#1 prospect at Block BM-CAL-12.

At Block BS-4, the first phase of development is scheduled for the second half of 2013 with the drilling of two horizontal wells. First oil is expected in 2014 from the



Atlanta Field at Block BS-4, along with the drilling of the first pre-salt prospect in the block called Piapara.

Based on our current portfolio, we expect a significant growth in production, as well as the testing of new exploratory opportunities in the following years. We surely believe that the upcoming years will be busy, promising and transforming for QGEP and for our shareholders. We thank you for your interest and we look forward to keeping you updated on our progress on all important assets. Operator, I would like now to open the call to questions.

Q&A Session

Operator: Ladies and gentlemen, we will now begin the Question and Answer session. If you have a question, please press the star (*) key, followed by the one (1) key on your touch-tone phone now. If at any time you would like to remove yourself from the questioning queue, press star (*) two (2).

Our first question comes from Mr. Luis Carvalho from BTG Pactual.

Mr. Carvalho: Good afternoon Lincoln and Paula, I have two questions. The first one is related to the Manati production; the production reported for the 3Q was 6.7 MM m³ per day and in the press release you stated that in October, it was closer to 5.7 MM m³. Is this an exceptional event, or is this related to demand from Petrobras demand, or still is it just a maintenance, anything in that direction?

My second question has to do with the farm-in. I just want to understand: the US\$ 55 million that you are expecting would be the carry of one well, is that correct? Thank you.

Mr. Guardado: Good morning Luis, it is a pleasure to have you here. As you observed, there was a small decrease in the production of Manati and this was not due from the demand from thermal pipelines, it was due to a lower demand from one of Petrobras' UPGNs. We consider this a one time off event, but for precaution reasons we are maintaining future production projections at this level. This is indeed what happened in that month, but we are maintaining this average production until the end of 2012.

As for the farm-in you are correct, that amount of U\$ 55 million includes the drilling of that well as well as the carry that we are going to have, but it is not the full value of the well. This is the exposure that we have in this project compared to our stake in the agreement with Petrobras.

A UPGN is a natural gas processing plant.

Mr. Carvalho: Thank you, a follow up question. Any updates regarding the rig or the license at Jequitinhonha? Thank you.

Mr. Guardado: Well, Luis, the rig is progressing. We have a clear horizon in the time frame, we are negotiating. The negotiation will end with the signing of the agreement but we are quite advanced in the negotiation phase. The rig is in Brazil and this makes us very optimistic in terms of closing the whole negotiation process by the end of this year; we are working diligently on it and we expect to have everything ready for May next year.

Regarding the license, we have made a request to renew our license at IBAMA. This license stretches until June 2013 and as it is a renewal process QGEP is not very concerned. This renewal request has been submitted to IBAMA, it is being evaluated and we are in contact with IBAMA but we don't expect anything to interfere in our ability to resume drilling as of May 2013.

Mr. Carvalho: Thank you.

Operator: Excuse me, our next question comes from Vicente Falanga from Santander Bank.

Mr. Falanga: Good morning, Lincoln. I have a couple of questions, the first is related to your farm-in. Why are you seeking a gas prospect? Is it because it is wet gas? Do you also want to reach oil? So how would you sell this gas? Do you already have a gas pipeline close to Petrobras or something to flow the production? Or any other additional or close discovery or even in the block? That is my first question.

And the second question has to do with the BS-4 Development Plan. When do you expect ANP to have it really approved? Thank you.

Mr. Guardado: Vicente, it is important to say that if you have a look at the Campos Basin map you will see that there is a very strong concentration of discoveries and drilled wells more to the eastern side of the basin; that is an area we use to say that maybe is the last frontier area in Campos Basin, which is a highly productive basin already considered a mature basin for some kinds of reservoirs, like the post-salt for instance.

I am not saying this area did not have any activity; Petrobras does have activity in this already historical area but did not respond fairly well for post-salt objectives. With the growth and also higher volumes that we have seen in pre-salt, now we are coming back to the assessment on several areas that in the past were set aside, and that is one of the areas in which we expect to have some kind of interest.

We have interest in this area because its thickness is from the rift phase, that is, post-salt with very large coquinas in the area and therefore we could have some additional post-salt results. Petrobras drilled in the area, this area is still under confidentiality; it was recently drilled by Petrobras; there was a discovery that led to an evaluation plan known as Guanabara.

Anyway, we are far more focused on the pre-salt and although the area it is a gas location, considering the results achieved so far, the few wells that came to pre-salt are not a hand full in the whole region and it shows that we have wet gas but it doesn't prevent us from having oil with a lot of volumes in that region.

By the way, the discovery of a very old well, RJ-S-150, has one of the best kinds of oil in Campos Basin, with 700-1 million barrels; Petrobras produced for some time and the oil is extremely developed for all kinds of geochemical modeling in the area.

So although we know that this can be a gas area that doesn't mean we cannot find oil either. But even if it is gas, if we assume it is gas today, our Company is not afraid of gas. We have been in the market for quite some time now and we have very strong growth in this network particularly when it comes to Norte Fluminense or the north of Rio de Janeiro State, where industrial activities are very strong, they are expanding there.

The energy network encompasses and has been pointing to gas in Brazil, so we believe that it is a trend in the middle to the long run and obviously it does match the operations in Brazil and particularly in this area of the country. There is a very strong growing demand for gas and as we are very close to the coast, we don't see any problem should we have gas discovery for any future monetization.

There is no gas pipeline in the area yet but we have huge fields in the north east, for instance the Parque das Baleias, and also additional discoveries that are more towards the east and more associated to pre-salt. Therefore, the future infrastructure is not something that concerns us and if nothing happens, at least we are 70 km off the coast and it would not be very complicated for some kind of gas pipeline to supply the State of Rio and also the Espírito Santo State.

As to BS-4, we are engaged in frequent dialogues with the Agency. Some time ago we submitted the new Plan and obviously they have been asking us some questions, related to the development model and also the timing of the operation.

It's only natural for a field of this magnitude and, as it has heavy oil, it does have its challenges, as we all know. And we believe we are balancing all this challenges now and it's natural that questions are raised so we are very closely working with them and we believe that by year end we finally have their approval of this Plan.

That doesn't mean however that we are not taking all the measures required in order to maintain our timeframe we disclosed. We've been talking to companies, service companies, we have several bids under way for long lead items, there are several other kinds of bids and also decisions already made.

We have all positive signs relating to that approval, so that is our expectation, but we are not waiting for this in order to move forward with our actions when it comes to drilling work to happen in the first half of 2013 and potential first oil through an anticipated system by the end of 2014.

Mr. Falanga: Thank you, this was very clear. May I ask just one last question? What about the talks on the compression terminal with Manati and Petrobras?

Mr. Guardado: We continue to talk to Petrobras about this. This process is not challenging, however, it is long, it takes a long time, you have to choose the right place, you have to desappropriate some areas and there is a whole discussion on dimension and the operational side. We are still talking to Petrobras. It is scheduled



to be closed by 2014, so we do have a good deep way for that, a good buffer. We are still discussing with Petrobras and, above all, with Petrobras group at the basin, as they would be in charge of the whole operation.

Mr. Falanga: Thank you Lincoln.

Operator: Our next question comes from Andre Sobreira from Credit Suisse.

Mr. Sobreira: Good afternoon Lincoln, Paula and Jacques. Thank you for the call. I have a question on the farm-in. Based on your speech today, if I understood that correctly, one of the great drivers for the farm-in was maybe not the block, but the acquisition of geological data in order to better understand the area in future acquisitions, so is my assumption correct?

And what more do you have in the pre-salt or shallow waters in Campos? Because based on the map, I have this feeling that there are only five blocks close to where you are, and maybe Devon and Anadarko between Parque das Baleias and Roncador, but then that is something deeper. I have the feeling you have more free pre-salt shallow water blocks in Santos compared to Campos. What are your comments?

Mr. Guardado: We highlighted the knowledge due to, like I said, Petrobras' historical effort in the area, and by the way the first Petrobras drilling at Campos started in this area; Rio de Janeiro #1, Rio de Janeiro #3 and #4; all wells that were really shallow and then we had this migration to the East. So the entry in the block has corporate motivations in order to discover oil, that is the main driver.

We should take into account that we didn't have so much historical efforts in this area, so our presence there can also help us leave our footprint, depending on the results of our activity and also other companies potential activities. So that's an area that has few blocks today and in the future we don't know what will happen, but there is a prospect identified and we liked it, it was worth getting into this to be there and not only to get the data, that's not the idea.

Basically, the idea is to diversify our portfolio and also focus on an area that has rift phase activity, and the rift phase includes potential biolites. There is a well in the area that showed a few signs of gas but that's an ancient well from the 80s decade, drilled with different technology, and the current technology is totally different, so there is a window of opportunities in this area. And you are right, the closest area with important discoveries and huge fields, like Parque das Baleias, is about 150 or 200 km away from this area.

Nothing will be equivalent to Parque das Baleias but there is no doubt that this area might have something similar. In the extreme south of Campos Basin, there has been production from the coquinas for 30 years. This area could have coquinas and might also have another objective, as shown by Petrobras, when they drilled a well this year, Guanabara, and there was a discovery of the superior Cretaceous period, that is, post-salt.

There are several things happening there. It is a very prospective area, but there is also risk and we are considering it a frontier area, even though it is a mature Basin

such as Campos Basin. Like any frontier area we do have risks, but we also have opportunities and obviously those who get there first can also have more coverage in order to address the area, should we have any discovery in the area.

We don't have so many free blocks because it was not part of the bidding in the past but we expect to have in the future, as they are shallow water areas with no kind of environmental problem. Petrobras, by the way, has all the environmental licenses and all the rigs in order to drill in the area. So this area does bring this motivation, even in a short run to us. At first, we should start drilling in 2013 and finish by year end.

Mr. Sobreira: Thank you, Lincoln. Could you give us a disclosure of any pre-drill estimates in terms of volume of Guanabara Profundo?

Mr. Guardado: As always it is very hard to disclose this kind of estimate, what I can tell you is that even considering the risks of a frontier area, from the data we have from already drilled wells we can see compatible volumes with other prospects that we have evaluated for this area. We expect to release that when we have the certification, that was already in our radar, and we postponed it as we are willing to include this area in the report, which was in negotiation with Petrobras. So we expect to give you some information in the future according to normal logic of certification reports.

Mr. Sobreira: Thank you very much.

Operator: Our next question comes from Anish Kapadia from TPH Investments Bank.

Mr. Kapadia: Hello, I just wanted to start off with a question again on Guanabara. I was wondering if you could give more exact timing on when you expect to start the well and if you have secured the rig there yet, and also on that, it seems like it is quite close to the Itaúna discovery - just wondering if there is any read across from that discovery, from what you have learned from that.

And then my second question relates to BS-4. Can you give an idea of what the CAPEX would be each year out for 2017 before the BS-4 development and the oil current scenario and how you expect to fund this. Thank you.

Mr. Guardado: Ok. Thank you, Anish. People advised me that I have to answer you in Portuguese and that the translation will be at the same time. Ok? That means that I will talk in Portuguese and people will translate for you.

The drilling of the well is expected to take place in 2013. We do not know yet which rig will be used but it will be one of the rigs that are owned by Petrobras. It will be a jack-up that is adequate to drill in deep zones, so that is already secured. We should get started in 2013, most likely near the end of the first half of 2013. This is the provision that QGEP and Petrobras are working with.

This well should take at least six months to drill; it is a deep well, more than 6,000 meters deep and we may also drill a considerable section of the pre-salt, given the

fact that this is a pioneer area so we want to have a good knowledge of the area of the prospect. We expect it's going to be a long time well but with jack-up.

We do not require any new technologies, the technology is already fully mastered and Petrobras is very used to work with this kind of technology.

You also asked about the Anadarko discovery - Itaúna; Itaúna is to the east of our area, it is somewhat distant and it is a post-salt target. These are carbonates sandstone reservoirs, I believe, that might have a secondary importance in our block, yes, it is possible.

These reservoirs are particularly Albian age carbonates or turbidites of the upper Cretaceous period, they are secondary targets in this area where we made this acquisition. They are not primary targets, they are secondary targets but these reservoirs are part of the reservoirs that we intend to test in these three blocks.

Moving on to your third question, the CAPEX for BS-4; obviously we already have an idea of the CAPEX but we depend on the approval of the ANP. We are not disclosing this kind of information until we can definitely complete the development model and until the agency ANP has approved this model. As was mentioned before, we are going to have an Early Production System that has a much lower up front money, that will be drilling two wells and the completion and production through a FPSO.

And as for 2017, which is full development, we are just waiting for ANP to give us a green light and then we will be able to disclose this information to the market. How we're going to fund it, I am going to pass the floor here to Paula because she will be able to elaborate more on what would be the possible funding possibilities that we are evaluating in order to deal with BS-4 development, not just BS-4 but everything that we are expecting for the coming years particularly including the recent Carcara discovery. I will give the floor now to Paula.

Ms. Costa: Good morning, Anish. For the alternative that we are considering to fund the project we can highlight that we have a very comfortable cash position at this point. In addition to the cash of R\$ 925 million at the end of the quarter we have an important room in our balance sheet for leverage, so at this point we are analyzing some funding alternatives. It can come from a loan related to the Manati cash flow as it is a free cash flow we have through a long-term contract with Petrobras.

It has a very strong fixed income characteristic and we can have some kind of loan structuring which is project based. For that there are some alternatives like project finance, project bond or reserve based lending, where we can take advantage of the volumes that we will incorporate in the Company after the Carcara discovery and the volumes from Atlanta, so we are at a very comfortable financial position at this point and as we speak we are evaluating which would be the most efficient structure to fund this project, given that there are some alternatives at hand.

Operator: Our next question comes from Mr. Pedro Medeiros from Citi Group.

Mr. Medeiros: Good morning, I have a couple of questions about Guanabara. I couldn't hear clearly what you said, Lincoln, about what was really found in the Guanabara prospect. Was it gas, was it oil? What kind of formation? And I would like to understand why it didn't go deeper. Is Guanabara Profundo very different from Guanabara?

Mr. Guardado: Good morning, Pedro. In the decade of 1980's Petrobras made some efforts in this area targeting prospects, and as it was the trend at the time, they were post-salt prospects, particularly turbidites and the Macae formation carbonate reservoirs, etc. There was one well that was drilled in that block that tested some dozens of meters of the post-salt with a lot of gas, but that was an old well over 5,000 meters and back then they used a technology which was difficult to evaluate. But what was possible to be done back then showed that it generated a lot of gas, C3,C4 gas. That's the reason for the wet gas.

But after that no major efforts were made for the rift phase of the Campos Basin. That is, not for the geological section which contained biolites or sandstones that were possible to happen in this area, like rift phase sandstones and even the coquinas. This happened because the post-salt reservoirs performed in an adequate way so that was a great boom of discoveries in the 1970, such as Namorado, Anchova, Badejo etc. After that, in the 1980's, discoveries in the deep water so for that area Petrobras is still making some efforts but not as intensively as before.

But so far we have serious evidence of gas. I can tell you that this is one of the deepest areas in the Campos Basin, with sections reaching 10,000 meters deep. So gas is the type of fluid we expect given all the modeling, but not just gas. The only discovery that generated production to date was one well, RJ-S-150, that has oil of almost 40° API showing that there is a great thermal evolution for that area.

Now what Petrobras did was they identified a project of the post-salt and they drilled the well recently, this was in 2011/12, that led to a discovery and this is the Evaluation Plan of the discovery that was submitted to ANP and now we are going deeper. Why is that? Well, because today we have adequate tooling to have a evaluation of the pre-salt more precisely and obviously using the same model, not only a geological model, but also the evaluation model with magnetic resonance technology for evaluation, etc. That would justify a deeper investigation of the well with a little more financial exposure, but at the same time, now we are in the right condition to have a more adequate appraisal of analysis of the real possibility of this pre-salt section and of all the rift phase in this region.

So everything that has happened over the recent years has motivated our interest in this area because, quite frankly, we knew about it because we have worked in at Petrobras for a while, and we knew that it had some potential but we needed more consistency to go back to it.

Mr. Medeiros: Let me try to understand. The Guanabara well that was drilled, did it have a Drill Stem Test, because I think you also had a horizontal section done. Did you run the Drill Stem Test? Did you have any seismic campaign done since this drilling that would be focused in the pre-salt?

Mr. Guardado: From what we know, there was no seismic campaign done now, they are reprocessing the existing seismic with 3D, it is 3D seismic with very adequate parameters for pre and post-salt sections. As far as I know there were no horizontal wells. Petrobras performed the regular model of Intermediate Wireline Logging which led to the request of an Evaluation Plan which is now in the hands of the ANP.

Mr. Medeiros: I have two more questions regarding that; the first one is if there is any possibility or any synergy between the rig that you might use in Guanabara for the drilling of JEQ#1 next year? And you gave us an estimate of US\$ 55 million for Guanabara Profundo for your part, but do you have any estimates of the total amount that will be needed to drill the well? And finally, is there any additional agreement in this combined operation with Petrobras where, depending on the performance of the results, you could take over the operations of the block?

Mr. Guardado: Pedro, there were not only two; you mentioned two, I think it was a little bit more.

Mr. Medeiros: I have plenty of questions.

Mr. Guardado: Well answering about the synergy on rig; the rig for this block is a big rig, an HPHD. In other words it has deep objectives, as I said, we want to go deeper or close to 6,000 meters, so there is no synergy with JEQ#1. The rig for JEQ#1 should be lighter, as the depth is 4,700 meters, so it does not justify to have a heavier rig for JEQ#1 even if it was fit for it. But that is a purely a commercial problem, we are not motivated to discuss it right now. So it is a different rig, probably a jack-up also, but cheaper.

As to the US\$ 55 million, certainly it is net to QGEP, Petrobras is still working on the final costs for the well so this is our assessment. We don't have the final cost yet for this well and obviously some of the data that we have at hand are still confidential information, so I cannot disclose it to you right now. By the way, we are also breaking down these costs and scrutinizing them so these data is very recent.

We also made a point in announcing that as soon as it was completed and all the documents are still at the Agency, just to stress how recent it is. So we can even go back to the market and show our pro-activity trying to expand our portfolio, so that is the reason. We are still working when it comes to the cost of the well.

Mr. Medeiros: Thank you, great. Maybe I can come back later with more questions if there is time.

Operator: Our next question comes from Ms. Luana Helsing from GBM.

Ms. Helsing: Good afternoon Lincoln and Paula. I would like to go back to the balance sheet. Paula mentioned some project finance; I would like to know if the Company already has some expectation Vis a vis the timing behind any potential blanket of that, particularly for BM-S-8 and BS-4 developments. Thank you.

Ms. Paula: Hi Luana, this is Paula. When it comes to our expectation we are fully funded at least until the end of next year and that applies to all our exploration investments. Obviously this business plan depends a little bit on future acquisitions and also our participation in future biddings, and then the figures may change a little bit, but we are absolutely funded for all our exploration investments so we don't have any short term pressure when it comes to our cash needs.

And we also know that the debt market is going through a very good moment and we believe that it will remain stable for some time in the future, but we also take that into account in our balance sheet, so right now we are analyzing the alternatives, we are trying to find out the most efficient alternative for the Company and also factoring it in. I would like to remind you that there is no pressure for a potential leverage when it comes to cash pressure. We are very comfortable when it come to our financials.

We do have intention to access the debt market as efficiently as possible, considering all the variables I mentioned, but there is no pressure in the short run.

Ms. Helsing: Great, thank you Paula.

Operator: Ladies and gentlemen, as a reminder, if you want to pose a question please press star (*) one (1)

Our next question comes from Pedro Medeiros from Citi Group.

Mr. Medeiros: Thank you for taking my question. Just one more question about BM-S-8. Any scheduled timeline for the drilling performance in 2013 and what exactly will be drilled, like Guanxuma or are you going to have any extension in Carcará? Any definition in those lines?

Mr. Guardado: Pedro, it goes as follows. Considering Carcará's results, we will have an Evaluation Plan related to Bem-te-Vi, so we are drilling considering the commitment taken with Bem-te-vi and Carcará is one of them. Considering those results and basically the auspicious results in other our evaluation of this well, we have to include this result to the block, in other words we have to further study. There is no doubt that we are going to focus more efforts, Guanxuma is one of them. It is a pioneer well but the result will probably call for the drilling of other appraisal wells.

Petrobras included some changes in the plan in order to include our intentions and we are just waiting for the opinion of the Agency. We expect they won't take so long and as soon as we have that at hand we can give you further information, but certainly we will be drilling another well. We are evaluating the possibilities but that is something wishful thinking of the Company in order to be on the safe side with our budget.

We have some CAPEX for next year, 2014 but we don't know exactly what it will be. The tests will guide us, the tests that are being prepared; the DST for Carcara will give us some guidance on what will be our need of drilling, that will also determine how much risk we want to be in. But certainly we should have additional effort in



this block. That is something we can tell you for sure, in Carcará and in the surrounding areas of Carcará, for 2013/ 2014 for sure. Ok?

Mr. Medeiros: Ok. Thanks a lot.

Operator: Our next question comes from Mr. Anish Kapadia from TPH Investments Bank.

Mr. Kapadia: Hi, I just have some couple of follow up questions on BM-S-8 to clarify a few things. Firstly, in terms of the Drill Stem Test, could you give us an idea of what kind of rate you would be looking for, so what would be a kind of positive rate for you to get out of the well? The second was, the current well, Carcará, has taken a very long time to drill, just wondering if the three wells that you have planned for the next year you expect them to take as long or if they will be shorter wells.

And then just the final one, I know you can't give an exact number, but I was wondering in terms of the size of Carcará so far, are you thinking kind of in a Lula range of 5 billion barrels plus or is it more in the kind as close to 1 billion barrels plus range? Thank you.

Mr. Guardado: I will answer you in Portuguese and people will translate for you. Ok?

The DST is done in order to define the rate of the expected production and we don't have it yet. We imagine it should be a very good test considering or assuming the reservoir characteristics we have and also the type of oil which is light fluid oil and considering also the shows and elements we already have when the wire line tests were performed during drilling works. So we expect to have a high flow rate and just to give you some order of magnitude I would suggest that you have a look at the Gaffney Cline Report intended for the Agency during the Petrobras' funding phase, where they have very interesting ranges of flow rates and you can base on that figures.

I wouldn't like to anticipate any range because that is still to be set. We better wait and, if we have the chance, we will be announcing the result of the test and then it will be more reasonable. But I can tell we are very optimistic, we assume productivity will be very high considering the elements we have at hands today and also vis a vis in respect to the characteristics of this reservoir.

Now answering the timeframes and costs of the well, that was a special well. We have always been very optimistic with Carcará but everything that happened so far surprises us even more. As it surprised us we slightly expanded this drilling just as you do in any exploration drilling rule. We were careful and we also performed far more Open Well Tests, the sidewall coring, and we tried to collect as much information as possible on that well. Therefore, it took us longer than we first expected and the purpose was to get more data considering that our result was very good.

Therefore, for additional wells to be drilled in the area and now that we have broader knowledge our expectations, we should not to have such long timeframes,

we expect future wells to be drilled at a natural average time just as we had with previous wells - Biguá, Bem-te-vi - around 6 months approximately. That is the timeline for future wells that we may have, be them appraisal wells or development wells.

As to sizes we are also very curious, we also want to know what they are. The data available today are not fully conclusive, not allowing us to mention one number. What we want is to have a range between a minimum and a maximum. Eventually it is not going to be the size of Tupi, we can tell you that right now. It should be less than Tupi, but it is hard for us right now as we are in the middle of an operation that involves the DSTs that will give us data on productivity or elements on pressure or PDT; these are the elements that will allow us to extrapolate the volumes or a volume range for this discovery.

What we can tell you is that our range is very open, our range is really huge and it will only be closer to a single number from the moment we stick to this kind of activity. That is something to discuss with the consortium, we do want to have a disclosure once we have performed the tests and as soon as we have reliable information. First we have to discuss, there are four partners involved, and our approaches are not always the same so we do need more data so we can have some convergence.

And once we achieve this convergence, which we expect to happen after the DSTs are concluded, then we expect to announce the potential range of volume behind this discovery. But we can say that it is definitely important.

Operator: As a reminder, ladies and gentlemen, if you would like to pose a question please press star (*) one (1).

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

Mr. Guardado: Once again I would like to thank you all for joining us today in our Earnings Presentation. We are very happy with all the results achieved so far and once again I would like to say that our IR department is at your service for any additional questions or any of your needs. I do encourage you to come to us. Once again, thank you very much indeed and we hope to share good news soon with all of you. Thank you, have a good day.
