

QGEP Participações S.A.
CNPJ/MF nº 11.669.021/0001-10
Publicly Held Company

MATERIAL FACT

**QGEP assumed Pacific Brazil's stakes
in Blocks FZA-M-90, PAMA-M-265 and PAMA-M-337**

Rio de Janeiro, October 14, 2016 – QGEP Participações S.A. ("QGEP", "Company", BM&FBovespa: QGEP3) announces today that it signed an agreement to assume the working interest that its partner, Pacific Brasil Exploração e Produção de Óleo e Gás Ltda. ("Pacific") holds in three exploratory blocks in the Foz do Amazonas and the Pará-Maranhão basins ("PAMA").

As part of the agreement, Pacific will pay the outstanding amount due to QGEP related to the acquisition of seismic for the PAMA blocks, and will compensate QGEP for part of the minimum financial obligations, which amount to US\$10 million. This transaction will result in QGEP becoming the only concessionaire in the PAMA blocks, enabling future farm-out operations in these areas.

The additional amount of QGEP's commitments to the Minimum Exploratory Program (PEM) based on its increased participation in these blocks is R\$132 million. This amount will be reduced to R\$86 million until the end of next year, taking into consideration the rebate from obligations related to seismic already acquired in these blocks.

"Considering the initial information that we have on these blocks, we took advantage of Pacific's decision to exit the Brazilian market to increase our position and move on with the exploratory evaluation process, monitoring potential upsides that may come from activities across the equatorial margin", said Lincoln Guardado, QGEP's CEO.

The transaction is subject to the approval by the ANP and other regulatory entities.

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About Queiroz Galvão Exploração e Produção

QGEP Participações S.A. is one of Brazil's largest producing company in the Brazilian Exploration and Production (E&P) private sector, and the first and only private Brazilian company to operate in the premium pre-salt area in Brazil. QGEP is qualified by the ANP in the last two auctions in 2007 and 2008 to act as "Operator A" in Deep and Ultra-Deep Waters. The Company has a diversified portfolio of high quality and high potential exploration and production assets. Furthermore, it owns 45% of the concession for the Manati Field located in the Camamu Basin, which is one of the largest non-associated natural gas fields under production in Brazil. Manati Field has been in operation since 2007, and has average production capacity of approximately 6 million of m3 per day. For more information, access www.qgep.com.br/ri