



March 2018

Manati Annual Statement of Reserves

Dated December 31st, 2017

QGEP

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QGEP Provides Update on Manati Field Reserves

Rio de Janeiro, March 07th, 2018 - QGEP Participações S.A. (BMF&Bovespa: QGEP3, "Company", "QGEP") provides an update on the natural gas and condensate reserves at the Manati Field dated December 31st, 2017, based on a reserve report prepared by independent consultant, Gaffney, Cline & Associates (GCA), titled "Reserves Statement for Manati Field, Brazil as of December 31, 2017" issued in February 28th, 2018.

The Manati Field, located in the Camamu Basin off the coast of northeast Brazil, is one of the largest non-associated producing gas fields in the country. QGEP is the largest owner, with 45% of the Field, which is operated by Petrobras. The Manati Field is currently QGEP's sole source of gross revenue and drives the Company's strong operating cash flow.

Manati has six wells connected by subsea flowlines to a fixed production platform (PMNT-1), installed at a depth of 35 meters, located 10 km off the coast. This platform was originally constructed to be operated remotely. From the platform, the gas flows via a 125 km offshore and onshore pipeline, through a compression plant located onshore 20 km off the platform, to the Geofísico Vandemir Ferreira gas processing station, in the city of São Francisco do Conde. After this treatment, the gas from the Manati Field is sold to Petrobras and the condensate is sold to Dax Oil.

Please find below an extract, which is part of the GCA report:

"RESERVES STATEMENT FOR THE MANATI FIELD, BRAZIL AS OF DECEMBER 31, 2017"

This reserves statement has been prepared by Gaffney, Cline & Associates (GCA) and issued on February 28, 2018 at the request of Queiroz Galvão Exploração e Produção S.A. (QGEP or "the Client"), 45% interest participant in the Manati field in the BCAM-40 block in the Camamu-Almada basin, offshore Bahia, Brazil. The operator of the field is Petróleo Brasileiro S.A. (Petrobras). This report is intended for QGEP's internal use and for use in conjunction with QGEP's public market-related filings.

GCA has conducted an independent audit examination, as of December 31, 2017, of the hydrocarbon liquids and natural gas volumes expected to be produced in the previously mentioned field. On the basis of technical and other information made available to GCA concerning this property unit, GCA hereby provides the reserves statement in Table 1:

Statement of Remaining Hydrocarbon Volumes Manati Field, Brazil as of December 31, 2017

	Gross (100%) Sales Volumes		Company Net (NRI) Reserves	
	Liquids (MMBbl)	Gas (Bm ³)	Liquids (MMBbl)	Gas (Bm ³)
1P	0.57	6.06	0.26	2.73
2P	0.76	7.57	0.34	3.41
3P	0.93	8.62	0.42	3.88

Hydrocarbon liquid volumes represent condensate estimated to be recovered during field separation and are reported in millions of barrels (MMBbl). Natural gas volumes represent expected gas sales, and are reported in billion (10⁹) cubic meters (Bm³) at standard conditions of 1 Atmosphere (101.325 kPa) and 20° Celsius.

The reserve volumes have been reduced for fuel usage in the compression plant estimated at 2% of produced gas.

Gas reserves sales volumes are based on firm and existing gas contracts, or on the reasonable expectation of a contract or on the reasonable expectation that any such existing gas sales contracts will be renewed on similar terms in the future.

According to QGEP in 2018 the production partners of the Manati field will present to the buyer a modification to the sales contract reducing the future contracted gas sales quantity (QDC) from 2020 onwards according to the last estimated production capabilities of the field. This change in the QDC curve is already anticipated in the current contract. This future rate reduction will allow the producers to avoid paying "deliver or pay" fines. The present reserve estimation assumes no such future fines payments. If this presentation would not occur, the mentioned fines would reduce the economic life of the field and consequently the associated reserve.

AREA DESCRIPTION

The Camamu-Almada basin is located offshore from the state of Bahia, in northeastern Brazil. The BCAM-40 block is in shallow waters, approximately 20-50 m deep and 10-20 km from shore.

The dry gas Manati field was discovered by Petrobras in 2000, with the drilling of the 1-BAS128-BA well (see Figure 1).

The Manati field started production in 2007 from the Sergi formation sands (see Figure 2) and presently produces about 4.2 MMm³/d of gas and 314 bpd of condensate from six wells.

Cumulative production is 21.0 Bm³ of gas and 2.06 MMBbl of condensate. Production and pressure performance available, as of December 2017, were analyzed through material balance, which indicates a contacted original gas in place volume (OGIP) of 32.8 Bm³. This value is lower than the volumetric OGIP estimated by QGEP at 40.1 Bm³. The difference in volumes has been interpreted to indicate the existence of in-place gas that is not being influenced by the existing six producing wells.

This extra volume has been identified by QGEP to be located in a northern portion of the reservoir, thought to be separated by partial permeable barriers. According to QGEP, a simulation exercise conducted by Petrobras and adopted by QGEP indicates that this northern portion will not begin to contribute and provide pressure support until later in the life of the field. This late life pressure contribution is based on an acceptable pressure history match.

Figure 1 – Manati Field Location map

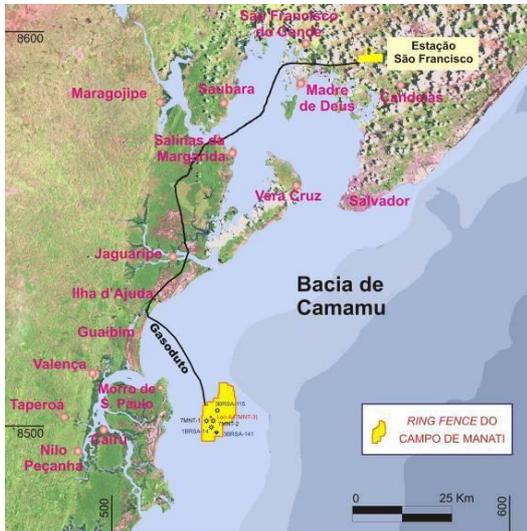
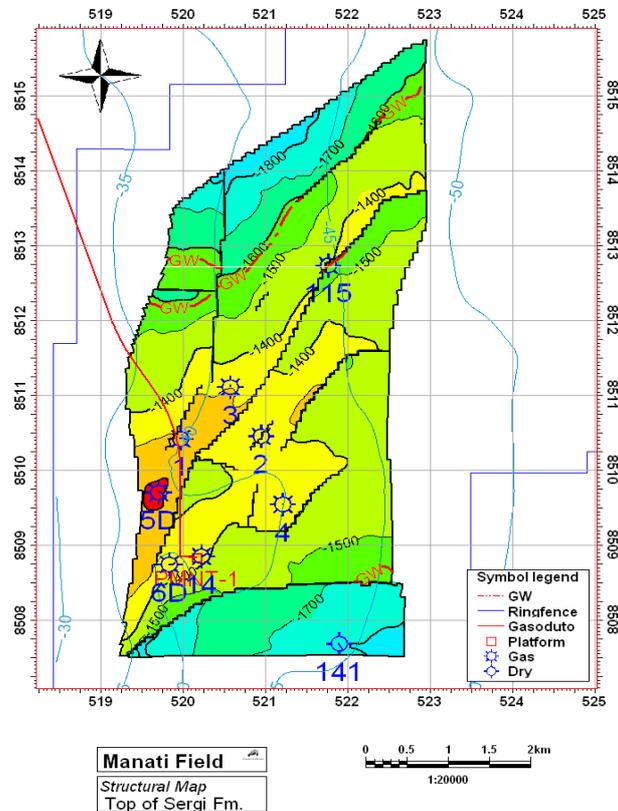


Figure 2 – Structure Map for the Sergi Formation



There has been considerable discussion regarding the need for an additional well to access the additional volumes in the northern part of the field. If the predicted pressure response is not observed, a seventh well may be needed to prevent some portion of the reserves volumes being re-classified as Contingent Resources. Since cumulative production is 64.1% of the contacted 1P OGIP (and 76.7% of the associated 1P EUR), the pressure response should be evident in the immediate future. If this effect is not observed GCA recommends to consider the reclassification of those volumes as Contingent Resources if additional investments are envisaged for its recovery or as non-producible volumes if no action is proposed by the partners.

GCA used the material balance OGIP estimate as the basis of the Proved Reserves estimate while the volumetric estimate, which included the northern portion of the field, was used for the 2P and 3P estimates.

To estimate recovery factors for the in-place volumes, GCA utilized the previously mentioned simulation runs to forecast an ultimate abandonment field pressure. This forecast resulted in a recovery factor for the 1P case of 83.6% of the Proved OGIP (approximately 68.4% of the

volumetric OGIP). For the 3P case, considering the volumetric OGIP, the recovery factor is 75.0%. The 2P case production profile was estimated as an average of the former cases.

A compression facility was installed onshore in 2015 completing the development of the field. All reserves are considered Developed. The average calorific value of the gas is 8,820 Kcal/m³ while the average condensate yield was 85 Bbl/MMm³ in 2017.

Future production profiles were estimated from simulation results and from real sales rates in 2017. The simulation exercise provided an estimation of the field production capacity which reaches about 6 MMm³/d while average 2017 sales were about 4.9 MMm³/d.

The initial rate for the 1P and 2P cases was then estimated in 4.9 MMm³/d average annual rate, while for the 3P case the estimation was of 5.0MMm³/d. Production declines were estimated from the simulation profiles. In all cases the total future production honored the volumetric estimates.

RESERVES ASSESSMENT

This audit examination was based on reserves estimates and other information provided by QGEP to GCA through January 31, 2018, and included such tests, procedures and adjustments as were considered necessary. All questions that arose during the audit process were resolved to GCA's satisfaction.

It is GCA's opinion that the estimates of total remaining recoverable hydrocarbon liquid and gas volumes, as of December 31, 2017, are, in the aggregate, reasonable and the reserves categorization is appropriate and consistent with the definitions for reserves the Petroleum Resources Management System (PRMS), which was approved by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers in March 2007.

GCA concludes that the methodologies employed by QGEP in the derivation of the reserves estimates are appropriate, and that the quality of the data relied upon and the depth and thoroughness of the reserves estimation process is adequate.

BASIS OF OPINION

This document reflects GCA's informed professional judgment based on accepted standards of professional investigation and, as applicable, the data and information provided by the Client, the limited scope of engagement, and the time permitted to conduct the evaluation.

In line with those accepted standards, this document does not in any way constitute or make a guarantee or prediction of results, and no warranty is implied or expressed that actual outcome will conform to the outcomes presented herein. GCA has not independently verified any information provided by, or at the direction of, the Client, and has accepted the accuracy and completeness of this data. GCA has no reason to believe that any material facts have been withheld, but does not warrant that its inquiries have revealed all of the matters that a more extensive examination might otherwise disclose.

The opinions expressed herein are subject to and fully qualified by the generally accepted uncertainties associated with the interpretation of geoscience and engineering data and do not reflect the totality of circumstances, scenarios and information that could potentially affect decisions made by the report's recipients and/or actual results. The opinions and statements contained in this report are made in good faith and in the belief that such opinions and statements are representative of prevailing physical and economic circumstances.

There are numerous uncertainties inherent in estimating reserves and resources, and in projecting future production, development expenditures, operating expenses and cash flows. Oil and gas resources assessments must be recognized as a subjective process of estimating subsurface accumulations of oil and gas that cannot be measured in an exact way. Estimates of oil and gas resources prepared by other parties may differ, perhaps materially, from those contained within this report.

The accuracy of any resource estimate is a function of the quality of the available data and of engineering and geological interpretation. Results of drilling, testing and production that postdate the preparation of the estimates may justify revisions, some or all of which may be material. Accordingly, resource estimates are often different from the quantities of oil and gas that are ultimately recovered, and the timing and cost of those volumes that are recovered may vary from that assumed.

GCA's review and audit involved reviewing pertinent facts, interpretations and assumptions made by the Client or others in preparing estimates of reserves and resources. GCA performed procedures necessary to enable it to render an opinion on the appropriateness of the

methodologies employed, adequacy and quality of the data relied on, depth and thoroughness of the reserves and resources estimation process, classification and categorization of reserves and resources appropriate to the relevant definitions used, and reasonableness of the estimates.

DEFINITION OF RESERVES AND RESOURCES

Reserves are those quantities of petroleum that are anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria, based on the development project(s) applied: discovered, recoverable, commercial and remaining (as of the evaluation date).

Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status. All categories of reserves volumes quoted herein have been derived within the context of an economic limit test (ELT) assessment (pre-tax and exclusive of accumulated depreciation amounts) prior to any net present value (NPV) analysis.

GCA has not undertaken a site visit or inspection because it was not considered relevant for the purpose of this report. As such, GCA is not in a position to comment on the operations or facilities in place, their appropriateness and condition, or whether they are in compliance with the regulations pertaining to such operations. Further, GCA is not in a position to comment on any aspect of health, safety, or environment of such operation.

This report has been prepared based on GCA's understanding of the effects of petroleum legislation and other regulations that currently apply to these properties. However, GCA is not in a position to attest to property title or rights, conditions of these rights (including environmental and abandonment obligations), or any necessary licenses and consents (including planning permission, financial interest relationships, or encumbrances thereon for any part of the appraised properties). GCA is not aware of any potential changes in regulations applicable to these fields that could affect the ability of the Client to produce the estimated reserves.

QUALIFICATIONS

In performing this study, GCA is not aware that any conflict of interest has existed. As an independent consultancy, GCA is providing impartial technical, commercial, and strategic advice within the energy sector. GCA's remuneration was not in any way contingent on the contents of this report.

In the preparation of this document, GCA has maintained, and continues to maintain, a strict independent consultant-client relationship with the Client. Furthermore, the management and employees of GCA have no interest in any of the assets evaluated or related with the analysis performed, as part of this report.

Staff members who prepared this report hold appropriate professional and educational qualifications and have the necessary levels of experience and expertise to perform the work."