

**Operator:** Good morning ladies and gentlemen. At this time we would like to welcome everyone to the QGEP's material fact conference call regarding the acquisition of stake in BS-4 in the Santos Basin and an asset update. Today with us we have Mr. José Augusto Fernandes Filho, CEO; Mr. Lincoln Rumenos Guardado, Exploration Officer; Mrs. Paula Costa, CFO and Mr. Danilo Oliveira, Production Officer.

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.

All the questions sent by webcast will be answered by e-mail after the conference call.

Before proceeding, let me mention that forward-looking statements 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 will turn the conference over to Mr. José Augusto Fernandes, QGEP's CEO, who will start the presentation. Mr. José Augusto, you may begin the conference.

**Mr. José Augusto Fernandes:** Thank you, good morning everyone and thank you for participating in today's conference call so that we can provide you with an update on QGEP's producing and exploratory assets portfolio and respond to your questions.

Before we begin the presentation I would like to make two broad comments: first we are pleased with the success of our strategy to expand our assets portfolio and with the steps of our exploratory activities. There has been some postponements but overall we are moving ahead at a very good pace; second, there are certain questions about our latest farm-in (BS-4) which we are not yet in a position to answer related to the exact timetable and the Capex as the development plan is being revised by the consortium to be submitted to the ANP. As soon as we have more details we will provide them to the market.

Moving to slide 3 we will provide more details on our recent farm-in. Last week we announced our most recent farm-in in block BS-4 and here is the map showing the location of the oil fields of Atlanta and Oliva located in this block in the denominated area of the pre-salt near the giant oil discoveries of Libra and Franco. These discoveries were made in the post-salt of Santos Basin and in addition to that at least one prospect was identified in the pre-salt.

We want to highlight that this area presents a geological chance of success of 77%, a result of 23 discoveries made out of 30 wildcat wells drilled from the pre-salt. According to available data referred to the long duration tests the region has shown oil production much better than initially expected. For instance, ANP data from July 2011 shows that there are 7 pre-salt wells in different fields producing 150,000 barrels of equivalent oil daily. Considering only one well in the Lula field it has produced over 36,000 boe daily last month.

Here in slide 4 there are more details on the transaction, which involved QGEP acquiring a 30% participating interest from Shell for US\$157.5 million. This block is located 185 km off the coast of Brazil in an area which presents significant oil potential as it is near the principal discovery of the Libra field, one of the largest fields in the region. The consortium at block BS-4 after the acquisition will be comprised by Petrobras, Barra Energia and QGEP. The block operation is still being determined and we are only waiting for ANP's approval to hold this transaction.

On slide 5 you will see that the fields are located at water depths of between 1500 and 1800 m and 14 to 16 degrees API. According to the initial development plan the fields have combined volume potential of more than 2.1 billion barrels of "oil in place". As a pilot project, one horizontal well is set to be drilled in 2013 followed by a long duration test.

Here on line 6 on the left side you can see the stratigraphic chart highlighting the source rock; the pre-salt reservoir and the post-salt giant discovery in the Eocene reservoir. As we can see the figure on the right there is the 3D seismic line over the Atlanta discovery and the expression of the salt layer enhancing the potential migration pathway from pre-salt source rock to the post-salt reservoir.

This is a pictorial view showing domes in yellow and green reflecting the salt movement and the creation of the base in blue which controlled the reservoir position of Atlanta and Oliva during the Eocene time just above the salt levels. Notice that the pre-salt prospects and discoveries are usually located just below the salt levels.

Block BS-4 is a key element in our strategy of expanding our assets portfolio. It diversifies and strengthens our portfolio. It is in close proximity to important pre-salt

discoveries and production infrastructure and represents short and midterm production potential.

Now we will provide an update on Manati field and our other exploratory assets. Slide 10 provides an overview of QGEP's wells balanced and growing portfolio of assets besides the well-known Manati field. Our assets are located in the well-known basins of Camamu and Santos, as well as the emerging Jequitinhonha basin and include reserves, contingent and risked prospective volumes. Its aggregated total volume potential is over 390 million barrels of oil equivalent not considering, of course, our recent farm-ins in blocks BM-S-8 and BS-4.

First on slide 11 we will provide an update on Manati field, one of Brazil's largest gas field in production. At Manati we are currently producing from 3 out of the 6 wells representing a daily production capacity of 4.1 million m<sup>3</sup>. According to Petrobras the delay in returning to full production relates to logistics issues, surrounding maintenance and we expect the Manati field to return to full capacity of 7.8 million m<sup>3</sup>/day as of 4Q this year. Importantly, we continue to generate positive operating cash flow despite lower production levels at Manati field. QGEP share of the maintenance cost is estimated at US\$ 10 million, which will be expensed from September to December 2011.

Slide 12 provides detail from BM-J-2, our pre-salt target located in the Jequitinhonha Basin approximately 20 km off the coast of Brazil. QGEP is the operator and owns 100% of interest of this block. In early June 2011 we started drilling the Alto de Canavieiras well to test the pre-salt prospect. Here we encountered technical difficulties which caused a delay in our initial timetable. The drilling was stopped at 2,540 meters due to restrictions from IBAMA that contain a short-term blackout on exploration activities. Drilling has been temporarily delayed at this well and we plan to restart in 2Q12, as the environmental license allows drilling activity until June 2013. Once drilling is restarted we expect to reach the final depth within approximately 45 days. It is important to mention that the results obtained to date have not changed our volume assumption and expectations.

Next on slide 13 is one of our golden blocks, BM-S-12. Drilling activities here are on schedule. The starting with the Lone Star rig at the Ilha do Macuco well was in July. We tested four prospects. This, as you know, is an appraisal well to prove the continuity of the accumulation discovered by the Ilha Bela well in Santos#1 and Santos#2 and a wildcat well to test Santos#3 and #4. Once at depth of 2,200 meters was reached, the Ocean Baroness rig moved on to site to a final depth of approximately 5,400 meters, which is expected to be completed in 3 to 4 months from now. At that point the four prospects will be tested, including a high-potential pre-salt reservoir in Santos#4.

Here on slide 14 we will see our first farm-in which was announced in July of this year. Block BM-S-8 is the largest block in Santos basin and covers more than

2,400 km<sup>2</sup> and is located inside the hot spot area of pre-salt in the Santos basin. There is one discovery, Bem Te Vi, and the potential extension of the discovery in the adjacent block, Abaré West. At least four other promising prospects in this block have been identified.

In this block one prospect named Biguá has started to be drilled in June 2011. Currently this well is at 5,000 meters drilling the salt layer and the final depth of 6,400 meters is expected to be reached within the next 2 to 3 months.

Another pre-salt target at BM-S-8 is Carcará. In August a pilot well was completed at this prospect and drilling activities are expected to begin by October.

Here on slide 15 is a closer look at what is our drilling program for the rest of 2011. We expect to have positive results reported by the end of this year for sure. As you can see we expect to create additional value to our shareholders and we are actively pursuing future growth opportunities and we will keep you posted on our progress.

Ladies and gentlemen thank you very much for your time and attention. Operator, at this time we would like to open the call for the questions. Thank you.

### Q&A Session

**Operator:** Excuse me. 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 key on your touch-tone phone now. If, at any time, you would like to remove yourself from the questioning queue, press star two.

Our first question comes from Mr. Matt Portillo from Tudor Pickering Holt.

**Mr. Matt Portillo:** Good morning. I just had two quick questions for you. To start off on BM-S-4 could you give us a little more information on the Atlanta well accumulation, how many wells have been drilled into the structure today and if these wells had success? And then I have a follow on question after that.

**Mr. Fernandes:** Ok. I will ask Lincoln, our Exploration Director to answer your question, ok?

**Mr. Lincoln Rumenos Guardado:** We have already drilled 4 wells in that accumulation just for Atlanta and 1 more in Oliva, which means we have all the delineation already concluded regarding the oil in the Eocene and we have just one test drill stream, not more than that. But we have a very nice seismic definition on the area. We have the oil/water contact and the limits of the field fully understood for the consortium.

**Mr. Portillo:** And on that production test, on the DST that you performed, what was the flow rate that was achieved... that you performed, the previous consortium performed?

**Mr. Guardado:** Well, we do not have a total production for that test; it is just a test to clarify the oil characteristics and we do not have, we did not approach for that. We hope that very soon - probably in 2013 - we are re-analyzing the production plan for the area. The consortium is re-analyzing that and we hope to have a drill stream test followed by a long-term duration test in a horizontal well. This will be, I can say, the good data that we will use to evaluate how many wells we will need for the production. In this kind of oil the vertical well does not give us enough data to realize and to imagine how could be the production. We hope to do this in a horizontal well scheduled to be drilled and tested in 2013.

**Mr. Portillo:** Thank you and then just in terms of the pre-salt potential on the block have you mapped any structures and do you have a plan of exploration targeting the pre-salt?

**Mr. Guardado:** For sure yes. The area is inside the exclusion and the area that the government limited for Petrobras' operation and this is one of the blocks that belongs to the infancy of the open up in the country and we will have very nice fiscal terms in that and yes, we have already mapped a nice structure in the pre-salt and we hope we continue our analysis. We just acquired the 3D in the area and we hope that we could add some upsides in the pre-salt and the schedule for drilling the pre-salt will be in line with the development plan to be represented to the ANP and after the approval we will see how could be the best option to drill the pre-salt.

**Mr. Portillo:** Thank you.

**Operator:** Excuse me. As a reminder if you would like to pose a question please press star one.

Excuse me. Our next question comes from Mr. Matt Portillo from Tudor Pickering Holt.

**Mr. Portillo:** Sorry, I have one follow-up question for you guys just on BM-S-8. Could you talk a little bit about the potential development plans for the field if you are successful on exploration of Biguá and follow up wells and maybe just generally when you would expect the first oil from that block if you have successful exploration this year?

**Mr. Guardado:** Well, we have a schedule if we have a discovery in Biguá and after the drilling of Carcará for long-term tests. This is the way to proceed with

Petrobrás. As you are aware Petrobras is running a lot of long-term testing just to acquire parameters, reservoir parameters and to prepare the final production.

And normally as we know that area is a priority for Petrobras demonstrated by the idea to put two rigs, two drilling rigs to drill at the same time that they are forecasting for this year and we hope that based on the normal timetable for Petrobras we may have first oil just for the final development plan in 2018. But if we have a long-term test probably we could anticipate this production in two years, probably in 2015, 2016.

**Mr. Portillo:** Thank you very much.

**Operator:** Excuse me. Our next question comes from Mrs. Lylliana Yang from UBS.

**Mrs. Lylliana Yang:** Hi. I wonder if you have seen or hired analysis for the areas from other parties and if you have seen the analysis of Wood Mackenzie and if you could explain or if you have seen any different evaluation before by them and the evaluation that substantiated your acquisition price. Thank you.

**Mr. Fernandes:** Please can you repeat your question please?

**Mrs. Yang:** Because we see some field evaluation as far as the BS-4 Oliva field performed by Wood Mackenzie and so I was just wondering what could explain a different evaluation or in views... if you would be more like the first oil timing or listing S&B cost assumptions or if you have not seen much of a difference there.

**Mr. Guardado:** Well, we did not go so deeply in the Wood Mackenzie evaluation. We saw something; but I do not know what kind of evaluation you are quoting. I know that we have an old evaluation of Wood Mackenzie issued probably two years ago and they had a very high evaluation, a very high pricing for that area.

We do not consider the Wood Mackenzie evaluation. We did our own evaluation, we used our own knowledge about the area and about Capex and Opex and I can say in general terms I could tell you that we were very conservative with that taking into consideration that this discovery was considered as contingent for us. It means the evaluation that we know from Wood Mackenzie is a little bit more optimistic than ours.

**Mrs. Yang:** And I believe that in your evaluation or included in your acquisition price you consider the pre-salt and an upside; is that correct?

**Mr. Guardado:** Yes. We considered the pre-salt in our evaluation. Wood Mackenzie does not make too much importance to the pre-salt area; but we know

very well the area. We went a little bit deeper in the pre-salt and for sure I can assure you that we considered the pre-salt in our evaluation and in our pricing.

**Mrs. Yang:** Ok thank you.

**Operator:** Excuse me. Our next question comes from Mr. Gustavo Gattass from BTG Pactual.

**Mr. Gustavo Gattass:** I have got two quick questions for you, the first one can you say anything about your expectations for recovery rates on the Atlanta and Oliva fields? I know it is early stage; but if you could give us a good range it would be interesting for us to actually understand that.

And during the Portuguese call you actually mentioned Peregrino and Papa-Terra as proxies; could I use the recovery rates from Peregrino and Papa-Terra as an estimate in the event that you guys do not feel comfortable saying anything? That would be the first question.

The second question I just wanted to double check just your answer here to Lilly right now: from what I wrote down you said that the Atlanta and Oliva fields are contingent for you, not actually commercial; was that what you said?

**Mr. Guardado:** We say that to analyze... this is a discovery, Gattass - I will start with the second one - this is a discovery; but to report reserves I have to mention your first question: how could be the recovery factor and this is something to be decided yet. To evaluate the recovery factor and as a function reserve we need to proceed with a revision in the development plan and with a test. To have a reserve we need a test, we need to follow the SPE rule. We need a test to see how could be the productivity of each well and after that evaluate the recovery factor.

We do not have... for sure we have some modeling for the recovery factor. In our analysis we quote Peregrino and Papa-Terra; but we go a little bit further with that and in the works what we saw for oil with that kind of API the range is from 14 to 20% the recovery factor. This is the range that we will see and we are considering for that.

But we do not have one number and if we do not have one number because it is missing a test that could provide us productivity we do not have the number for the reserves so far - but this will come very soon when we drill the well and test this well (the horizontal well) scheduled for 2015, ok?

**Mr. Gattass:** Ok just so that I understand Lincoln: which means saying you have no doubt that it is commercial; but basically you do not see it as reserves yet because you do not have number one the test and your own development plan for it; is not that the way to put it?

**Mr. Guardado:** Yes, this is it. We believe that it is commercial. The grade that commerciality that is linked to its reserves this should be something to add; but for us this is commercial and we hope that that area could be tied with potential discoveries that we have in the block, for instance the pre-salt in the future.

**Mr. Gattass:** Ok, thank you.

**Operator:** Excuse me. Again, if you would like to pose a question please press star one.

Excuse me. Our next question comes from Mrs. Lylliana Yang from UBS.

**Mrs. Yang:** Hi, it is Lilly again. Just to clarify: when you mentioned Oliva and Atlanta were more comparable to Peregrino and Papa-Terra why would not you be able to figure it could be also... or otherwise comparable to Maromba or Polvo? Can you give us some color on that? Thank you.

**Mr. Guardado:** Polvo is a little bit different. Polvo is oil and close to 20 API and it is not that big; Polvo is a very small accumulation and Maromba too is not compared so far with that area. We are comparing with Peregrino and Papa-Terra because they have sizes close to that discovery and oil quality close to Atlanta and Oliva mainly.

**Ms. Yang:** Ok. It was pretty much on size and oil quality, yes?

**Mr. Guardado:** Sure, yes.

**Operator:** Excuse me. Again, if you would like to pose a question please press star one.

Excuse me. This concludes today's question-and-answer session. I would like to invite Mr. José Augusto Fernandes to proceed with his closing statements. Please go ahead sir.

**Mr. Fernandes:** Ladies and gentlemen thank you very much for your attention and be sure that the company will be working hard to improve our portfolio and give very good results for our shareholders. You can believe that you will have very good news during the end of this year. Thank you very much, bye-bye.

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

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