queiroz galvão
EXPLORAÇÃO E PRODUÇÃO

Annual Sustainability Report 2012

Queiroz Galvão Exploração e Produção S.A. (QGEP) is the only privately-controlled Brazilian company operating in the country's pre-salt exclusion area. We were the first company in the Queiroz Galvão Group to go public in Brazil, and are proud of our operational safety record as well as our corporate responsibility and socio-environmental achievements.

This report provides a detailed look at QGEP and its industrial sector, as well as information on the projects, challenges and opportunities the company realized in 2012. Additionally, a timeline available at www.qgep.com.br charts the trajectory of QGEP and gives a history of oil exploration in Brazil.

Corporate profile

GRI 2.1 | 2.3 | 2.5 | 2.6 | 2.7 | 2.8

QGEP uses leading industry tools to help manage its operational safety requirements, socio-environmental impacts and employee welfare commitments

QGEP Participações S.A. is part of the Queiroz Galvão Group. The company was formed in 2010 when the then Queiroz Galvão Óleo e Gás S.A. (QGOG) spun off its oil and gas exploration and production-related activities from drilling services (whereby OGOG retained its operations in providing platforms, supplying rigs and other services). As the controlling shareholder in Queiroz Galvão Exploração e Produção S.A., QGEP Participações S.A. was designed to focus on the exploration and production segment. In addition, QGEP took on the challenge of becoming the Group's first publicly-traded company by listing its shares on the BM&FBovespa Novo Mercado, the segment of the Brazilian stock exchange reserved for companies with the highest standard of corporate governance, in February 2011.

QGEP owns the concession rights to nine Exploration Blocks in the Santos (SP), Campos (RJ), Jequitinhonha (BA) and Camamu-Almada (BA) Basins. Among Brazilian companies it was a pioneer in qualifying as an A operator, which allows it to carry out every type of exploration in Brazil, from onshore to ultra-deep water. QGEP has the largest production of any privately-controlled domestic company in its sector, based on annualized barrels of oil equivalent per day production figures from Agência Nacional de Petróleo, Gás Natural e Biocombustíveis (ANP).

The company has one producing asset, the Manati Field, which is located in the Camamu-Almada Basin, off the coast of Bahia. QGEP holds a majority (45%) stake in the project's consortium, as well as a long-term contract with Petrobras (the Field's operator) to purchase the natural gas produced. In 2012, the Manati Field was one of Brazil's largest producing assets, with average daily production of 6.1 million cubic meters.

Revenue from the Manati Field provides the Company with robust, predictable cash flow, which allows QGEP to invest in exploration and development. In 2012, QGEP made progress in various strategies, particularly those related to the development of the Atlanta Field, where contracts for an Early Production System were awarded in 2012. A team of 91 professionals manages the company's activities at QGEP headquarters in Rio de Janeiro (RJ) and its office in Salvador (BA).

Competitive advantages

- High quality, balanced and diversified portfolio
- Strategic partnership with Petrobras
- Strong balance sheet: substantial cash flow and zero debt
- Highly qualified technical team
- The experience and reputation of the Queiroz Galvão Group, which has been active in the oil and gas sector for over thirty years

One of the company's most promising prospects is Carcará, located in Block BM-S-8 in the pre-salt exclusion area of the Santos Basin, though this asset is still in the exploratory phase. In 2012, drilling at Carcará identified a 471-meter column of high quality oil. This project is expected to go into production later in this decade.

Since inception, QGEP has maintained highest standards in operational safety, environmental management, social responsibility and the health and well-being of its employees. To help manage these initiatives, it has adopted an Integrated Management System (IMS) which follows the principles behind the International Organization for Standardization (ISO) and ANP's Technical Regulation for Operational Security Management Systems (SGSO).

KEY INDICATORS (IN R$ MILLIONS, UNLESS OTHERWISE INDICATED)	2012	2011
Gross operating revenue	586.1	372.0
Net operating revenue	462.3	289.0
Operating income	40.0	36.9
Earnings per share (R$)	0.31	0.36
Shareholders' equity	2,227.8	2,175.8
Investments in environmental protection [1]	1.6	9.5
Reserves (millions of barrels of oil equivalent)	56.8	70.2
Gas production (millions of m^3) [2]	1,011	675

1. Lower in 2012, as there were no operations during the year.
2. Includes QGEP's 45% equity stake in the Manati Field.

Organizational guidelines

GRI 4.8 | Global Compact Principles 1, 6 and 10

Vision

To grow consistently in order to be among the three largest Brazilian companies producing oil and gas by 2020, and to be recognized by society for its transparent and responsible management.

Mission

To operate with safety, in an ethical and sustainable manner, in the exploration and production of oil and gas, obtaining results and contributing to the development of the areas where we operate, respecting the needs of all our stakeholders.

Message from the president and CEO

GRI 1.1 | 1.2

Demand from the residential and service sectors pushed up electricity consumption in Brazil by 3.5% in 2012, which led to a 7% increase in domestic gas production. At QGEP, this higher demand translated into increased production at the Manati Field, where average daily production of 6.1 million cubic meters made it the country's largest producing Field in 2012.

In 2012, QGEP focused primarily on preparing and structuring its projects in development, studying new market opportunities and working to meet the operational challenges of the coming years. The company has a healthy financial position, with zero debt and robust cash flows, while a portion of the proceeds from the 2011 IPO remain available for strategic investments.

We use highly skilled professionals and the top technology available so that these new operations will be successful and take our company to the next level in Brazil's oil and gas industry.

However, this sector always entails a certain level of risk. We offset this risk with our diversified asset portfolio, a focus on safety and dedication to evaluating new projects. Our transparency also strengthens the company's relationship with the market by enhancing our credibility.

In 2012, we delivered excellent results for the year, thanks to the positive performance of the Manati Field, where natural gas production averaged 6.1Mm^3 per day. For the full year, we posted net revenue of R$460 million, record operating cash flow of R$254 million and net income of R$82 million. The outlook is positive for 2013 and beyond.

One of the disappointments of the year was the Ilha do Macuco well, where drilling did not find any potentially productive zones. This type of situation is part inevitable in our industry, and we look forward to developing other assets.

QGEP uses the most sophisticated technology available, and invest in research and in our highly qualified team members so that our new operations are robust and add value to our portfolio

We also acquired a participating interest in Block BM-C-27 in the Campos Basin in 2012. This acquisition reinforces QGEP's strategy to expand and diversify its exploration portfolio through high quality assets. The entry in the Campos Basin, which is Brazil's largest oil producing area and whose Blocks are operated by Petrobras, will leverage our operations considerably.

We also finished our drilling for the Carcará well, in Block BM-S-8 in the Santos Basin, and the results were promising. In 2013 we plan to start drilling wells in the Atlanta Field, where QGEP is the operator, with oil production expected to begin by early 2015. The volumes in place in this area, which includes the Oliva Field, are 2.1 billion barrels of oil equivalent. Its location in the pre-salt exclusion area demonstrates the success of QGEP's strategy in acquiring this asset and consequently diluting our business risks.

We are also preparing to drill pre-salt targets in this zone, which is expected to begin in 2014. Our operational advancements, combined with the values of the Queiroz Galvão Group and the continued support of our Board of Directors, have allowed us to implement our growth strategy. This approach puts a constant focus on respect and transparency for all stakeholders, operational safety and environmentally sound operations, based on the ten principles of the Global Compact, to which we are a signatory.

We are confident that we are ready to continue to execute on our proven strategy, which creates value for all of society and contributes to the country's development. Best regards.

LINCOLN RUMENOS GUARDADO
CHIEF EXECUTIVE OFFICER

Message from the chairman

GRI 1.1 | 1.2

QGEP's performance in 2012 was characterized by investments to identify and develop new assets. This effort was an important step to take full advantage of opportunities for growth, particularly in the pre-salt exploration prospects. Through our operations in the deep waters of the pre-salt zone, we further developed our technical expertise and promoted efficiency and safety in all our operations.

Worldwide growth in oil and gas production has been achieved through technological advances that make it easier to search for and identify hydrocarbon reserves. These innovations therefore reduce the risk and uncertainty inherent in the business model. Thanks to the pre-salt discovery, Brazil has taken on a key role in the international oil industry, and is expected to double its oil production by 2020, based on current figures. QGEP is already contributing to the national industry, and this contribution will increase, when the Carcará in Block BM-S-8 goes into production in 2018, as planned by the operator.

This is a transformational discovery for QGEP, as the data obtained from drilling proved a 471-meter column of high quality oil, making it the largest column yet found in the pre-salt area. This data, coupled with the experience of the operator, allow us to estimate that the reserves for this discovery have a high flow potential.

In Block BS-4, where we are the operator, we expect to begin producing oil in early 2015 from the Atlanta Field through an early production system. Our team has focused on achieving a higher recovery factor for the well, as well as offloading systems, making use of the natural gas and lower production costs.

“One of our key goals is to develop technological innovations that will allow us to take full advantage of our assets”

One challenge that QGEP is already overcoming is the training of skilled labor for these new operations. We use our successful staff management model, which is based on transferring skills and knowledge from our experienced, recognized professionals to our younger team members to create a pool of world-class professionals to develop our various assets.

Our corporate structure and governance policies represent another differentiating factor. QGEP complies with the rules of the Novo Mercado, the BM&FBovespa’s highest governance standards level. The strength and reputation of the Queiroz Galvão Group, which has 60 years of experience in key industries such as construction, steel and energy complements this transparency and accountability.

This harmonious blend of skills and strategies is helping us to make meaningful progress towards fulfilling our vision of becoming one of Brazil’s leading oil and gas companies by 2020, with a market-leading level of transparency and management responsibility.

ANTÔNIO AUGUSTO DE QUEIROZ GALVÃO
CHAIRMAN OF THE BOARD

About this report

GRI 2.9

For this Report QGEP has adopted Global Reporting Initiative (GRI) guidelines and continued its alignment with the Global Compact to provide transparent information to its stakeholders

For the second consecutive year QGEP is publishing its Annual Sustainability Report, following the guidelines and indicators of the Global Reporting Initiative (GRIG-3.1). The Company adopted these guidelines in order to provide accurate information to our stakeholders and facilitate comparisons with previous years. QGEP's application level of the GRI guidelines is now at the 'B' level and includes oil and gas sector indicators as well as rigorous checks from the GRI. GRI 3.2 | 3.3 | 3.13

In 2011 QGEP became a signatory to the Global Compact, a United Nations initiative that brings together companies seeking to align their operations and strategies with ten universally accepted principles in the areas of human rights, labor practices, and the environment and anti-corruption measures. Our actions related to these principles as well as improvements and new initiatives implemented in 2012 are outlined throughout the report. The correlation between the GRI and the Global Compact is also presented in the Cross-Reference table, for comparison purposes.

The information reported herein describes the Company's projects, challenges and results for 2012. The economic and financial data covers the entire Company, while the environmental data refers only to those Blocks where QGEP acts as the operator. Significant variations in the quantitative data are mostly due to changes in the company operatorship of different assets. For example, in 2011, QGEP operated Block BM-J-2, but ceased operations that year. In 2012 the Manati Field, which is operated by Petrobras, was QGEP's only producing asset. When information pertains to only part of the operations, the limit of the scope is indicated. GRI 3.1 | 3.6 | 3.7 | 3.8 | 3.10 | 3.11

The financial statements which accompany this Report, as well as the accounting data presented throughout the text, are in accordance with International Financial Reporting Standards (IFRS) and have been audited by Deloitte Touche Tohmatsu Independent Auditors. The selection of topics covered in the report was based on the material developed in 2011. GRI 3.9

In this Report the acronym QGEP refers to QGEP Participações S.A. and its subsidiary Queiroz Galvão Exploração e Produção S.A.

The 2012 QGEP Annual Sustainability Report is available in online and PDF versions, in Portuguese and English. For questions or comments, please contact the Company at qgep@qgep.com.br.

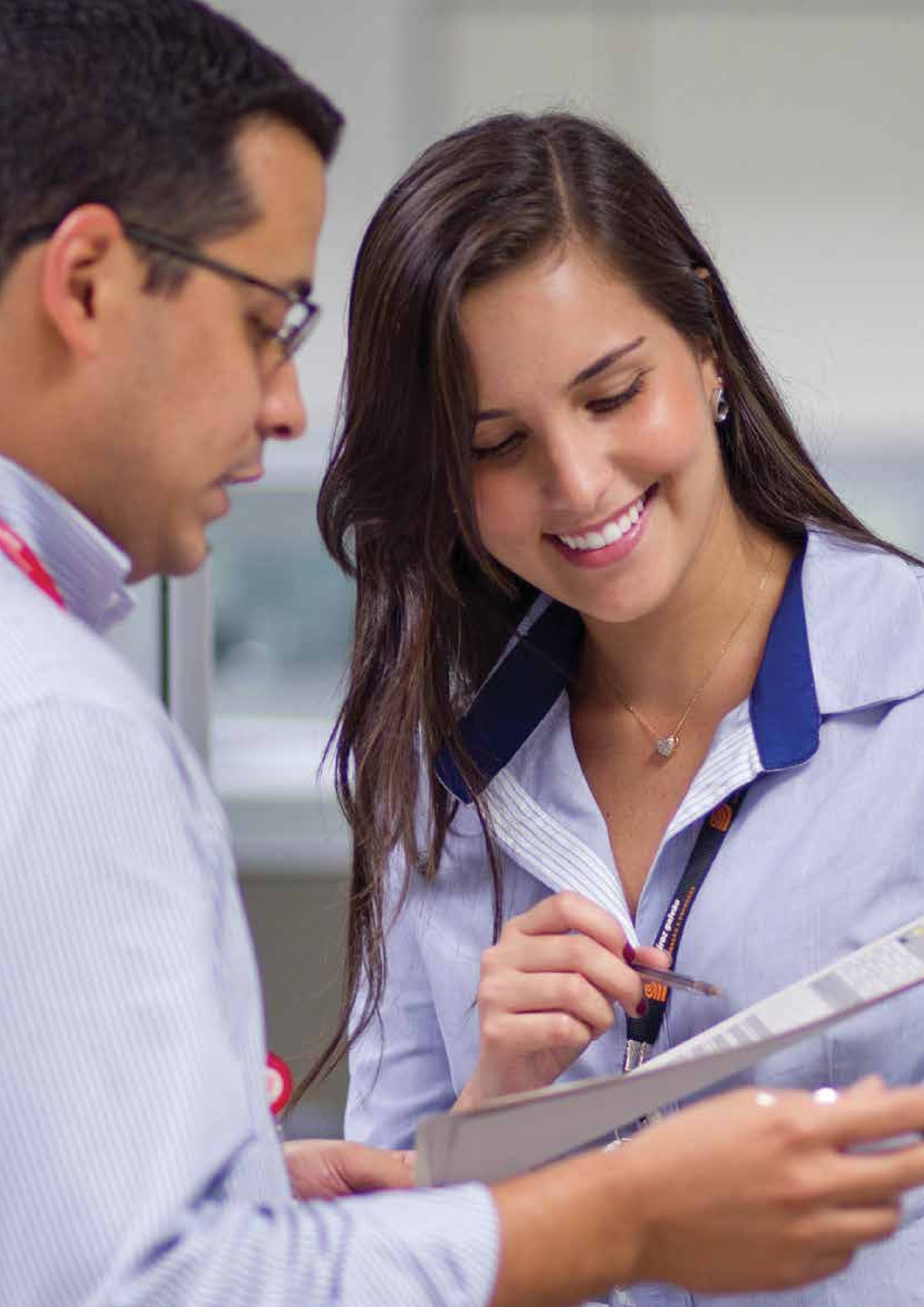
MATERIALITY MATRIX

GRI 3.5 | 4.14 | 4.15 | 4.17

In order to be transparently accountable to its stakeholders (including local communities, civil society, customers, shareholders, capital providers, suppliers, employees, labor unions and government agencies) Queiroz Galvão Exploração e Produção S.A. met with representatives from these relevant groups to determine the subjects to be covered in this publication.

The materiality matrix undertaken in 2011 (which appears in the 2011 report at www.qgep.com.br) defined the materiality of information incorporated into that year's report and subsequently used to improve the management of the company. Changes in the management of these criteria are highlighted in this year's report, including the addition of new GRI indicators. With respect to the clarity and timeliness of this information, this report focuses on initiatives in 2012 and provides context for those readers who are not familiar with the oil and gas sector.

Various stakeholders were consulted during the preparation of this Report



Contents

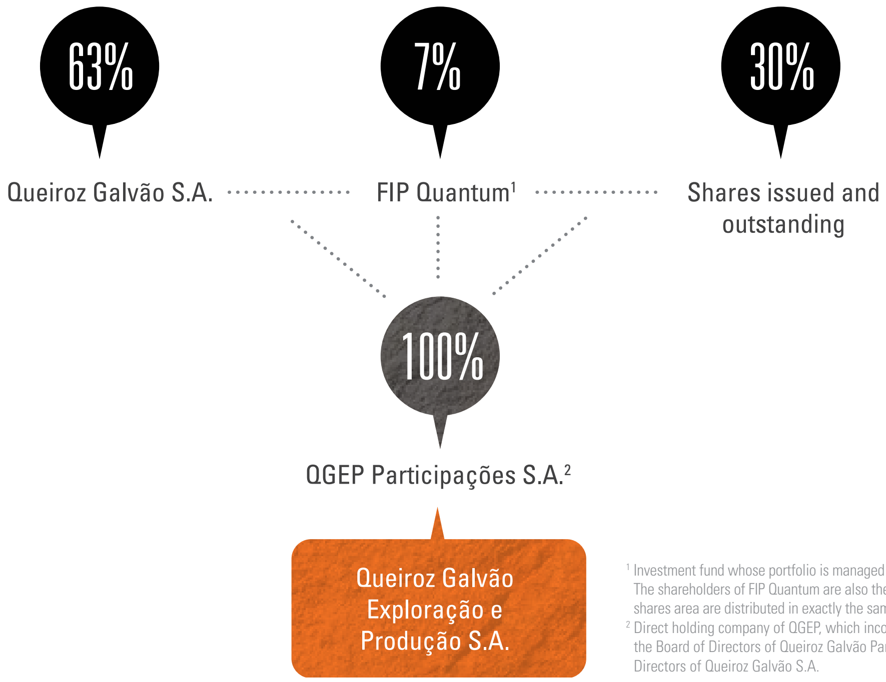
Corporate governance

GRI 4.1

The Company is traded on the BM&FBovespa Novo Mercado and the principles of transparency, fairness and full disclosure are fundamental to its management practices

Queiroz Galvão Exploração e Produção S.A. is the only company in the Queiroz Galvão Group which is publicly traded. Its management follows the Group's high standards of corporate governance and its solid ethical foundation. The corporate governance of Queiroz Galvão Exploração e Produção S.A. is overseen by QGEP Participações S.A., and complies with the transparency, disclosure, fairness and corporate responsibility guidelines of the Brazilian Institute of Corporate Governance (IBGC). The Company also complies with best market practices by being a member of the BM&FBovespa Novo Mercado, the section of the Brazilian stock exchange reserves for companies with the highest standard of corporate governance. The Company also applies the 10 principles of the Global Compact in its governance practices.

The company's corporate governance structure oversees investment decisions and monitors the Company's relationship with its stakeholders, ensuring continuous value creation and sustainable business development.



[1] Investment fund whose portfolio is managed and administered by Oliveira Trust Servicer S.A. The shareholders of FIP Quantum are also the shareholders of the holding company. FIP Quantum shares area are distributed in exactly the same proportion as those of the holding company.
[2] Direct holding company of QGEP, which incorporated Manati S.A. in 2012. The chairman of the Board of Directors of Queiroz Galvão Participações S.A. is also a member of the Board of Directors of Queiroz Galvão S.A.

BOARD OF DIRECTORS

GRI 4.3

The Board of Directors consists of seven members, two of whom are independent (representatives of minority shareholders). All Board members are elected at the Company's Annual General Meeting. The Board's responsibilities include setting the Company's long-term strategies and policies, as well as overseeing the management of the Executive Board. Each member serves a two-year term, with the possibility of re-election. Consistent with the corporate governance requirements of the Novo Mercado, the chairman of the Board of Directors is not a member of the Executive Board. QGEP does not have committees linked to the Board, but is considering implementing this practice. GRI 4.2

Employees and shareholders rely on the Investor Relations department to forward suggestions and requests to the Board. Minority shareholders also have direct contact through the Contact IR channel, which is available on the Company's Investor Relations website. During the year there were no specific requests made to the Board, while the majority of inquiries made to the IR function related to the distribution of dividends, the QGEP portfolio, growth prospects and stock performance. In 2013 the Company will be studying various options related to creating a direct communication channel for Minority Shareholders to reach board members. For more information about the Board, please see the Company's Bylaws at www.qgep.com.br/ir. GRI 4.4

In keeping with the Corporations Act, the members of the Board of Directors are not allowed to vote at any shareholders' meeting, or undertake any transaction or business in which they have a conflict of interest with the Company. Additionally, any decisions taken by the Board of Directors on transactions with related parties, as defined by applicable legislation, must be approved by the Company's independent board members. GRI 4.6

QGEP's corporate governance is constantly evolving. One of the advances made in 2012 was the implementation of performance-linked remuneration policy for directors. The criteria that affect this remuneration will be linked to a set of financial and performance indicators, and subjected to continuous monitoring by the Board of Directors. GRI 4.5

Total remuneration for board members and directors in 2012 reached R$2.1 million, and was paid by QGEP Participações S.A. The Board of Directors received R$843,000, while R$1.2 million was allocated to the Executive Board. Total remuneration for directors last year was R$14.7 million, received through the Queiroz Galvão Exploração e Produção S.A. subsidiary, of which 20% was for fixed pay, 42% for variable pay, 26% for completion bonuses or change of position, and 12% was related to a stock-based compensation.

QGEP also has a stock option purchase plan. For the fiscal year ended December 31, 2012 it granted 1,568,958 options (or 0.59% of the Company's share capital) to directors and advisors to purchase common shares. This policy maximizes the quality of management by helping QGEP to attract, motivate and retain qualified managers, and to align the interests of the Company with those of its shareholders.

GRI 4.9

Policies enacted by the Board of Directors

- **Remuneration Policy:** based on the development and retention of employees. QGEP is studying the adoption of a profit and results sharing plan based on social, environmental, economic, financial and operational criteria.
- **Disclosure of Material Act or Fact Policy:** manages the disclosure of clear information to investors through QGEP communication channels and leading newspapers, and prohibits any practice of unfair disclosure of results and strategic actions.
- **Trading Policy:** establishes rules for the trading of securities issued by QGEP by employees to ensure the practice of good conduct and to prevent insider trading.
- **Market Risk Management Policy:** formalizes measures for the mitigation of market risks, such as interest rate risk.

One of the main goals to be achieved by 2014 is to create a series of internal events to ensure Board members are continuously engaged with the issue of sustainability. This initiative includes establishing a selection policy for the Board of Directors to clearly assess potential Board members' qualification. GRI 4.7 | 4.10

At the 8 meetings it held in 2012, the Board approved the Company's quarterly and annual financial statements, Code of Ethics (which was created in 2011), and the purchase of shares to bolster the stock option program. The Board also monitored the Company's budget and executed changes in the QGEP Executive Board. The Board members had a 98% participation rate in Board meetings during the year.

MEMBERS OF THE BOARD OF DIRECTORS*

Antônio Augusto de Queiroz Galvão	Chairman
Ricardo de Queiroz Galvão	Vice-Chair
Maurício José de Queiroz Galvão	Member
José Augusto Fernandes Filho	Member
Leduvy de Pina Gouvêa Filho	Member
José Luiz Alquéres	Independent member
Luiz Carlos de Lemos Costamilan	Independent member

* More information on the members of the Board of Directors is available at www.qgep.com.br/ir.

EXECUTIVE BOARD

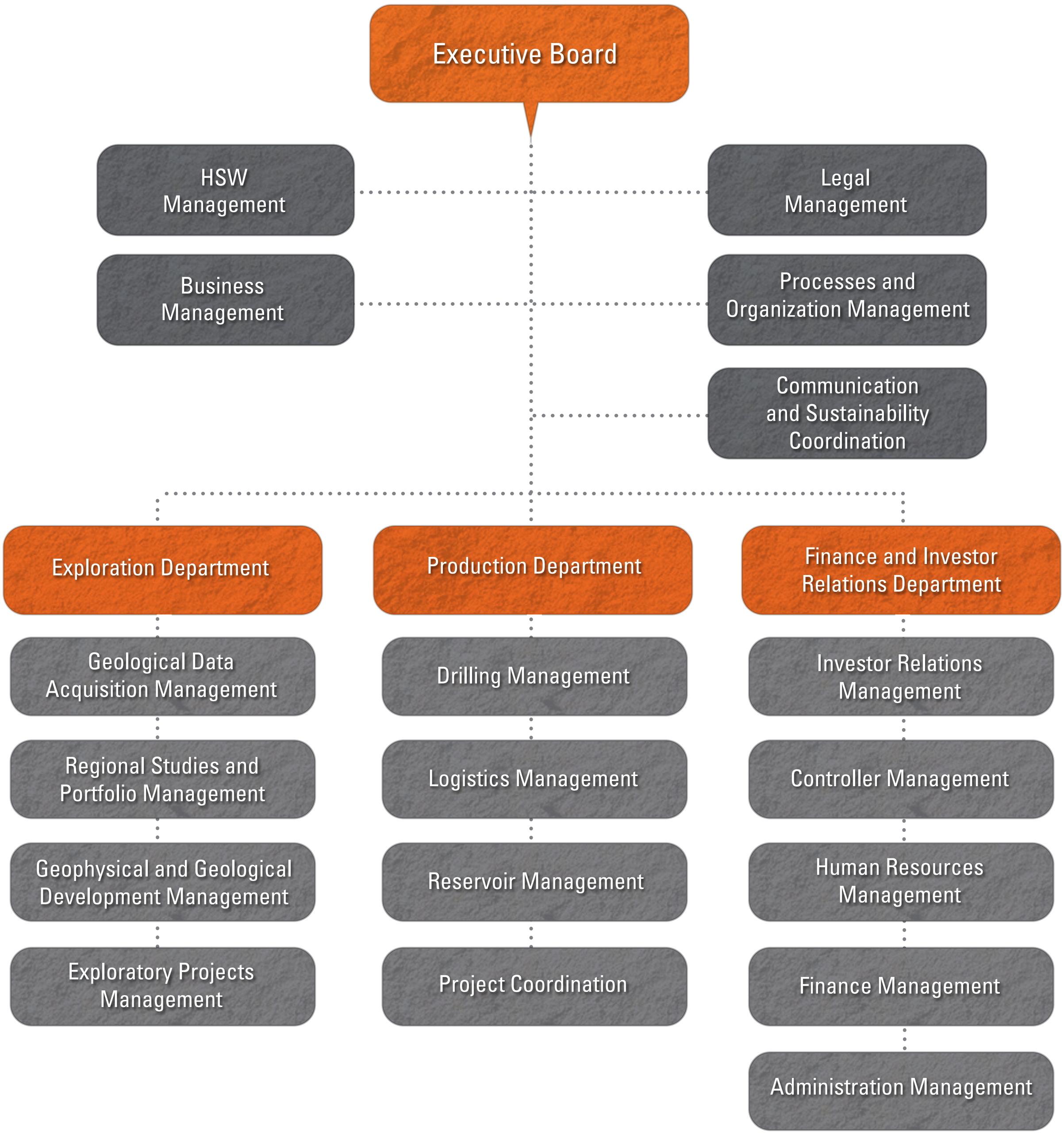
The Executive Board is responsible for conducting the business of the Company and implementing the policies and guidelines established by the Board of Directors. Its four members are appointed by the Board of Directors for a two-year term, with the possibility of re-election. In 2012 the then director of Exploration, Lincoln Rumenos Guardado, assumed the position of CEO as part of a succession process which began in 2011. Sergio Michelucci, formerly manager of Exploration Projects, became the new director of Exploration. For more information about the Executive Board, please see the Company's Bylaws at www.qgep.com.br/ir.

One of the advances made in 2012 was the implementation of a performance-linked remuneration policy for directors

EXECUTIVE BOARD MEMBERS

Lincoln R. Guardado	Chief Executive Officer
Sergio Michelucci	Director of Exploration
Paula Costa Corte-Real	Financial and Investor Relations Director
Danilo Oliveira	Production Director

ORGANIZATIONAL STRUCTURE



GRI 2.10

Highlights of the year

Recognition

A public meeting held by QGEP in December of 2011 was listed as one of Sao Paulo's top 10 fair and meetings of the year by The Association of Capital Markets Analysts and Investment Professionals – Apimec SP. An Apimec SP jury assessed 136 meetings held during the year, and made its selections based on feedback from the investment professionals who attended each meeting.

Transparency

In May 2012 QGEP sponsored and participated in the Rio Investors Day event, which brought together senior executives from leading public companies, domestic and international investors, as well as representatives of the federal, state and municipal governments. QGEP also sponsored the event in 2011.

INVESTOR RELATIONS

QGEP's relationship with shareholders and investors is based on the highest levels of transparency and is managed by the Investor Relations (IR) team. Its activities are governed by various policies, including the Material Act or Fact Disclosure and Securities Trading Policies. The Company also seeks at all times to meet the interests of all shareholders in a fair and non-discriminatory manner.

In 2012 the IR team participated in 163 meetings with shareholders and investors plus 16 conferences in Brazil and abroad, bringing it into contact with over 800 investors. Additionally, the team held a public meeting in conjunction with Apimec SP, at which QGEP officers disclosed results and expectations for the business.

A redesign of the company website is planned for 2013. IR and institutional content will be integrated, modernizing the site and making it accessible to all stakeholders. This initiative is the result of analyses carried out to evaluate the perception of investors and their satisfaction with the tools QGEP makes available to them.

QGEP's goal is to include clauses on human rights in 100% of its agreements and contracts by 2014

HUMAN RIGHTS

GRI 4.8 | Global Compact Principle 1, 6 and 10

In 2011 the QGEP Code of Ethics was developed in partnership with Company employees. The Code is not a strict set of rules and procedures, but rather it expresses the commitment of our staff members to the Company, based on six principles: professional development; participatory management; ethics and transparency; results and meeting challenges; the promotion of well-being; and a commitment to sustainability. The Code is available at www.qgep.com.br in the About Us section.

To disseminate the Code to employees, the Company conducted internal marketing initiatives and discussions on ethics during Workplace Accident Prevention Week (SIPAT). Approximately 70% of our employees took part in these initiatives and discussions.

Share price performance

Share price at December 31, 2012: R$13.12

Market value: R$3.5 billion

Learn more on page 67.

Our respect for human rights is also demonstrated by our commitment to the United Nations Global Compact, and to the National Compact for the Eradication of Slave Labor, which was created by the Ethos Institute for Corporate Social Responsibility, the International Labor Organization (ILO) and Repórter Brasil, an NGO. **GRI 4.12**

Major investment contracts involving fixed assets worth more than R$200,000 (or equivalent) adhere to International Financial Reporting Standards (IFRS), and contain clauses regarding compliance with labor conditions, work related accidents, life and personal injury insurance, environmental protection and social responsibility. Of the four contracts signed in 2012, two included human rights elements. The Company's goal is to include human rights clauses in all agreements and contracts by 2014. **GRI HR1**

In supplier relations, QGEP has always included human rights provisions in its contracts. During the year, 65.38% of signed contracts contained elements related to health, environment and safety, environmental permits, working conditions and payroll and tax obligations. Of 26 supplier contracts, 17 contained clauses on human rights. **GRI HR2**

Strategy

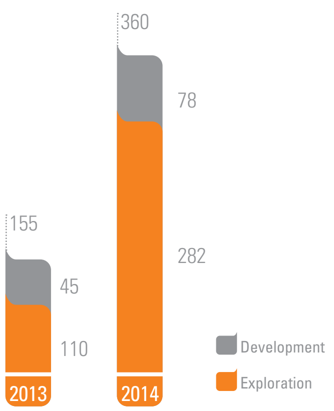
New opportunities and strategic partnerships will combine to improve QGEP's production processes

QGEP is based on the expansion of its portfolio and the maturing of its assets. To accomplish this we will intensify our search for new opportunities and exploration projects in Brazil, particularly in emerging and producing basins. The Company also seeks to strengthen strategic partnerships that contribute to risk mitigation and add to our knowledge of production processes of the exploration and production chain.

QGEP's goal is to be one of the top three oil and gas producers in Brazil by 2020, and to always adhere to transparent and responsible management practices. Major operational goals during this period include the development of the Atlanta Field, and further ahead, the Carcará discovery.

The Company's investment capacity is a key element in the implementation of this strategy. Estimated capital expenditures (Capex) on equipment and facilities for 2013 and 2014 are R$155 million and R$360 million, respectively. In subsequent periods QGEP plans to increase investment in order to continue the development of the Atlanta Field and to drill exploratory wells in the Campos, Santos and Camamu-Almada basins.

QGEP – NET CAPEX
(US$ MILLION)



QGEP – NET CAPEX
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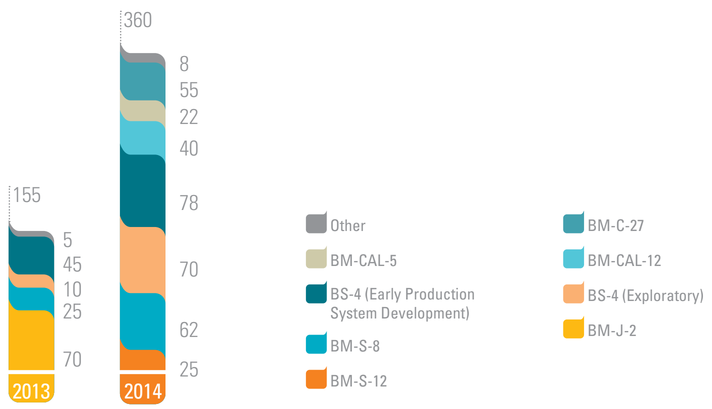


STRATEGIC RISK MANAGEMENT

GRI 1.2 | 4.11 | Global Compact Principle 7

QGEP's risk management is based on the Market Risk Management Policy approved by the Board of Directors in 2011. This document establishes the measures the Company must take to mitigate exposure to market risks that are not inherent to oil and gas exploration and production, including foreign exchange risk. It also sets the conditions and limits for the use of derivatives, which can only be used for hedging.

Risk assessment is carried out by a working group comprised of employees from various Company areas, which seeks the advice of market experts and reports to the Executive Board and Board of Directors.

With respect to the blocks it operates, the Company uses best industry practice methodologies such as Preliminary Risk Analysis (PRA) and Hazard and Operability Study (HAZOP). In addition, periodic inspections of third-party contractors are conducted, including assessments of Management Practice No. 12 of ANP Resolution

No. 43/07 (Operational Security Management System – SGSO), a technical regulation which establishes requirements for identifying and analyzing risks that could result in any such incidents.

A new incident management structure based on the Incident Command System (ICS) is planned for 2013. Additionally the company is analyzing the possibility of setting up a specific committee for monitoring and managing other risks in coming years.

For more information, please see the Reference Form at www.qgep.com.br/ir in the section for Notices and Minutes/Documents submitted to the Brazilian Securities and Exchange Commission (CVM).

INTANGIBLE ASSETS

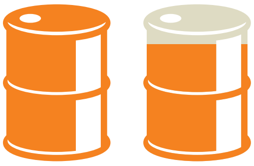
Intangible assets managed by QGEP are viewed as strategic assets which are fundamental to the success of our projects and business. Accordingly, the Company continually invests in initiatives that add value to these assets.

BRAND

The unique history and growth of the Queiroz Galvão Group over the past 60 years enhances QGEP's reputation. The Group's successful practices in sectors such as construction, concessions, energy, real estate, agribusiness and steel have been transferred to oil and gas exploration and production. This is just one of the factors that allows the QGEP brand to represent strength, responsibility and reliability. Additionally, QGEP's activity in the capital markets and good governance practices enhance the Company's reputation for transparent disclosure and responsible stakeholder relations.

Main risks managed by QGEP

- Future drilling programs may not be carried out, or may not produce commercially viable quantities or qualities of oil or gas.
- Oil and gas exploration and production involves risks such as spills, explosions in pipelines and exploration wells, and geological and environmental disasters.
- QGEP is not an operator in most of its blocks, which limits its capacity to control exploration activities, development deadlines and associated costs, or the rate of production from a successful project.
- The loss or dismissal of senior management or exploration and production personnel may impair future success.
- Projects are subject to delays and budget overruns, which can adversely affect current and future operations.
- Global prices and the demand for crude oil and natural gas may fluctuate due to factors beyond the Company's control.
- The oil and natural gas industry is subject to strict federal government regulation and intervention.
- Changes in the exchange rate between the US dollar and the Brazilian *real* can affect items denominated in dollars or whose price in *reais* is indexed to, or strongly influenced by, their price in foreign currency.



260 million

barrels of oil in recoverable volume constitute the Atlanta Field

QGEP's participation in trade fairs and events also strengthen the Company's brand. In 2012 QGEP, in partnership with other Queiroz Galvão Group companies in Construction and Oil and Gas. QGEP also took part in Rio Investors Day, and the Rio Oil & Gas Expo and Conference, Latin America's leading industry conference. The Company also contributed to Good Social Responsibility Practices, a document published by the Brazilian Institute of Oil, Gas and Biofuels (IBP) and launched at Rio Oil & Gas Expo. To increase efficiency and effectiveness, the Company plans to redesign its offices and websites in 2013.

HUMAN CAPITAL

For QGEP the development of its staff involves both recognizing their previous experience, and developing innovative new talents. To ensure the development of this model and to maintain a work environment conducive to getting the best from every employee, QGEP invests in the development and training of all of its staff. In addition to establishing an open-door policy, in 2012 QGEP launched an intranet with an ombudsperson channel available at Contact Us. These initiatives reinforce the company's commitment to transparency and the values expressed in its vision and mission.

PROMOTING INNOVATION

Constant investment in new methodologies, tools and processes for exploration and the operating of wells is essential to effectively manage the uncertainty inherent in our business. We promote the development of innovative technologies by participating in sector committees and seminars, and by maintaining a constant dialogue with the market and the scientific community. The Company is constantly meeting and overcoming new technical challenges. At the Atlanta Field, for example, the challenge for QGEP is to bring together a range of technologies to explore the first ultra-deep water field for 14° API gravity heavy oil in friable sandstone. The different equipment necessary to extract this oil has already been used separately. QGEP has assembled a highly skilled technical team to manage their joint use.

The extraction and production of heavy oil is more complex and costly than for light oil, making it a challenge for many companies. To correctly assess a project's economic viability requires tools and technology which have been successfully tested on these heavy oil reserves.

The Atlanta Field is operated by QGEP and has a production potential of about 260 million barrels of recoverable oil. By overcoming the exploration challenges in this type of pioneering project, QGEP and its partners will demonstrate the effectiveness of the integrated use of technology for drilling and completing wells. The process will also provide valuable information about the behavior and productivity of this reservoir and production plant, to the benefit of the entire oil and gas sector.

In addition to discovering new reserves, QGEP seeks to develop previously discovered reserves with unusual characteristics in oil quality or geological structure, which were not developed due to technical limitations. Through this project we estimate that over a thousand indirect jobs will be created, plus a further hundred direct outsourced jobs.

Operation

In 2012 the Company strengthened its planning of new project development by preparing for the next round of ANP bids

Oil and gas exploration involves highly sophisticated geological and geophysical methods and drilling techniques, which require the inherent risk to be properly managed. Accordingly, the oil and gas sector invests in the research and development of advanced techniques for exploration, drilling and production.

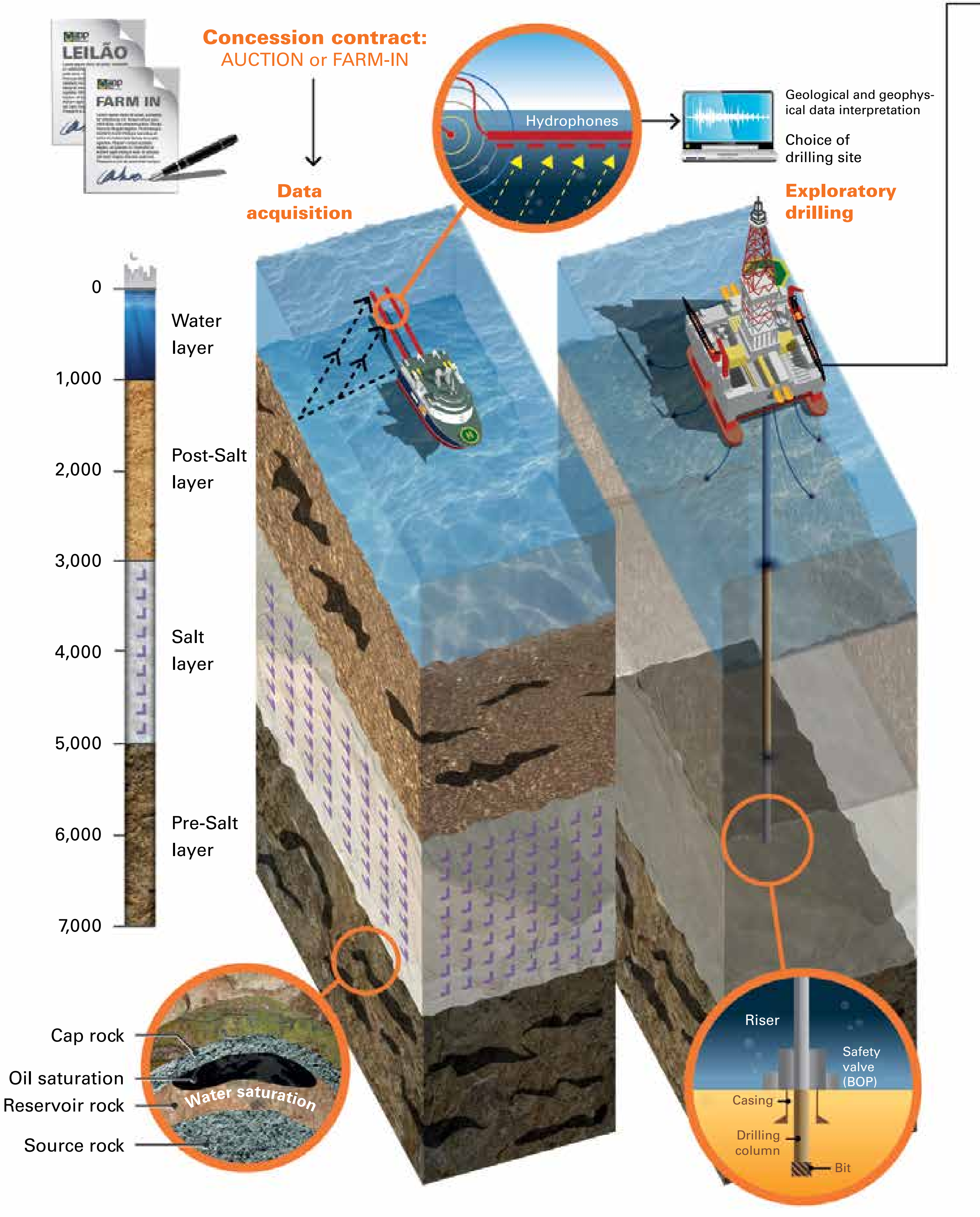
However, it is still not possible to ascertain the exact size of the reserves. Estimates of oil and gas quantities are projections based on geological information and measurement techniques, and are classified as proven (high level of confidence), probable (medium) or possible (low) reserves.

The discovery of new oil and gas deposits in ultra-deep water (at depths greater than 1,500 meters) in the Santos, Campos and Espírito Santo basins is a new frontier for oil and natural gas. The development of the pre-salt layer has established a new position for Brazil in the international oil and natural gas market by increasing the country's proven reserves and doubling its production capacity by 2020, through US$400 billion in investments.

In 2012 Queiroz Galvao Exploração e Produção strengthened its activities in planning, project structuring and studying new opportunities. Its only asset currently in production is the Manati Field, in which the Company holds a 45% stake, and which is operated by Petrobras. In the past few years its investments have been focused on the development of exploration and projects, including the acquisition of seismic data to study areas to be acquired via farm-ins, and to prepare for the next round of the ANP bids.

Offshore E&P

How the offshore oil exploration process works



Discovery

Profiling

Indication of oil and gas: Electrical, radioactive and acoustic data gathering

1 to 2 weeks

ANP notification

anp

Immediate

Discovery evaluation plan

1 to 5 years

Formation test

Short duration: 72hr

Long duration test

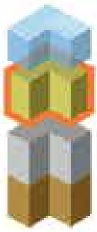
Long duration: 6 months to 1 year

Evaluate reservoir, oil flow and terminal

Declaration of commerciality

6 months

Development plan

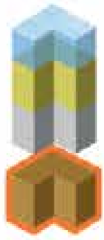


Post-Salt layer

Reservoir type: Turbidite siliciclastic sandstone

Age: Upper Cretaceous/ Tertiary

>20 <100 million years



Pre-Salt layer

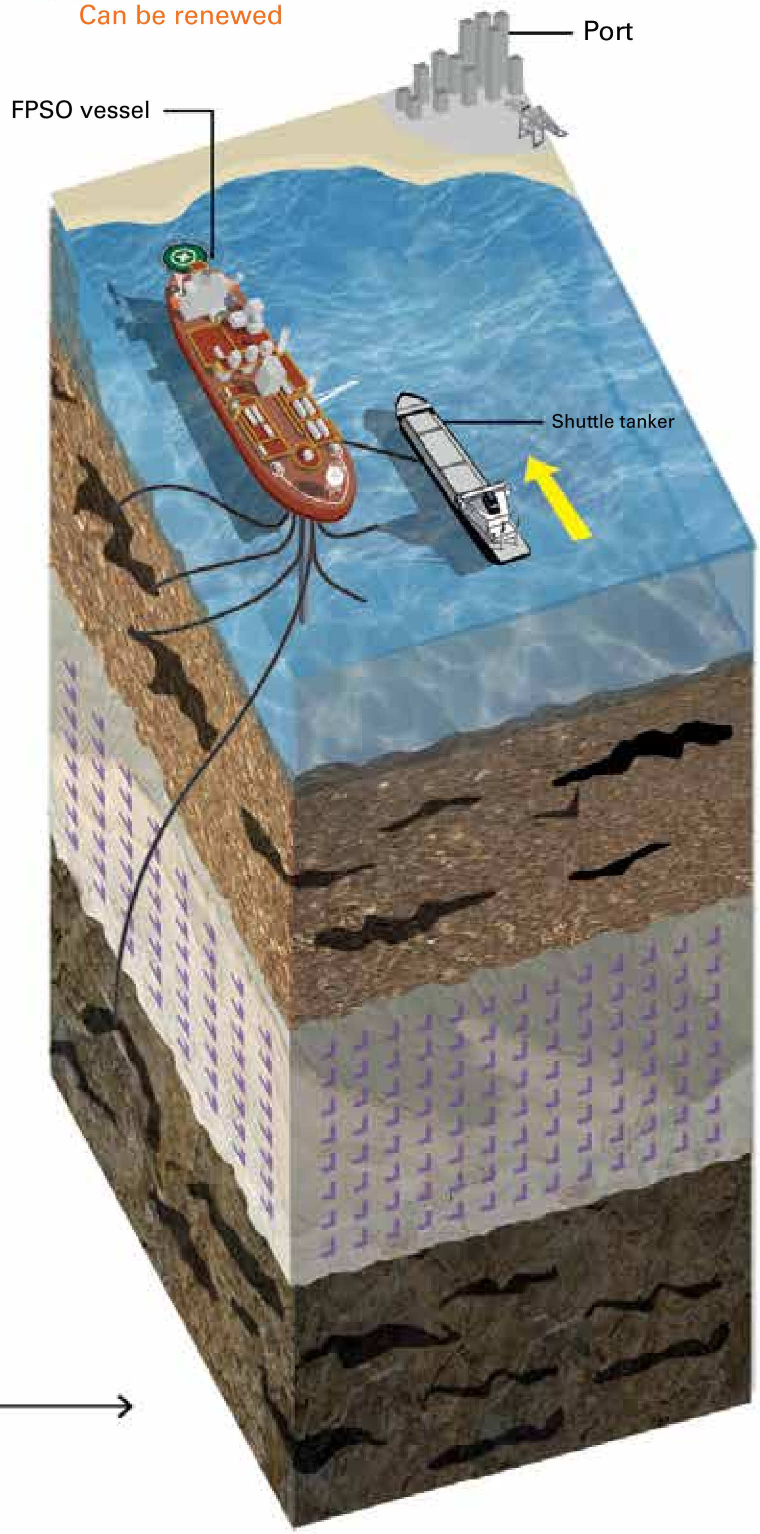
Reservoir type: Microbial carbonates

Age: Aptian

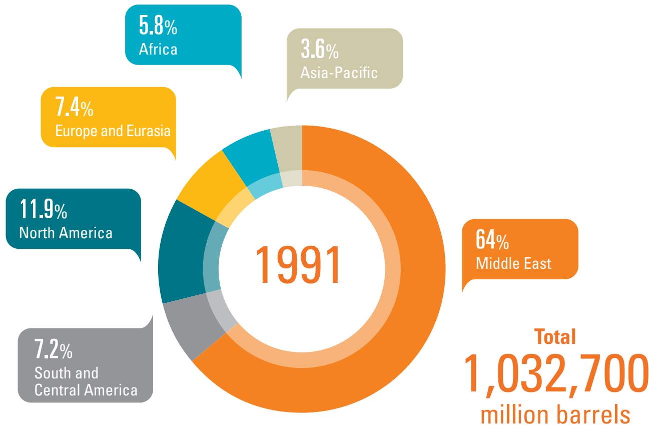
>112 <125 million years

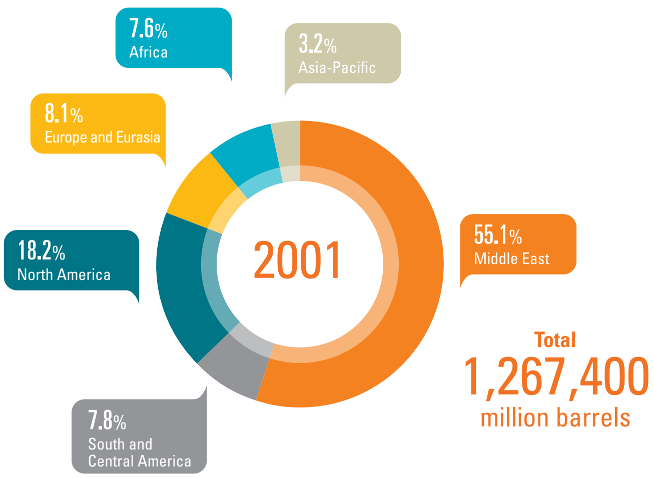
Production

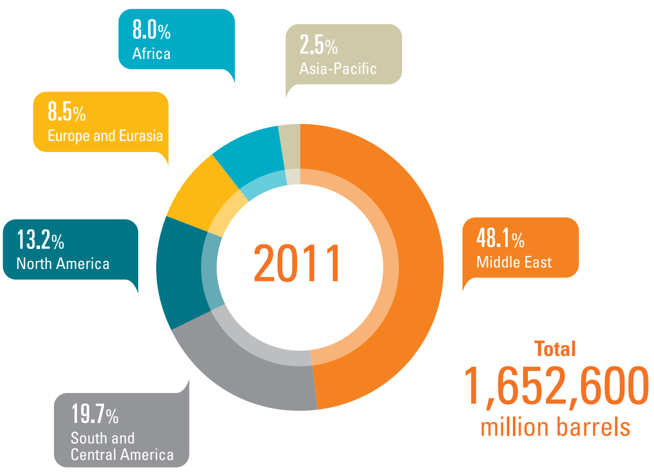
Approximately 30 years
Can be renewed



DISTRIBUTION OF PROVEN OIL RESERVES





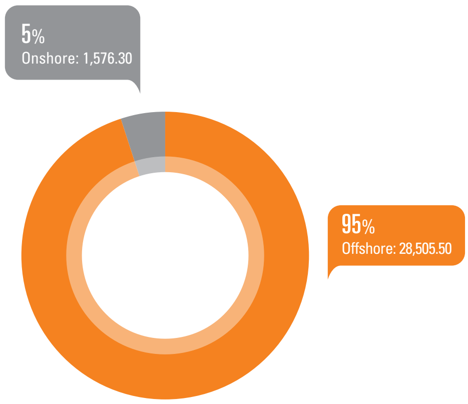


Source: BP Statistical Review of World Energy, June 2012.

Oil – In 2012, the world's proven oil reserves stood at 1.6 trillion barrels, according to the most recent information published by the ANP. Over the past 2 years global consumption grew by 1.5% per year, reaching 85 million barrels per day in 2012.

In Brazil, production remained stable at two million barrels of oil equivalent per day, while reserves were 1.5 billion barrels. Pre-salt exploration accounted for 217,000 barrels of oil equivalent (boe)/day of this total. Additionally, about 200 exploratory wells were drilled in Brazil in 2012.

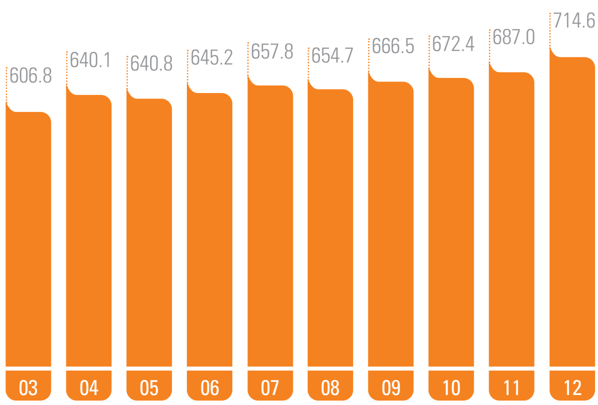
TOTAL OIL RESERVES IN BRAZIL (IN MILLIONS OF BARRELS)



Source: Agência Nacional de Petróleo, Gás Natural e Biocombustíveis (ANP).

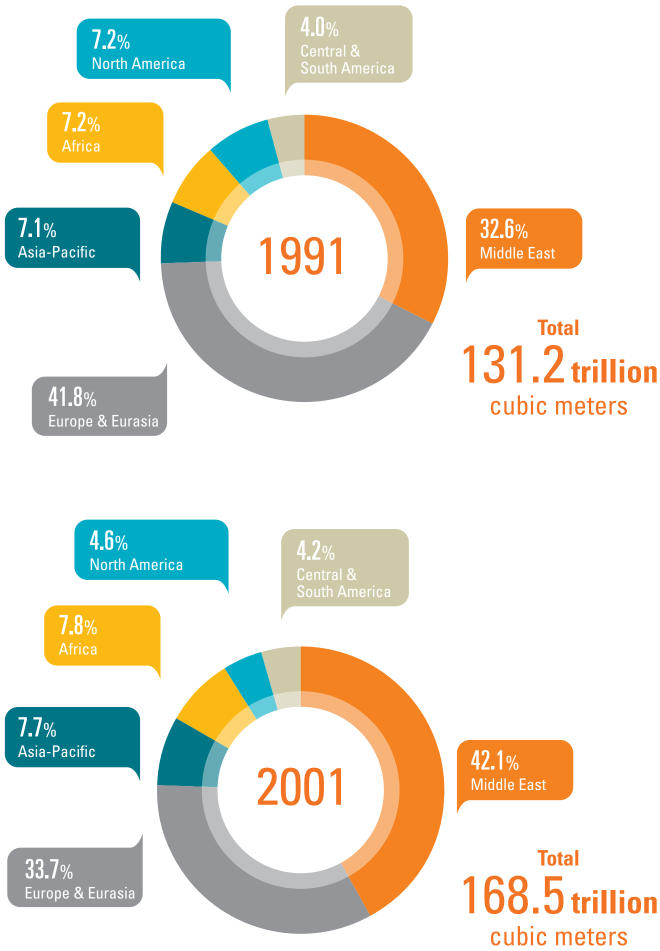
Gas – At the end of 2012, according to industry figures, the world's natural gas reserves totaled 208.4 trillion cubic meters.

AMOUNT OF OIL REFINED IN BRAZIL (IN MILLIONS OF BARRELS OF OIL EQUIVALENT)



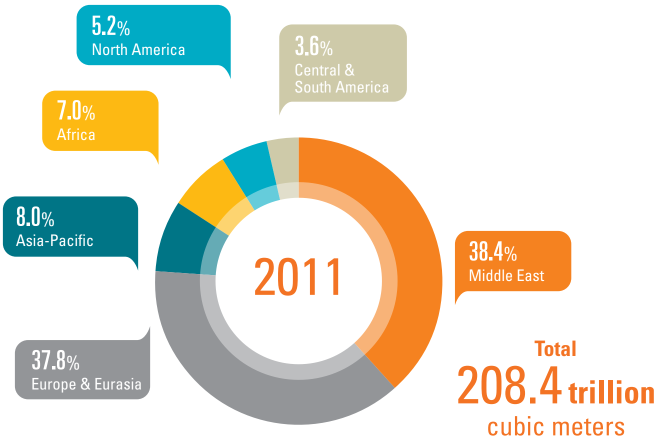
Source: Agência Nacional de Petróleo, Gás Natural e Biocombustíveis (ANP).

GLOBAL DISTRIBUTION OF PROVEN NATURAL GAS RESERVES



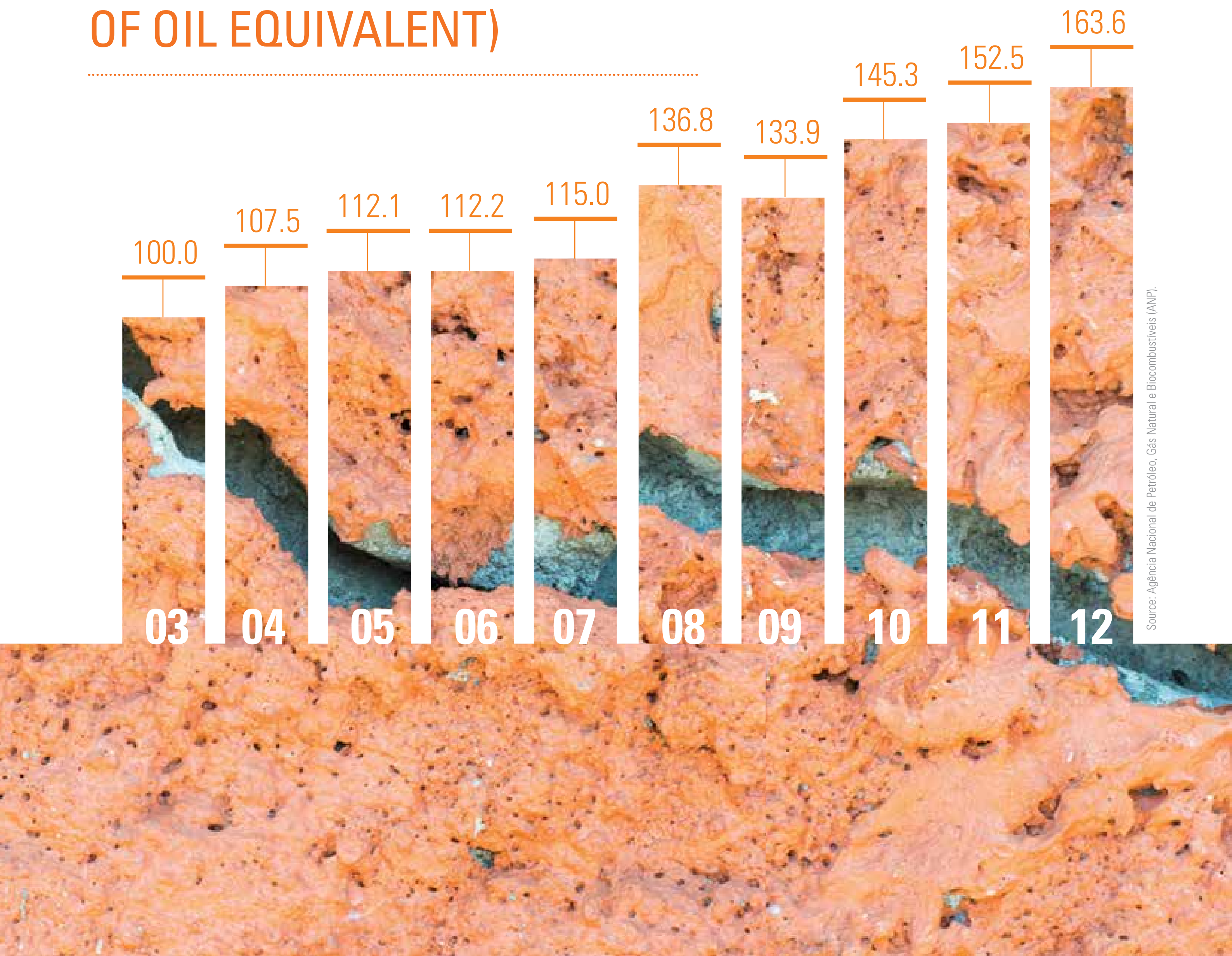
In Brazil, natural gas reserves totaled 450 billion cubic meters.

In Brazil, natural gas production reached 25 billion cubic meters in 2012.



Source: BP Statistical Review of World Energy June 2012.

NATURAL GAS PRODUCTION IN BRAZIL (IN MILLION BARRELS OF OIL EQUIVALENT)



Source: Agência Nacional de Petróleo, Gás Natural e Biocombustíveis (ANP).

ASSET PORTFOLIO

GRI 2.2 | OG1

SANTOS BASIN

BM-S-12

Status: under.

Water depth: 470 m.

Fluid: oil.

Consortium: QGEP – 30%; Petrobras (operator) – 70%.

Year of discovery: 2008.

Total expenditure: R$172 million in exploration costs (as of December 31, 2012).

Performance in 2012: exploratory drilling at the Ilha do Macuco well did not find potentially productive zones. The consortium asked the ANP to revise the Company's Evaluation Plan carried out on the Ilha Bela well, which had been drilled four years earlier, so that a Drill Stem Test (DST) could be conducted. The consortium is awaiting the response from the ANP. Once approved, the project for reentering the well, expected in 2014 has a planned investment of approximately US$25 million.

Next steps: the consortium plans to continue its monitoring and preparation activities ahead of drilling at Ilha Bela in 2014.

BM-S-8

Situation: under exploration/evaluation.

Water depth: 2,025 m.

Fluid: oil.

Consortium: QGEP – 10%; Petrobras (operator) – 66%; Petrogal – 14%; Barra Energia – 10%.

Year of discovery: Bem-Te-Vi (2008), Biguá (2011), Carcará (2012).

Performance in 2012: during the year QGEP completed its Carcará exploratory drilling to a depth of 6,671 meters at BM-S-8, the largest Block in the Santos Basin. Evaluations to-date show a significant column of at least 471 m of oil at 31° API, with more than 400 m in microbial carbonates. QGEP invested US$35 million drilling the Carcará well. In October the consortium asked the ANP to revise the Evaluation Plan of the Bem-Te-Vi prospect due to the positive results obtained from the Carcará well. The Company is currently awaiting the ANP's response.

Next steps: the consortium plans to start drilling a Carcará extension well in 2013. The Guanxuma prospect will be drilled in 2014.

BS-4

Situation: under development.

Water depth: 1,550 m.

Fluid: oil.

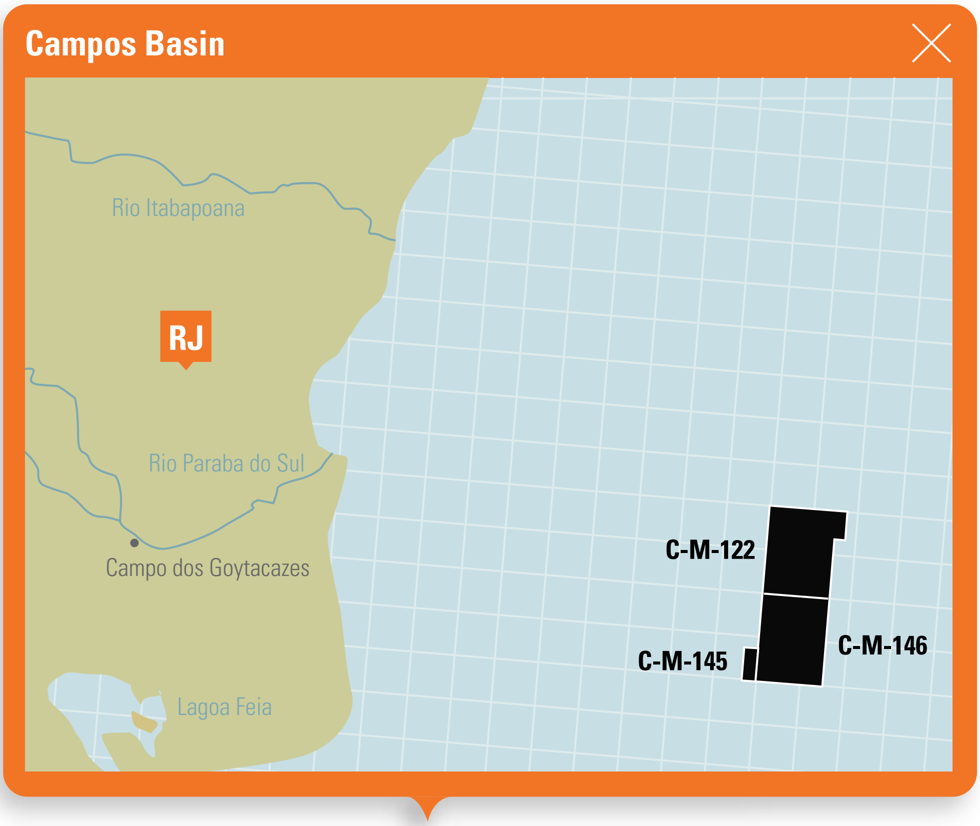
Consortium: QGEP (operator) – 30%; OGX – 40%; Barra Energia – 30%.

Year of discovery: Atlanta (2001) and Oliva (1993).

Expense forecasts: US$45 million in 2013, US$78 million in 2014 for the EPS, plus US$80 million for the Piapara project.

Performance in 2012: the Company is at an advanced stage of negotiations related to hiring equipment to meet the planned scheduled for the development of assets including the Atlanta post-salt oil Field, which has 14° API. The volume of recoverable oil at Atlanta is estimated at 260 million barrels of oil equivalent (boe), based on an estimated recovery factor of 17%. Block BS-4 also includes the Oliva Field, for which the Company submitted a Development Plan in 2012, as well as the Piapara prospect.

Next steps: in 2H2013 and full-year 2014 two horizontal wells will be drilled at the Atlanta Field. These wells are important steps towards integrated production in the Atlanta Field. This drilling is expected in the Early Production System (EPS), which is designed to evaluate the data which will be used to establish the dimensions of the final project. First oil is expected by 2015, with full-scale development in 2017/18. QGEP also plans to start drilling the Piapara prospect in the first half of 2014. Contracts are currently being negotiated and finalized with various suppliers for drilling and other equipment.



CAMPOS BASIN

BM-C-27 (C-M-122, C-M-145, C-M-146)

Situation: under exploration.

Water depth: 50 m.

Fluid: higher probability of wet gas.

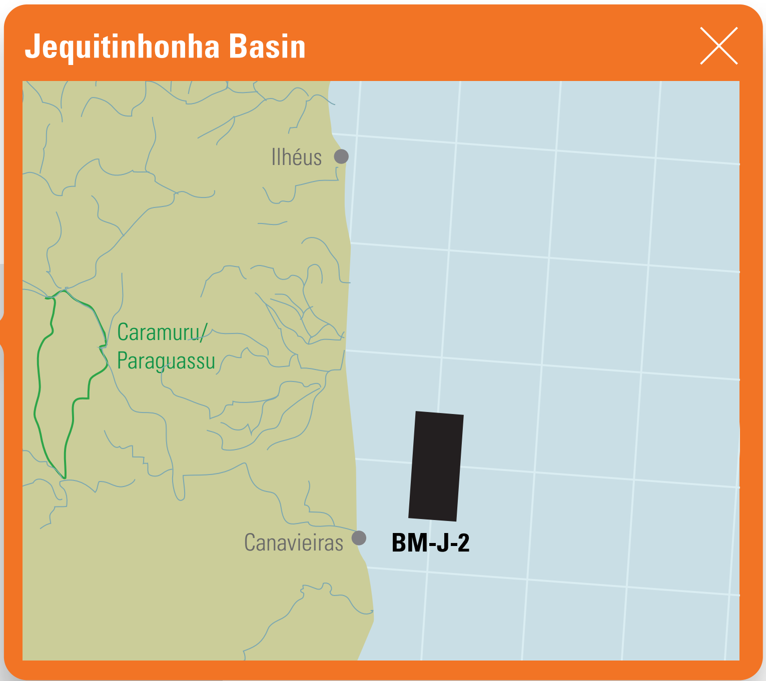
Consortium: QGEP – 30%; Petrobras (operator) – 70%.

Year of discovery: 2011.

Expenditure forecast: US$55 million to be spent in 2014.

Performance in 2012: in November 2012 the Company signed an agreement with Petrobras to acquire a 30% stake in the Block, and is currently awaiting approval from the ANP on the transfer of participation rights. The Block has a discovery in the post salt, Guanabara, for which an Evaluation Plan was issued.

Next steps: preparation for drilling a well in the Guanabara Profundo prospect in 2014.



JEQUITINHONHA BASIN

BM-J-2

Situation: under exploration.

Water depth: 50 m.

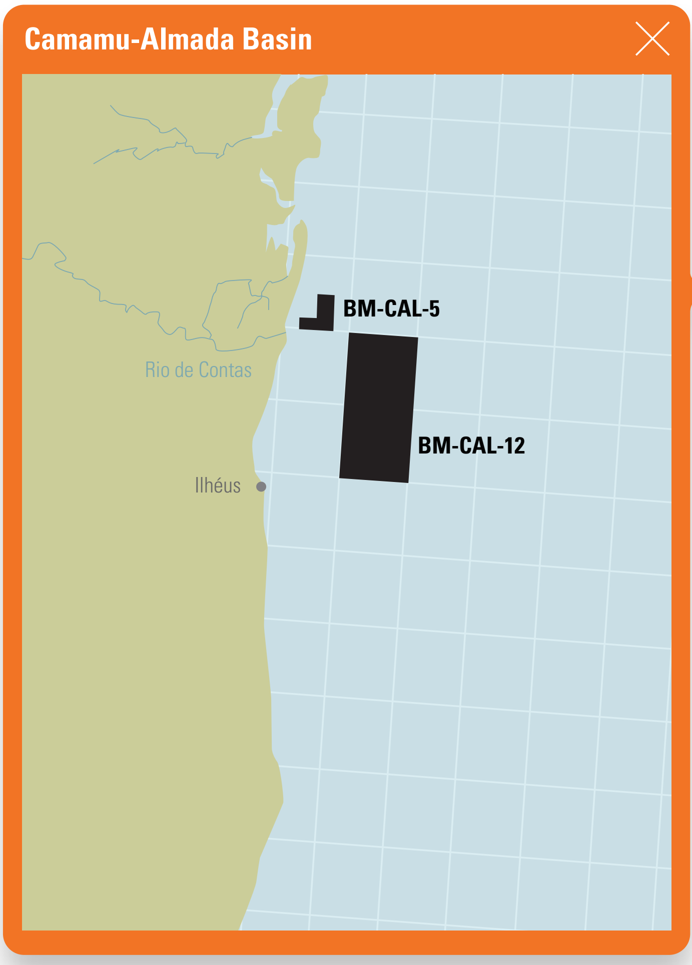
Fluid: gas or oil.

Consortium: QGEP (operator) – 100%.

Total expenditure: US$70 million spent in 2011. Capex for 2013 is estimated at US$70 million.

Performance in 2012: drilling of the Alto de Canavieiras prospect was interrupted in 2011 at a depth of 2,540 m due to IBAM-mandated rules on drilling (learn more in Biodiversity, in the Socio-Environmental performance section).

Next steps: the Company resumed drilling at the Alto de Canavieiras prospect in July 2013, and expects to reach a final depth of 4,700 m in the third quarter.



CAMAMU-ALMADA BASIN

BM-CAL-12 (CAL-M-312, CAL-M-372)

Situation: under exploration.

Water depth: 1,600 m.

Fluid: oil.

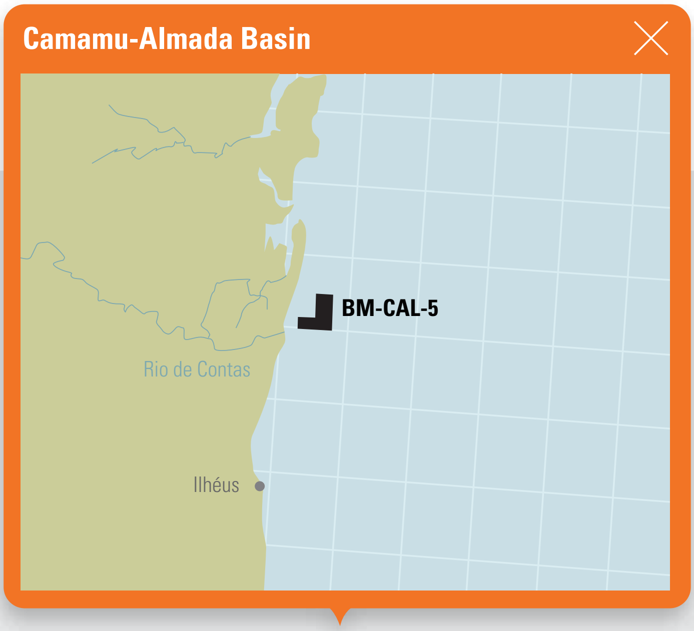
Consortium: QGEP – 20%; Petrobras (operator) – 60%; EP Energy – 20%.

Year of discovery: as of December 21, 2012 no wells had been drilled in this Block.

Total expenditure: US$40 million, to be spent in 2014.

Performance in 2012: QGEP plans to start drilling its first well in this deep water Block in 2014, targeting the CAM#01 prospect. According to international consulting firm Gaffney Cline Associates (GCA), hired by QGEP to certify the reserves, the prospect presents medium, unrisked prospective resources estimated at 77.7 million boe, consisting of 91% oil and 9% associated gas. Its depth is 2,700 m. Activities in 2012 included applying to IBAMA (Brazil's environmental protection agency) for an environmental license, which is expected to be received in 2014.

Next steps: drilling of the CAM#01 prospect to start in 2014.



BM-CAL-5

Situation: under exploration.

Water depth: 500 - 860 m.

Fluid: oil.

Consortium: QGEP – 27.5%; Petrobras (operator) – 72.5%.

Year of discovery: Copaíba 2008

Total expenditure: US$22 million, to be spent in 2014.

Performance in 2012: the evaluation plan at Copaíba plan is ongoing. The consortium is currently in the process of renewing the environmental license for drilling. Contingent resources of this oil discovery are estimated to reach 17.9 million boe, consisting of 89% oil and 11% associated gas. The consortium relinquished the Jequitibá prospect, another discovery made in the Block, to the ANP in 2012, as the volume was insufficient to warrant development.

Next steps: an additional well to evaluate the Copaiba discovery, to be drilled in 2014.

CAMARÃO NORTE FIELD

Situation: under development.

Fluid: gas.

Consortium: QGEP – 45%; Petrobras (operator) - 35%; Panoro* – 10%; Brasoil – 10%.

Year of discovery: 2001.

Performance in 2012: this asset is in the process of unitization with the adjacent Block. The Camarão Norte Field extends to the Camarão Field, which is wholly owned by EP Energy. Producing reservoirs are the same as for the Manati Field. The consortium plans to start developing the North Camarão Field after completing the unitization.

Next steps: the North Camarão Field will be developed at the start of the decline of production at the Manati Field, which is scheduled for 2017/2018.

* In June 2013 Panoro's equity stake was acquired by Geopark.

Camamu-Almada Basin

MANATI FIELD

Situation: in production.

Water depth: 35 m.

Fluid: gas.

Consortium: QGEP – 45%; Petrobras (operator) – 35%; Panoro* – 10%; Brasoil – 10%.

Year of discovery: 2000.

Performance in 2012: the Manati Field, one of Brazil's largest producing natural gas Fields, produced an average of 6.1 Mm^3 in 2012. In October 2012, Gaffney, Cline & Associates certified its 1P reserves at 19.7 billion cubic meters of natural gas, with 2P and 3P reserves of 20.5 billion and 22 billion cubic meters of natural gas, respectively, as of December 31, 2011. The field had been in operation for five years as of December 31, 2012 and has historically been able to produce an average of approximately six million cubic meters of gas per day, depending on market demand.

Next steps: scheduled maintenance was carried out in the second quarter of 2013, resulting in a production shutdown of 20 to 30 days. Despite this maintenance, average production was 5.0Mm^3 in the quarter. In 2014, a gas compression plant will be constructed at the Field. This will reduce average daily production to 5.0-5.5Mm^3 in 2014, with production returning to 6.0Mm^3 in 2015.

* In June 2013 Panoro's equity stake was acquired by Geopark.

ACCIDENT PREVENTION

QGEP works constantly to assess and reduce the risks inherent in its activities. Key to this is the prevention of accidents. The Company analyzes the risks of each activity to be undertaken and sets high standards of safety which all suppliers must comply with. The Company seeks to work with suppliers and partner firms that are recognized in the industry for their strong safety records. In 2012, drilling in Block BM-J-2 was shut down and no drilling was carried out in the Atlanta Field, where QGEP is the Operator. As a result, accident prevention and health awareness activities were focused on the administrative areas. The Health, Safety and Environment (HSE) area has developed a procedures manual that is now available on the Company intranet. The manual will subsequently will be printed and distributed to employees and contractors prior to operations.

Goals for 2013 include the implementation of a new incidents management structure, based on the Incident Command System (ICS). About 35 staff members will be trained in the system. ICS methodologies are used internationally to prepare planning and resource management processes for incident management. **GRI EN14 | Global Compact Principle 8**


KOCH
PMNT-1

Socio-Environmental performance

GRI 4.13 | EN26 | Global Compact Principle 8

QGEP made several investments directed to multiple projects in environmental protection initiatives

Respect for the environment and involvement in community development are fundamental to QGEP's business. Even before starting operations, the Company continuously evaluates its impacts on local communities and works to reduce risks to a minimum.

These processes begin with the impact matrix developed as part of the Environmental Impact Study and the Environmental Impact Report (EIS/EIR). These documents are prepared in compliance with the Oil and Gas Industry Requirements of the Brazilian Environmental and Renewable Natural Resources Institute (CGPEG/IBAMA). QGEP's activities are always based on ethics, good corporate governance practices and respect for the environment. We strive to always contribute to the development of communities adjacent to our operations.

The Company's practices utilizes the Integrated Management System (IMS), which implements the guidelines of QGEP's Integrated Management System Policy. The IMS includes environmental, health, safety and operational aspects. It is based on internationally-recognized principles such as those of the International Organization for Standardization (ISO) and Occupational Health and Safety Assessment Services (OHSAS). The IMS also meets the technical regulations of the ANP's Operational Safety Management System (SGSO). The Policy is available in the Environment and Safety section of the QGEP website (www.qgep.com.br).

QGEP also works alongside such institutions such as the Brazilian Institute of Oil, Gas and Biofuels (IBP), the National Petroleum Industry Organization (Onip) and the Federation of Industries of the State of Rio de Janeiro (FIRJAN) to address issues of social and environmental responsibility. In its relationship with the public, QGEP's focus is on operational and environmental safety and transparency. In order to achieve its goals, the Company uses the most advanced technology in its operations, making safety the highest priority. In terms of transparency, QGEP works diligently to keep the channels of dialogue open and strives for continuous disclosure of information through outlets such as town-hall meetings, letters and press releases.

In 2012 we invested R$1,628,914.22 in environmental protection and mitigation initiatives including the Beach Monitoring Project (BMP), the Fisheries Catch Monitoring Project (FCMP), the Fishing Compensation Plan (FCP). During the period, QGEP incurred no fines or penalties resulting from non-compliance with environmental laws. GRI EN28 | EN30 | Global Compact Principle 8

371km^2

are covered by Block BM-J-2, in which QGEP holds a 100% equity stake

QGEP implements socio-environmental initiatives to strengthen its relationships with local communities

BIODIVERSITY

GRI EN13 | Global Compact Principle 8

Environmental licensing for the exploration and production of oil and natural gas is subject, among other requirements, to prior preparation of environmental impact studies (such as EIA/Rima), as well as the implementation of mitigation measures or environmental compensation for impacts caused on biodiversity. These studies, which also include impacts during operations and at the time of their completion, are also part of the Activity Deactivation Plan, which establishes the actions to be taken after the operations come to an end. Although all of the Company's projects rely on feasibility studies and deactivation plans, QGEP has yet to carry out a shutdown for any of its projects.

MAIN IUCN RED LIST AND BRAZIL CONSERVATION LIST SPECIES WITH HABITATS IN AREAS AFFECTED BY OPERATIONS, BY LEVEL OF EXTINCTION RISK GRI EN15

Species	Brazil	IUCN
Southern right whale	Endangered	Low
Fin whale	Endangered	Threatened
Humpback whale	Vulnerable	Lesser concern
Loggerhead turtle	Vulnerable	Threatened
Green turtle	Vulnerable	Threatened
Hawksbill turtle	In danger	Vulnerable
Olive turtle	Endangered	Vulnerable
Leatherback turtle	Endangered	Critically endangered
Whale shark	Vulnerable	Vulnerable
Nurse shark	Vulnerable	Insufficient data
Black petrel	Vulnerable	Vulnerable
Spectacled petrel	Endangered	Vulnerable
Red-billed tropic-bird	Vulnerable	Lesser concern
Orange-billed tropic-bird	Vulnerable	Lesser concern
Royal tern	Vulnerable	No register

In the environmental analysis of BM-J-2, species of benthic and nektonic plankton were identified, many of them found on Brazil's List of Endangered Species and the IUCN Red List (see table on page 48).

Block BM-J-2 currently has an area of 371 square kilometers (100,726.36 hectares) and is part of a coastal marine biome. The area of direct influence is in the municipalities of Ilheus, Una, Canavieiras and Belmonte, in the Brazilian state of Bahia. The Marine Extractive Reserve of Canavieiras is part of this region and is adjacent to four national parks: Descobrimento, Marinho dos Abrolhos, Pau Brazil and Monte Pascoal. Under the environmental operating license, activities in this region can only take place outside the area's restriction period due to the presence of turtles and of the very unlikely possibility of an oil spill reaching the Abrolhos area. GRI EN11 | EN12

QGEP continued proactively with its socio-environmental projects underway in the region throughout 2012, even though work was suspended in Block BM-J-2 in September 2011. The Fishing Compensation Plan, Beach Monitoring Project and Fisheries Catch Monitoring Project all help improve relations with communities. GRI EN14 | Global Compact Principle 8 | OG4

FISHING COMPENSATION PLAN

GRI SO1

The impact area of our operations with Block BM-J-2 reaches shallow waters which are home to extensive fishing activity. Accordingly, the company has developed a Fishing Compensation Plan which meets Ibama requirements for fishing compensation. Implementation of the FCP has involved investments in infrastructure and safety for communities in the municipalities of Ilheus, Una, Canavieiras and Belmonte in southern Bahia. These communities engage in fishing activities typical of coastal areas, on the outer continental shelf and upper embankment areas. GRI SO9

Through the plan, QGEP has built up a working partnership with these communities in two areas: fishing safety and strengthening the Canavieiras Extractive Reserve (RESEX). Through the partnership, the Ilhéus area communities (Ponta do Ramo, Ponta do Mamoã, Ponta da Tulha, Cururupe, Olivença, Barra de Itaípe and Mojiquiçaba) began receiving restored fishing vessels and nautical safety equipment in 2012. In the community of San Miguel, we provided office facilities for the Fishermen and Shellfish Collectors Association (APESMAR). Our efforts in the RESEX area will result in providing the construction and renovation of offices and other facilities for community associations in 2013. GRI EC8 | EC9 | SO10

This process is already in its final stages in Acuípe, an indigenous fishing community in the region of Ilhéus. Local residents decided to work with the Company to build a community center, which is currently awaiting the approval from Funai (Brazil's National Indian Foundation).

QGEP is preparing a document specifically addressing the issue of relations with indigenous communities, as its operations are situated near the tribal lands of the Tupinambás de Olìveira (being created), Mata Medonha, Coroa Vermelha Jaqueira, Imbiriba, Barra Velha and Águas Belas. HR9 | OG9 | OG10

BEACH MONITORING PROJECT

The Beach/Beaching Monitoring Project (BMP) monitors the records of beached marine life in the municipalities of Ilhéus, Una, Canavieiras and Belmonte (BA) before, during and after drilling operations, and promotes rescue and rehabilitation of wildlife whenever possible. In 2012, QGEP invested R$307,198.59 in this initiative.

The support base of the BMP is located in Olivença, in the municipality of Ilhéus (BA), and was in operation throughout 2012. It is staffed by experienced biologists and veterinarians who are able to care for beached animals in the region and carry out monitoring and information campaigns when appropriate. During the year, 42 animals were rescued on the region's beaches, more than half of them turtles. Other animals included birds such as the Brazilian lapwing, black petrel and, penguins.

FISHERIES CATCH MONITORING PROJECT

The FCMP is an important tool for understanding the dynamics of local fisheries and the influence we have on catches in Ilhéus, Una, Canavieiras and Belmonte (BA) before, during and after drilling operations. QGEP maintained the project in 2012, ensuring a continuous flow of data on the main types of fishing carried out in the region. Through the FCMP, information is periodically relayed to the monitors and the fishing community, allowing fishermen to learn the results of the project in which they are participating.

Eight monitors chosen from local communities work in the region's major fishing ports to collect primary data on the main types of fishing carried out in the impact area. In 2012 QGEP invested R$359,530.24 in this initiative.

The continuous monitoring of fisheries catches allows us to compile a solid and reliable fishing database, which also includes seasonal variations of fishing activity and characteristics of fleets operating in the region. From analysis of these records we can evaluate catches and species composition, as well as the main types of fishing which are conducted throughout the year. After an annual cycle is completed, the data allow us to make temporal analyses, and correlate the catches of the year with oceanographic and other variables. This helps us identify seasonal patterns and/or common trends among in the local fishing industry.

RESEARCH AND DEVELOPMENT PROJECTS

QGEP seeks to encourage the development of scientific capital and maintain a constant dialogue with academia. The Company interacts with industry groups such as the Social Responsibility and Health, Safety and Environment Committees of the Brazilian Institute of Oil, Gas and Biofuels and attends seminars to learn about new studies and tools in socio-environmental exploration and production.

Our oil and gas exploration, development and production contracts contain a clause whereby 1% of the annual gross revenue from high production Fields is invested in research and development. In 2012 the Company invested R$2,874,135.51 in R&D, and expects to have invested a total of R$5,742,165.34 by the end of 2014 (values adjusted as of 2011).

From the knowledge gained from its research, QGEP seeks to structure its activities and adapt its projects to mitigate potential risks at each stage. In addition to preventing situations that could result in contamination, the company intends to use its R&D to test bioremediation-related methods and procedures for any potential environmental problem arising from accidents due to exploration, production and transportation of oil in the mangrove ecosystems of these areas. GRI EN29

Our R&D work also includes studies related to the involvement of the estuarine community. Local leaders, associations and institutions interested in the impact of our exploration work contributed valuable insights on the production process and social organizations. All this environmental research is made available to local communities, which helps further develop the local residents' knowledge of their region.

In October 2011, QGEP carried out an integrated biogeochemical study (PETROTECMANGUE-BASUL) in partnership with the Federal University of Bahia (UFBA). This study was conducted on mangroves in southern Bahia to develop applicable technological processes for the remediation of these environmentally sensitive areas.

Three of the four sampling stages are now complete. By July 2013 the Jequitinhonha Basin should receive a Socio-Environmental Sensitivity Certificate, which will define those areas most sensitive to oil spills. As part of the requirements for this certificate, research is being carried out on soil use and cover, river dynamics and water flows in the region, as well as wind, meteorological and oceanographic conditions.

The results generated by these studies are periodically disclosed in partial technical and scientific reports and will be integrated into a database and final document that will be presented at the end of the research. The physical, chemical (organic and inorganic), biological and socio-economic parameters of the areas studied, and the results of bioremediation tests performed, will also appear in specific technical documents such as papers in national and international publications, undergraduate research, graduate monographs, masters' dissertations and doctoral theses.

Our environmental modeling also includes analysis of the influence of climate change on the region, from scenarios constructed by the Intergovernmental Panel on Climate Change (IPCC). This will be the first time that the local impact of climate change in the region will be analyzed.

Our partnership with Fundação Coppe/UFRJ, which began in September 2011, includes studies to classify and monitor ecosystems in the coastal region of Una, Canavieiras and Belmonte (BA).

In 2012, satellite images were processed and analyzed in order to map land use, vegetation, geomorphology, topography and detailed dimensions of rivers in the coastal lowlands, as well as the coastline of the study area. These results help improve the quality of hydrodynamic modeling by giving a better local spatial scale.

Models have been implemented to create regional environmental marine and meteorological simulations, as well as marine climate simulations for the project's impact area. The project is currently compiling the information produced from each of the two major research areas: environmental computer modeling and remote sensing. The integrated analysis of the results obtained by these two major areas of research will be of fundamental importance for the spatial-temporal understanding of the sensitivity of coastal ecosystems to oil spills in the impact area.

ENERGY

QGEP's administrative offices in Rio de Janeiro and Salvador consume energy directly from local utility providers. During our operational activities, the maritime unit and vessels involved use their own diesel generators. GRI OG3

GRI EN3

DIRECT ENERGY CONSUMPTION (GJ)*	2012	2011
Rio de Janeiro office	488.37	377.55
Salvador office	27.56	26.37
Total	**515.93**	**403.92**

*Electricity consumption supplied by local utility providers. Includes electrical appliances, office lighting and central air conditioning. There were no exploration operations in 2012.

EMISSIONS

GRI EN16 | EN17

In 2012 QGEP consolidated its emissions calculation process and adhered to the Carbon Disclosure Project (CDP). This organization, created 12 years ago in the UK, brings together over 700 investors who hold US$87 trillion in assets. It encourages emissions management by companies worldwide, including the 80 Brazilian firms that participate in the CDP's annual emissions report.

QGEP's goal for 2013 is to prepare its emissions report by hiring specialized consultants, and cut office energy consumption per employee by 10%.

In QGEP's operations,

environmental studies identify the impact of the activities and propose mitigation measures

GRI EN16 | EN17

GHG EMISSIONS (TCO_2E)	SCOPE 1[1]		SCOPE 2		SCOPE 3[2]	
	2012	2011	2012	2011	2012	2011
CO_2	7.65	0	7.37	6.38	296.99	10,857.07
CH_4	0	0	0	0	1.75	0.94
N_2O	0	0	0	0	0.87	0.47
Total	**7.65**	**0**	**7.37**	**6.38**	**299.61**	**10,858.48**

1. The measurement of scope 1 began in 2012.
2. Scope 3 is lower as there were no exploration operations in 2012.

WASTE AND EFFLUENTS

GRI EN2 | EN22 | Global Compact Principles 8, 9

QGEP has developed a waste management plan consistent with the guidelines and best practices established by IBAMA's Oil and Gas Oversight Unit (CGPEG). Waste production was not significant in 2012, as there were no exploration operations. As a result, waste production came only from QGEP's administrative offices. There was no transport of hazardous waste and no spills occurred.

In 2012, QGEP's office generated 2.3 metric tons of recyclable waste, 12.6% of which were plastics, and 87.4% of which was paper and cardboard.

The company purchased 4,769.7 metric tons of paper (for office use), 95% of which (4,578.4 mt) was recycled paper, while the remaining 5% (191.3 mt) was white paper.

TOTAL WEIGHT OF WASTE, BY TYPE AND METHOD OF DISPOSAL*

		Weight (metric tons)	
Consumption of recycled materials	**Disposal**	**2012**	**2011**
Paper, cardboard, plastic, glass, scrap metal	Recycling	2.3	32.41
Non-hazardous waste	**Disposal**	**2012**	**2011**
Common waste and wood	Landfill	0.0	14.13
Hazardous waste		**2012**	**2011**
Used lubrication oil	Rerefining	0.0	26.97
Fluorescent lamps	Decontamination and recycling	0.0	0.022
Health waste	Incineration	0.0	0.063
Waste contaminated with oil or chemicals	Incineration	0.0	24.58
Oily water	Treatment plant	0.0	16.33
TOTAL		**2.3**	**67.97**

* 2011 data include BM-J-2 operations and QGEP offices. 2012 data include only QGEP offices, as there were no offshore operations during the year.

QGEP's offices in Rio de Janeiro and Salvador are situated in commercial centers that use the local water supply and do not have independent meters. Wastewater is discharged into the public sewage system. GRI EN21 | Global Compact Principle 8

In Rio de Janeiro QGEP has selective collection for paper and plastic waste. In 2012 we produced and recycled 292 kg of plastic and 2,029 kg of paper and cardboard, all of which was sent to waste collecting facilities for recycling. Discarded light bulbs and fluorescent tubes are in temporary storage at QGEP offices and will be reported when they are disposed of.

During 2012 there were no operations in Block BM-J-2. However, we conducted an evaluation of the procedures used in the 2011 operations, particularly in relation to solid waste and industrial effluent management. We analyzed the critical services provided by transporters and the end-disposal management and audits of solid waste and industrial effluents by potential new end-disposal managers. The results of these actions can only be evaluated at the end of the BM-J-2 drilling program, planned for the second half of 2013.

Environmental studies identify the impact of QGEP's operations and propose mitigation measures. The Pollution Control Project (PCP) is an initiative based on CGPEG/DILIC/IBAMA Technical Note No. 1/11, and is designed to adequately manage the waste produced by operations. Each activity has a specific waste management plan that assesses the best options for final disposal, with an emphasis on reuse or recycling. GRI EN26 | Global Compact Principle 8

EMPLOYEES GRI 4.16

To produce a healthy working environment QGEP bases the relationship with its employees on partnership, transparency and building motivation, to promote diversity and innovation we support a constant exchange of experiences between talented young employees and those who are well established in their careers.

The personal and career development of employees is achieved through training. The Company subsidizes 80% to 100% of employee expenses on educational courses and workshops. In 2012, R$718,000 was invested in external training. In addition, senior employees shared their knowledge with the new employees through internal courses and presentations. This initiative will be continued in 2013.

QGEP did not reach its target of investing R$1.7 million in training. This was because not all vacancies were filled and there was a significant change in the portfolio (Campos Basin) which involved substantial operational demands. Even so, the company had a 2.77% ratio of training hours in relation to total hours worked. For 2013 the goals are to invest R$1 million and improve this ratio.

STAFF PROFILE

Of QGEP's 91 staff members, 72 are employed directly by the company, while the remainder comprises 13 subcontractors, 4 interns and 2 executive officers.

NUMBER OF EMPLOYEES, BY FUNCTIONAL LEVEL AND GENDER GRI LA1

	2012		2011	
	Men	Women	Men	Women
Executive*	3*	1	3	1
Management	8	5	6	5
Leadership/Coordination	8	4	9	3
Technical/Supervision	10	3	5	4
Administrative	12	20	9	18
Operational	0	0	0	0
Subcontractors	9	4	8	3
Apprentices	0	0	0	0
Trainees	0	0	0	0
Interns	2	2	0	0
Total	**52**	**39**	**40**	**34**

* Two executive officers are statutory.

NUMBER OF EMPLOYEES, BY TYPE OF CONTRACT AND GENDER*

	2012		2011	
	Men	Women	Men	Women
Fixed time	0	0	0	2
Variable time	39	33	29	29
Total	**39**	**33**	**29**	**31**

* All employees work a full workday.

NUMBER OF EMPLOYEES, BY REGION AND GENDER

	2012		2011	
	Men	Women	Men	Women
Southeast	49	38	38	33
Midwest	0	0	0	0
Northeast	3	1	2	1
North	0	0	0	0
Total	**52**	**39**	**40**	**34**

GRI LA2 | Global Compact Principle 6

TURNOVER INDICATORS*	ADMISSIONS (NUMBER)		TERMINATIONS (NUMBER)		TURNOVER RATE (%)	
	2012	2011	2012	2011	2012	2011
Total	**16**	**35**	**4**	**3**	**4.17**	**10.00**
By gender						
Men	10	19	0	3	0.00	20.00
Women	6	16	4	0	8.06	3.33
By age						
Under 30	5	9	2	2	12.50	16.67
30 - 50	4	16	2	1	2.78	7.14
Over 50	7	10	0	0	0.00	0.00

* All hirings and terminations in 2011 and 2012 occurred in the Southeast region. Statutory directors were not included in the turnover calculation.

HEALTH AND SAFETY IN THE WORKPLACE

All employees are covered by a collective bargaining agreement with Brazil's Oil Workers Union (Sindipetro). Among the provisions laid down in this agreement are clauses related to periodic examinations, safety standards, communication in case of accidents and the use of a uniform and Personal Protective Equipment (PPE). The employment contract also confirms QGEP's compliance with its Integrated Management Policy. GRI LA6 | LA9

QGEP's Internal Accident Prevention Commission (CIPA) operates on a by-location basis. The CIPA ensures the participation of Company employees in safety decisions. Its president is appointed by QGEP management, while the vice president is chosen by employees.

The CIPA in Rio de Janeiro is made up of 6 employees who were elected by direct and secret ballot among the employees, and another 6 who were chosen by senior management. The office in Salvador does not have a CIPA, as it has fewer than the minimum number of employees required under Labor Regulating Standard No. 5. To comply with this particular standard one employee has been made responsible for safety at this location. This employee participates via conference call in CIPA meetings. As there were no exploration operations during the year, CIPAs were not set up in the operational areas.

In 2012 the Environmental Risks Prevention Program (PPRA) completed its first year of operations. Its achievements included worked on meeting goals in health care, ergonomics, maintenance of the office environment and monitoring water quality. During the period we also held the second Workplace Accidents Prevention Week (SIPAT), which included simulated emergency evacuations, safety briefings at our head office and firefighting team training.

GOVERNMENT GRI 4.16

The oil and gas sector is regulated by the Agência Nacional de Petróleo, Gás Natural e Biocombustíveis (ANP), a federal agency responsible for the implementation of the National Energy Sector Policy for Petroleum, Natural Gas and Biofuels. The ANP auctions the concessions, authorizes the activities of the companies in the sector and supervises their compliance with these rules and applicable directives. It is also a reference center for information on the industry and keeps a complete and up-to-date database on the sector, promotes studies and research and widely publicizes any findings and official estimates.

The federal government may impose temporary currency exchange restrictions on the sector whenever there is a considerable imbalance in Brazil's balance of payments, or for reasons that may indicate a potential imbalance. This type of intervention may impair or prevent the conversion of dividends, profit distribution or revenue.

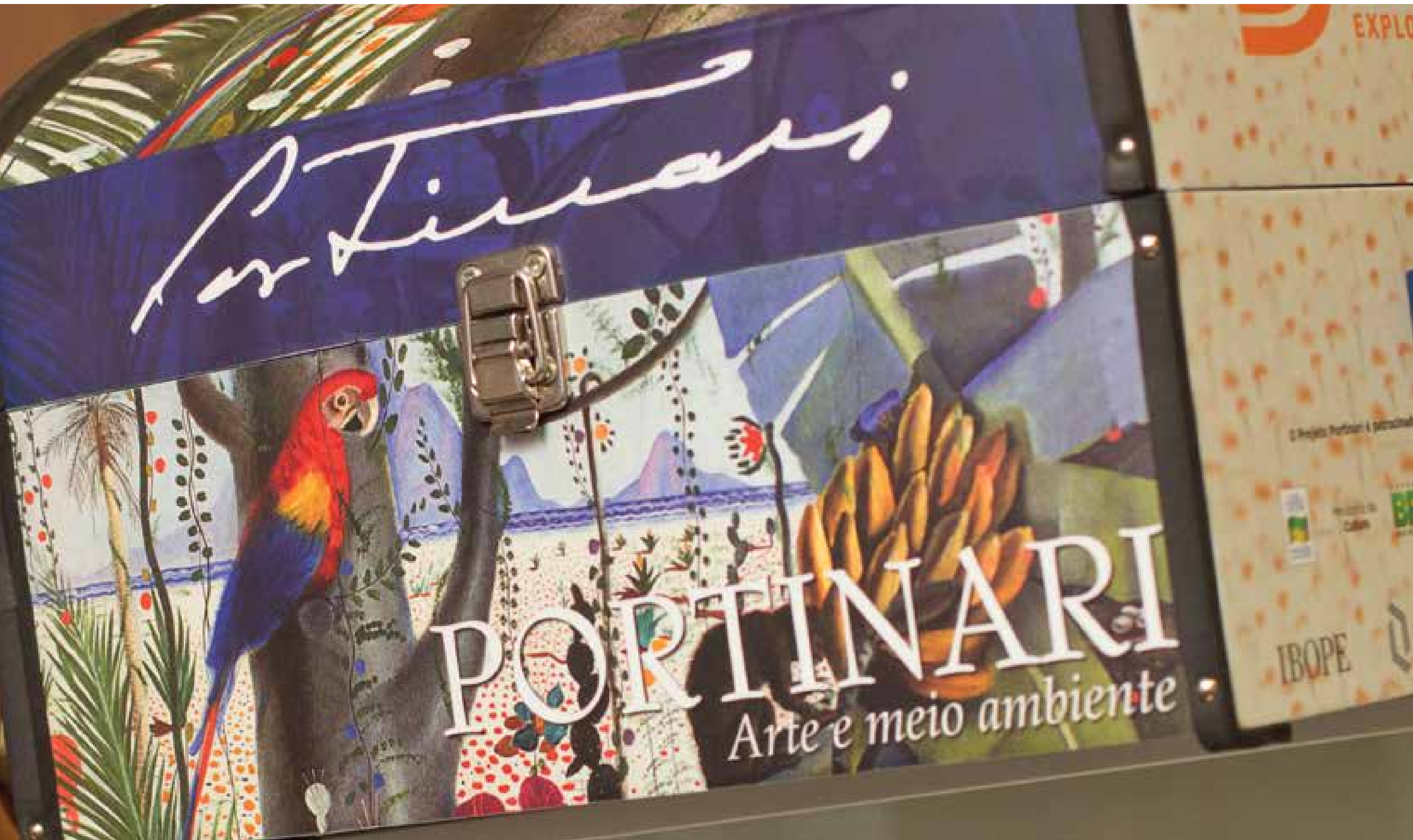
QGEP also structures its management to monitor and respond to – in a timely and effective manner – the demands of regulatory bodies such as the ANP and IBAMA, the guidelines of which have a direct influence on the Company's activities.

CUSTOMERS AND SOCIETY

GRI 4.16 | OG1

In addition to being a strategic partner in the operation of the Blocks, Petrobras is QGEP's main customer. Through a long-term contract, QGEP sells 100% of the gas produced in the Manati Field to Petrobras. Condensate, a by-product of natural gas, is sold by QGEP to Dax Oil Refino S.A. GRI 2.7

QGEP always acts responsibly and in a participatory manner to involve the community in the activities developed in the Blocks where it works as an operator, and in the implementation of projects that contribute to local development. It is part of the Social Responsibility Committee of the Brazilian Institute of Oil, Gas and Biofuels, and attends seminars to learn about new studies and tools in socio-environmental responsibility, exploration and production.



PROGRAMS AND PROJECTS

Viva Volleyball Project

Since 2011 QGEP has been supporting the Viva Volleyball project in fishing communities in the area influenced by Block BM-J-2. In 2012 the project included 200 children aged 7 to 14 in 2 centers (Canavieiras and Campinhos), with weekly sports classes as well as socio-instructional monitoring and an activities interchange. Created in 1999 by the Brazilian Volleyball Confederation and managed by the Instituto Viva Vôlei, the project is designed to reduce truancy, keep children away from crime and drugs and help develop children's personal characters.

Publicity for this project has also produced meaningful benefits. An internal campaign involving 66 employees saw the donation of 106 pairs of shoes to the children involved. In 2011, media exposure on a televised sports program led to volunteer medical assistance being provided to treat a special needs child who was one of the participants. In 2012 the Ilhéus (BA) center for the Viva Volleyball project was closed, but the Canavieiras and Campinhos centers remain in operation.

Portinari Project: Art and Environment

QGEP has been a sponsor and partner in the Portinari project, which promotes the work of Brazilian artist Candido Portinari, since 2010. The Portinari Exhibition: Art and Environment includes 28 prints of the painter's works, with images of Brazil's landscapes and plant and animal life. The goal is to encourage thought on the need to preserve the environment. The exhibition has been shown in several cities in southern Bahia.

The exhibition Portinari: Art and Environment was also shown at the Rio+20 United Nations Conference on Sustainable Development held in June 2012 in Rio de Janeiro. Set up in the Armazém da Popularização on the Rio waterfront, the show was visited by the Miriam Belchior (Brazil's minister of Planning, Budget and Management), and Marco Antonio Raupp (minister of Science, Technology and Innovation). During their visit QGEP distributed 7,500 activity books for children aged 4 to 10, 3,000 memory games for children and adolescents, 300 teaching books and 50 Queiroz Galvão-Portinari calendars for public school teachers.

Between these various events, a total of about 80,000 children saw the exhibit. The exhibition was also put on in the Casa da Ciência in Rio de Janeiro between September and December of 2012. In 2013 the exhibition will be held in municipalities in the state of Rio de Janeiro which are in the area of direct influence of the Block BS-4 activities. There will also be a launch of the new Portinari Project site, which is one of the project's first partnerships with QGEP. The redesigned website provides broad, easy access for students and teachers to view and learn more about the painter's work.

Winter Clothing Drive

The Winter Clothing Drive took place in late autumn. To maintain QGEP's volunteer spirit, we invited all employees to contribute by donating warm clothing and blankets. A total of 88 people from teams in Atlanta and Carcará were involved in the campaign, and 981 items were collected and sent to the Children's Health Association, which QGEP has supported since the institution was founded.


VivaVôlei
VivaVôlei
VivaVôlei
VivaVôlei
VivaVôlei
PENALTY
MINI VOLLEY

Financial performance

QGEP's net revenues in 2012 reached R$462.3 million, due to the production capacity of the Manati Field and demand from Brazil's thermal power plants

After recording GDP growth of 7.5% in 2010, Brazil's performance has been below expectations, slowing to 2.7% in 2011 and 0.9% in 2012. The slowdown experienced in 2011 was due to various negative global factors and a down- ward credit cycle. The Central Bank of Brazil reduced the Selic interest rate to a record low 7.25% in 2012, down from a peak of 12.5% in 2011. Despite sluggish economic growth, the IPCA consumer price index closed 2012 above the government's 4.5% target at 5.84%, compared to 6.5% in 2011. In this same period electricity and oil consumption rose 6.1%.

In the second half of 2012 Brazil's economy gained traction and the pace of annual growth rebounded to around 4.5%. Increased consumption appears to be leading the initial recovery, but the resumption of investments in infrastructure will ultimately provide greater sustainability to the growth outlook for 2013.

Inflationary pressures remain a cause for concern. At the end of 2012 the exchange rate was R$2.05 to the US dollar, compared to R$1.87 in 2011. The market consensus is that the exchange rate will remain steady between R$2.00 and R$2.10 in the medium term.

In the oil sector 2012 was marked by uncertainties and market worries, such as a slowing global economy that resulted in oil demand growth forecasts to be consistently revised downward, as well as volatility in oil price movements. The price for Brent Crude price held up and closed the year at US$111 a barrel, averaging US$112 for the period, a record price for this commodity.

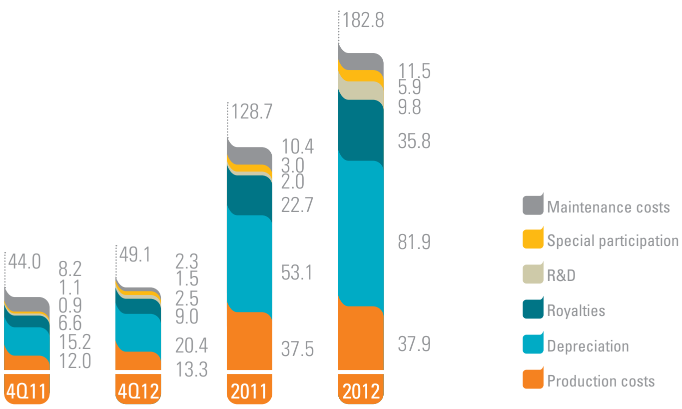
CONSOLIDATED FINANCIAL INFORMATION (IN R$ MILLIONS, UNLESS OTHERWISE INDICATED)	2012	2011	CHANGE (%)
Net income	82.50	92.10	(10.50)
Depreciation and amortization	82.90	53.60	54.70
Financial Expenses/Revenues	(82.50)	(84.40)	2.20
Income tax and social contribution	40.00	29.10	37.70
EBITDA[1]	**123.00**	**90.50**	**35.90**
Write-offs of sub-commercial and dry wells	162.10	13.20	N/A
EBITDAX[2]	**285.10**	**103.60**	**175.10**
EBITDA margin[3] (%)	26.60	31.30	(15.00)
EBITDAX margin[4] (%)	61.70	35.90	72.00
Net debt[5]	(952.30)	(1,098.50)	13.30
Net debt/EBITDAX (times)	(3.34)	(10.60)	68.50

1. Earnings before interest, income tax and social contribution, depreciation and amortization. EBITDA is not a financial measure according to Accounting Practices Adopted in Brazil, International Accounting Standards or International Financial Reporting Standards (IFRS). It should not be considered in isolation or as an alternative to net profit, as a measure of operating performance or as an alternative to operating cash flow as a measure of liquidity. Other companies may calculate their EBITDA differently. Additionally, EBITDA presents limitations that hinder its use as a measure of our profitability, as it does not consider certain costs inherent in the business, which could significantly affect our net results, such as financial expenses, taxes and amortization. QGEP uses EBITDA as an additional measure of operating performance.
2. EBITDAX = EBITDA + write-down of dry or non-commercial wells.
3. EBITDA divided by net income.
4. EBITDAX divided by net income.
5. Net debt includes total debt, including loans, current and long-term financing and derivatives, less cash, cash equivalents and investments. Net debt is not recognized under Accounting Practices Adopted in Brazil, IFRS, US GAAP (Generally Accepted Accounting Principles), or any other such accounting principles. Other companies may use different means to calculate net debt.

OPERATING RESULTS

For full year 2012, net revenues were R$462.3 million, a 60.0% increase over FY11, reflecting full production capacity at the Manati Field in 2012 and strong demand from Brazil's thermal power plants. Operating costs totaled R$182.8 million in 2012, compared to R$128.7 million in 2011.

OPERATING COSTS (IN US$ MILLIONS)



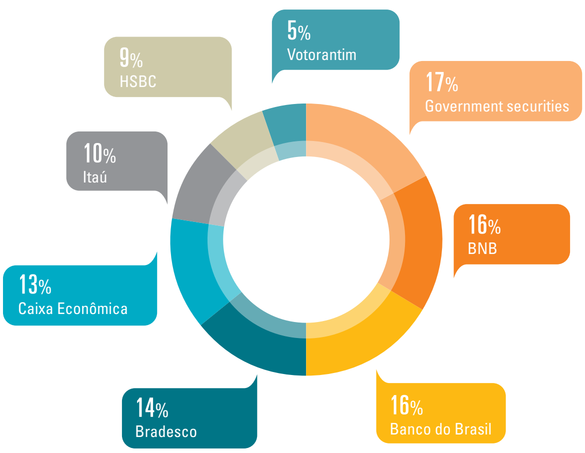
For 2012, G&A expenses were R$63.3 million, above the R$59.5 million reported in 2011. The reported amount for 2012 includes R$54.9 million in personnel expenses compared to R$43.9 million in 2011. The major part of this variation was related to the increase in personnel for operatorship at Block BS-4. On the other hand, part of these administrative expenses, R$13.1 million, was allocated to this project, where QGEP holds 30% of this amount and the remainder 70% is related to the partners of the block that reimburse expenses to the operator. The remaining R$16.4 million in G&A expenses were linked to prior and current year profit sharing costs and change in management. 2011 expenses included R$23.1 million in incentive compensation linked to the successful completion of the Company's IPO.

Total exploration expenditures for 2012 amounted to R$177.0 million, the bulk of which was a R$125.5 million write-off for Block BM-S-12 and R$36.6 million related to the return of the Jequitibá discovery to the ANP. For full year 2012, net financial income was R$82.5 million compared to net financial income of R$84.4 million in 2011.

QGEP has a tax incentive for a partial reduction in the income tax payable. An amount equal to the fiscal savings obtained must be allocated to a profit reserve account, booked under Shareholders' Equity, and cannot be distributed as dividends to the shareholders.

Under the federal government's Lei do Bem scheme, Queiroz Galvão Group companies also have access to tax credits by developing programs in cultural heritage conservation areas and sponsoring sports. The Company received total tax incentives of R$47.0 million in 2012, compared to R$25.1 million in 2011. GRI EC4

DISTRIBUTION OF INVESTMENTS



BALANCE SHEET/ CASH FLOW HIGHLIGHTS

Cash is invested in dedicated funds and fixed income assets, all in *reais*. The cumulative average yield of the portfolio at December 31, 2012 was 101.3% of the CDI rate and approximately 96% of the funds have daily liquidity. The investment distribution is shown in the graph below.

Accounts receivable at the end of 2012 were R$92.8 million, whereas accounts payable were R$32.5 million at 2012 year end. For full year 2011, accounts receivable and payable were R$76.1 million and R$292.5 million, respectively. In the end of 2011, accounts payable included R$243.1 million related to the acquisition of 30% interest in Block BS-4.

The Company had no debt at the end of 2012. As previously reported, in the second quarter of 2012 the Company eliminated its debt, following the total repayment of the BNDES and BNB loans linked to Manati Field development. The Company had record operating cash flow of R$254.3 million for full year 2012 compared to R$194.2 million in FY11.

Further information on QGEP's 2012 financial performance is available through the Company's Investor Relations website at www.qgep.com.br/ir.

VALUE-ADDED STATEMENT (R$ THOUSAND)

GRI EC1

ITEM	DESCRIPTION	2012	2011
Revenue	Net sales plus revenue from financial investments and disposal of assets.	691,534	898,777
Wealth distribution			
Operating expenses	Payments to suppliers and non-strategic investments.	365,257	669,472
Salaries and employee benefits	Total payroll.	41,377	33,478
Government	Gross tax.	200,467	131,290
Payments to capital providers of capital (ex. shareholders)		-	-
Community investments	Voluntary contributions plus investments in the entire community, including donations.	-	11,889
Accumulated wealth (wealth produced less wealth distributed)	**Investments and financings**	**-**	**-**
1 – Revenue	**Sum of items 1.1 to 1.3**	**691,534**	**898,777**
1.1) Sales of goods, products and services	Includes ICMS (goods and services circulation tax) and IPI (excise tax on industrialized products) on gross revenue or gross sales.	586,833	372,403
1.2) Provision for doubtful debts - Reversal/Constitution	Constitution/write-down of provision for doubtful debts.	-	-
1.3) Non-operating	Includes values not considered part of the company's primary activities, such as earnings or losses on the write-down of assets, and gains or losses on the write-down of investments.	104,702	526,374
2 – Inputs acquired from third parties (including ICMS and IPI)	**Sum of items 2.1 to 2.4**	**365,257**	**669,472**
2.1) Raw materials consumed	Included in the cost of goods sold.	-	-
2.2) Cost of goods and services sold	Not including expenses on own personnel.	228,475	100,991
2.3) Materials, energy, outsourced services	Acquisitions and payments to third parties. For cost of goods, materials and services sold, and energy consumed, ICMS and IPI is included at time of purchase, whether recoverable or not.	120,597	561,300
2.4) Loss/Recovery of assets	Market value of inventory and investments.	16,186	7,181
3 – Gross added value	**Difference between items 1 and 2 (1-2)**	**326,276**	**229,305**
4 – Deductions	**Item 4.1**	**82,919**	**53,606**
4.1) Depreciation, amortization and depletion	Expenses recorded in the period.	82,919	53,606
5 – Value-added produced by the company	**Difference between items 3 and 4 (3-4)**	**243,357**	**175,699**
6 – Value-added received in transfer	**Sum of items 6.1 and 6.2**	**110,721**	**153,276**
6.1) Equity accounting result	Includes amounts received as dividends on investments, valued at cost.	-	-
6.2) Revenues	Includes all revenues, regardless of origin.	110,721	153,276
7 – Total value added for distribution	**Sum of items 5 and 6 (5+6)**	**354,079**	**328,975**
8 – Value-added distributed	**Sum of items 8.1 to 8.5**	**354,079**	**328,975**
8.1) Personnel and charges	Holiday and year-end bonus pay, FGTS pension, food, transportation.	41,377	33,478
8.2) Taxes, charges and contributions	Includes INSS (social security) contributions, income tax, social contribution and all other taxes.	200,467	131,290
8.3) Interest and rent	Expenses and interest on loans and financings.	29,767	72,070
8.4) Interest on capital and dividends	Amounts paid or credited to shareholders.	-	-
8.5) Retained profit/loss for the year	Includes profits allocated to profit reserve.	82,468	92,137

The main year-on-year changes in the Value-Added Statement are due to two factors. Firstly, the Company increased the number of employees in preparation for future operations in Block BS-4. Secondly, production at the Manati Field generated higher income, and consequently the Company paid a higher amount of taxes.

CAPITAL MARKETS

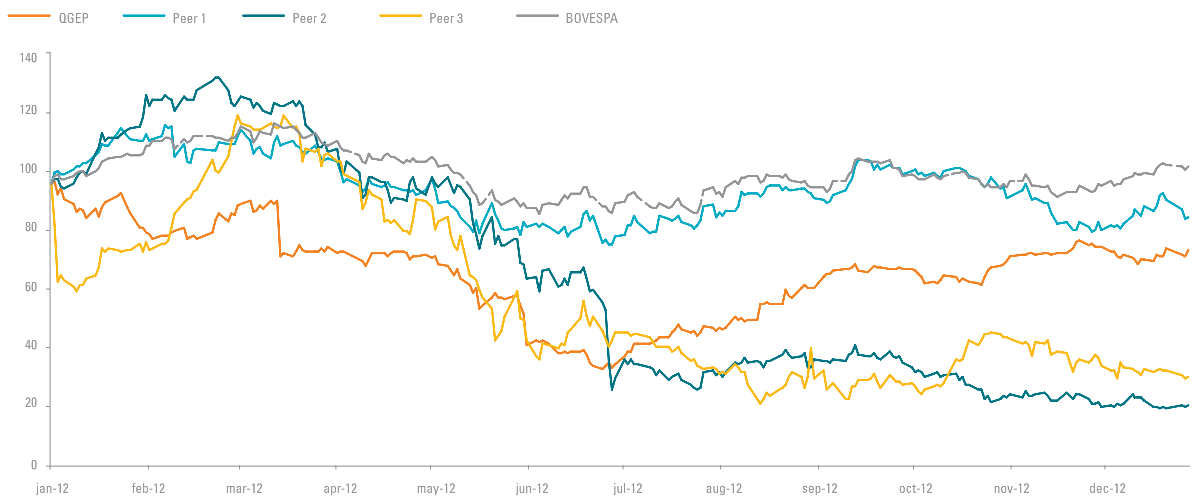
Representing a market value of R$3.5 billion, QGEP's stock price (Ticker: QGEP3) was R$13.12 at the end of 2012, down 20.5% from December 31, 2011. Nonetheless, QGEP was the best performing oil and gas stock listed on the Bovespa based on price performance in the second half of 2012, with an average financial volume of R$9.3 million and an average daily volume of approximately 1,700 trades.

In January 2012, the Company was also selected for inclusion in the Brazil Index (IBrX), which tracks the BM&FBovespa's Top 100 companies in terms of negotiability. During the year, the support of the Company's stock was further espoused by the addition of one sell-side analyst, amounting to 16 sell-side analysts that cover QGEP, representing both domestic and international banks and brokerages. At the end of 2012, 13 of the analysts had BUY recommendations and three had NEUTRAL recommendations on the Company. The stock's average target price was R$17.40.

During 1H12, exploratory drilling at the Ilha do Macuco well (BM-S-12) did not find any potentially productive zones, which affected QGEP's asset portfolio. This change was reflected on the share price performance in the period. On the other hand, in 2H12, the Carcará discovery (BS-8) and the performance of the Manati Field drove the share price up at a faster pace than its main peers.

The payment of dividends to shareholders is enshrined in QGEP's Bylaws and the provisions of the Corporations Act. To help ensure the Company's financial sustainability, dividend payments can only occur after the financial reserves reach 20% of the Company's share capital. As QGEP is in an investment phase, most of its profits are reinvested in its business, which minimizes the amount allocated to dividends. Company management proposed allocating R$783.45 in mandatory dividends, which represents 0.001% of adjusted net profit after allocation to the Legal Reserve, or R$0.000003 per common share.

SHARE PRICE PERFORMANCE: QGEP AND PEERS, 2012



Glossary

GLOSSARY

1. 1P or proven reserves: Amount of oil or gas from known reservoirs which, after analysis of geological and engineering data, can be estimated with reasonable certainty of being commercially recoverable at a given date, under existing economic and political conditions and using existing technology.

2. 2C: Contingent resources are those estimated to have equal chances of being reached or exceeded.

3. 2P: Reserves are the sum of proven and probable reserves, which is equivalent to a best estimate scenario.

4. 3C: Contingent resources are those estimated to have a high degree of uncertainty.

5. 3P: Reserves are the sum of proven, probable and possible reserves, which is equivalent to the highest estimate scenario.

6. Agência Nacional de Petróleo, Gás Natural e Biocombustíveis (ANP): Brazil's regulatory body for the oil and natural gas sector.

7. API: Method of expressing the relative density of an oil or derivative. The API (American Petroleum Institute) gravity scale, measured in degrees, varies inversely to relative density: the degree of API gravity is greater when the oil is lighter. Oils with an API degree greater than 30 are considered light, between 22 and 30 degrees API, are average, below 22 degrees API are heavy, while an API degree of less than or equal to 10 is extra heavy oil. The higher the degree of API, the greater the market value of the oil. Water depth is 401-1,500 m.

8. Associated gas: Natural gas which is produced along with oil.

9. Basin: Depression in the earth's crust where sedimentary rocks accumulate, and which may be oil and/or gas bearing.

10. Barrel of oil equivalent: Barrels of equivalent oil per day.

11. Barrel of oil or bbl: One stock tank barrel is the standard measure of oil volume, and is equal to about 159 liters.

12. Bbl/day: Barrels per day. Method of expressing the relative density of an oil or derivative.

13. Block(s): Part(s) of a sedimentary basin, with a polygonal surface defined by the geographic coordinates of its vertices and indeterminate depth, where oil and natural gas exploration or production activities take place.

14. Boe (barrel oil equivalent): Measurement of volume of gas converted to barrels using a conversion factor in which 1,000 m^3 of gas is equal to 1 m^3 of oil/condensate (energy equivalent) and 1 m^3 of oil/condensate equal to 6.29 barrels.

15. Boed field: Area which includes the horizontal projection of one or more reserves containing oil and/or natural gas in commercial quantities.

16. Bpd: Barrels per day.

17. Brent dated: Published daily by Platts Crude Oil Marketwire, it is the price of physical cargo of Brent crude oil leaving the Sullom Voe terminal in Great Britain, 7 to 17 days after the closing date.

18. CCOS: Commercial Chance of Success.

19. Commercial Prospects: Potential mapped by geologists and geophysicists to determine the commercial viability of an oil or natural gas field that is ready to be drilled.

20. Completion: After completing a well for production the hole is lined with steel pipes and encased by a layer of cement to prevent leaks or the collapse of its walls. A special bit then drills holes through the steel and cement, allowing liquid from oil or gas bearing areas to flow into the well. Another smaller diameter pipe (the production column) is used to bring these liquids to the surface. A set of valves known as a Christmas tree is fitted to the wellhead to control production.

21. Concession: State grant for the right to access a particular area for a specified period of time, and allowing certain rights for the hydrocarbons discovered to be transferred from the country in question to the concession company.

22. Condensate: Liquid present in natural gas produced from gas fields, which is separated and kept in a liquid state under normal pressure and temperature conditions.

23. Contingent resources: Quantities of oil, condensate and natural gas that are potentially recoverable from known fields, but which at present are not considered to be commercially recoverable due to one or more contingencies.

24. Crude oil: Oil which has yet to be processed at a refinery.

25. Deep water: Qater depths of 401-1,500 meters.

26. Discovery: Any find of petroleum, natural gas or other hydrocarbons, minerals and mineral reserves in a concession, regardless of quantity, quality or commercial prospects, which is confirmed by at least two detection or evaluation methods (as defined by the ANP concession agreement). To be considered commercial, a discovery must present positive market returns on an investment for its development and production.

27. Downstream: Activities involving the refining of crude oil, natural gas processing, transportation and oil marketing/distribution.

28. E&P: Exploration and Production.

29. EBITDA: Earnings before interest, taxes, depreciation and amortization expenses.

30. EPC: Engineering, Procurement and Construction. Describes a company or group of companies responsible for the implementation of the various phases of a project, involving materials procurement, contracting services and physical construction.

31. Exploration success rate: Number of exploratory wells where commercial oil and/or gas reserves are found in relation to the total number of exploratory wells drilled and evaluated over a specific period, typically one year.

32. Farm-in and farm-out: Process of partial or total acquisition of concession rights held by another company. The company that is acquiring the concession rights is in the process of a farm-in, and the company that is selling the concession rights is in the process of a farm-out.

33. FOB: Freight (or free) on board, meaning that the seller pays for transportation of the goods.

34. Formation: Group of rocks or minerals that have specific similar characteristics of composition, age, origin or other properties.

35. FPSO: Floating Production Storage Offloading.

36. Friable sandstone: The friability of sandstone is directly related to the forces of compression, or the type of cementation and dissolution of the grains at the contact points. Cementation is the predominant factor in determining the consolidation of a sandstone. The most common cements are quartz, calcite (calcium carbonate) and dolomite (magnesium carbonate). The cementing agent reduces the porosity and permeability by filling the pores of the rock formations, so that confined environments with a low occurrence of cementing minerals will commonly result in high permeability reservoirs, which have a high potential for oil and sand production. The primary requirement for identifying friable sandstone is the definition of its geological deposition model, which allows us to choose the best technique for containing the sand from the reservoir being explored.

37. Fuel oil: A heavy fraction obtained from petroleum distillation. Widely used as industrial fuel in boilers, ovens etc.

38. Gas lift: A method used in various types of pumping to artificially lift the oil. The liquid is lifted by injecting a pressurized gas into the production column, through valves located close to the producing interval. The gas mixes with the oil which reduces the oil's density and makes the reservoir pressure sufficient to lift the oil to the surface.

39. GCOS: Geological Chance of Success.

40. Gross contingent resources: Total contingent resources.

41. Ibama: Brazilian Institute of the Environment and Renewable Natural Resources.

42. IGP-DI (General Price Index): Calculated monthly by the Getulio Vargas Foundation, it is one of Brazil's most widely used consumer price and inflation metrics.

43. ***In situ***: Amount of oil or gas originally contained in place in any reservoir, before production.

44. Installed capacity: A project's capacity, as authorized by the ANP.

45. Liquefied natural gas (LNG): Natural gas in a liquid state under a given surface pressure and temperature. Obtained in the field separation processes, in natural gas processing units or in pipeline transfer operations.

46. Liquefied petroleum gas (LPG): A mixture of high vapor pressure hydrocarbons which are separated from natural gas using special process units and stored a liquid state under special conditions on the surface.

47. MMm³/day: Millions of cubic meters per day.

48. Natural gas: Any hydrocarbon or mixture of hydrocarbons that remain in gaseous state in normal atmospheric conditions, extracted directly from oil or gas reservoirs, including wet, dry, residual and rare gases.

49. Net contingent resources: The company's share of the contingent resources.

50. Non associated gas: Gas from reservoirs that contain little or no oil. Non associated gas from reservoirs that are not connected with any known source of liquid petroleum is known as dry gas.

51. Offshore: A location or operation on or under the sea.

52. Oil: The portion of existing oil in the liquid phase in the original conditions of the reservoir and which remains liquid in the conditions of temperature and pressure surface.

53. Onshore: A location or operation on or under the land.

54. OPEC: Organization of the Petroleum Exporting Countries. Its members are Algeria, Indonesia, Iran, Iraq, Kuwait, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.

55. Operator: A company legally designated to direct and execute all operations and activities in a concession area, under the provisions of the agreement between the ANP and the concessionaire.

56. Petroleum: Any liquid hydrocarbon in its natural state, such as crude oil or condensate.

57. Possible reserves: Possible reserves are those additional reserves which analysis of geoscience and engineering data indicate the less probability to be recovered than probable reserves.

58. Probable reserves: Are the quantities of oil that, through analysis of geoscience and engineering data, estimate that have the same chance (50%/50%) to be reached or exceeded.

59. Prospective resources: The amount of technically and economically recoverable oil.

60. Proven reserves: Amount of oil or gas from known reservoirs which, after analysis of geological and engineering data, can be estimated with reasonable certainty of being commercially recoverable at a given date, under existing economic and political conditions and using existing technology.

61. PRMS: Petroleum Resources Management System.

62. Rating: Risk classification or evaluation.

63. Recoverable volume: Volume of oil, expressed in basic conditions, which can be obtained as a result of the production of a reservoir, from the initial conditions until its abandonment, through the best alternative indicated by the technical-economic studies performed until the time of evaluation.

64. Reserves: Amounts of oil or gas anticipated to be commercially recoverable through the implementation of development projects in known fields, at a given date and under specified conditions.

65. Reservoir: Sedimentary rocks in the subsurface with sufficient porosity and permeability to store and allow the flow of fluids/hydrocarbons contained in its pores.

66. Riser: Vertical conduit of a subsea oil well to transport oil or gas to a surface drilling facility.

67. Shallow water: Water depths of 400 meters or less.

68. Ultra-deep waters: Water depths of over 1,500 meters.

Financial statements

Management Report

Dear Shareholders:

We hereby present the Management Report and Consolidated Financial Statements for the fiscal year ended December 31, 2012.

QGEP ended 2012 with significant positive momentum, posting double-digit increases across key financial metrics in the fourth quarter, including revenues, EBITDAX and net income. At the same time, we made important progress on a number of key operations that will drive future growth.

Throughout the year, we executed effectively on our strategy of building a diversified oil and gas exploration and production company that is known for its highly skilled technical team, its high quality asset portfolio and its strong balance sheet. As we review 2012 performance and our outlook for 2013 and beyond, we believe that our investment thesis as a well-balanced Company positions us well for future growth. We derive significant operating cash flow from our 45% ownership in Manati Field, Brazil's largest producing natural gas field, and our operations at the Atlanta Field, where drilling will begin later this year, will support the continuity of our operational cash flow over the near-term. On the exploration side, we have several partnership interests, including two operatorships in blocks with both pre-salt and post-salt exposure. This diversification combined with our strong net cash position gives QGEP the flexibility required to effectively navigate evolving market conditions.

Our advancements in 2012 have laid the foundation for QGEP's continued progress in the periods ahead.

Specifically,

- Strong demand from Brazil's thermal power plants drove high production levels in our Manati gas Field, where we produced an average of 6.1 MMm^3 of natural gas per day in 2012, after reaching 6.7 MMm^3 and 6.6 MMm^3, in the second and third quarter, respectively;
- We concluded the drilling at the Carcará well in Block BM-S-8 and data obtained thus far has been encouraging. These data obtained from drilling, along with the Operator's experience in the area allow the Consortium to estimate a high potential flow rate from reservoirs in the Carcará well region. The Consortium has submitted a revised Evaluation Plan to the ANP and plans to drill an extension well during the 2H13, where it will perform a drill stem test;
- QGEP received ANP approval for the development of the Atlanta Field at Block BS-4, where we are the operator. This asset offers important production and cash flow potential to QGEP over the medium-term and provides the Company with both pre and post-salt potential;
- We successfully negotiated a farm-in agreement for the BM-C-27 Concession at Campos Basin, which already has one identified pre-salt prospect, Guanabara Profundo, in an area that will also provide us with valuable geological knowledge for potential future projects in the region;
- As of this writing, we are in final discussions to secure a rig to finish drilling the Alto de Canavieiras prospect (JEQ#1) at Block BM-J-2 in the Jequitinhonha Basin, considered an emerging basin. We have 100% ownership interest here, where the main targets are pre-salt reservoirs that will be explored in the near term.

In 2012, QGEP retained its position as one of the financially strongest independent oil and gas companies in Brazil. We ended the year with record cash flow from operations of R$254 million and cash and liquid investments of R$952 million. This positions us well as we participate in the 11th ANP Bidding Round, which is scheduled to take place in May of this year. The round will offer 289 blocks, in 11 basins, totaling 155.8 thousand square kilometers, with the majority located in frontier exploration areas. Given the flexibility afforded by our balance sheet, we expect to participate in the event analyzing the opportunities in a diligent and prudent manner in order to further expand and diversify our asset portfolio.

On April 25, 2012, we announced that José Augusto Fernandes would step down as CEO of QGEP, after 16 years of leading all the E&P operations of the Queiroz Galvão Group. Mr. Fernandes remains involved with QGEP as a member of the Board of Directors while the CEO position was assumed by Lincoln Rumenos Guardado. Mr. Guardado has worked in the oil and gas business, both domestically and internationally for over 35 years and has previously served as QGEP's Director of Exploration.

In November, 2012, QGEP's Board of Directors nominated Mr. Sergio Michelucci Rodrigues as the Company's new Director of Exploration and he continued to implement our exploration growth strategy. Mr. Michelucci has more than 30 years working at the sector, including 35 years at Petrobras where he served in numerous technical and management positions and has worked in a variety of sedimentary basins in Brazil, as well as in other countries.

The achievements of 2012 could not have been accomplished without the expertise and commitment of our management team, operating executives, employees and the support of our stakeholders. We appreciate your interest and recognition of the value and potential that QGEP represents in Brazil's oil and gas industry. 2013 looks to be a promising time for the Company, and we look forward to updating the market on our progress.

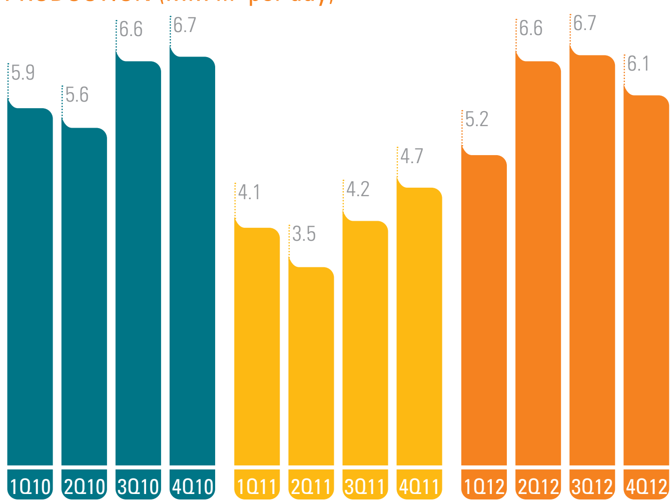
OPERATIONAL ASSET

MANATI FIELD

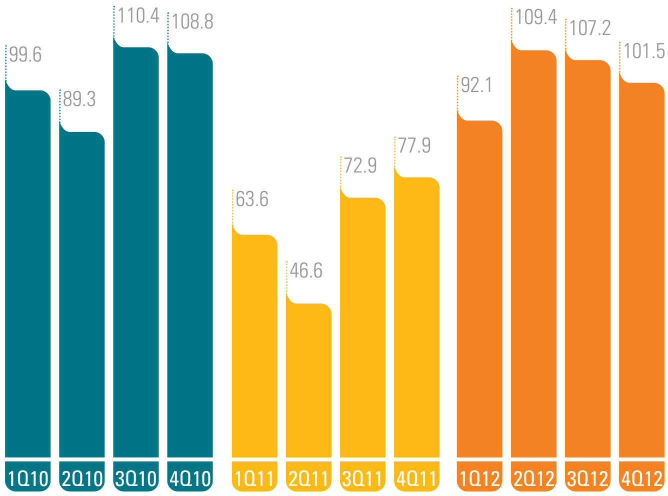
With a 45% net interest, QGEP has the majority ownership in the Manati Field, one of the largest non-associated producing gas fields in Brazil. The Field, located in the Camamu Basin, is operated by Petrobras. At December 31, 2012, the Field contained 3P reserves of 56.8 million boe of natural gas and condensate net to QGEP (GCA Certified Reserves as of December 2011 excluding 2012 production).

Production from the Manati Field, as outlined in the historical profile below, accounts for all of QGEP's revenues and operating cash flow. QGEP is part of the consortium that owns the production facilities, including the platform, pipeline and gas treatment plant, which helps to keep operating costs low at the Field.

DAILY AVERAGE GAS PRODUCTION (MM m³ per day)



DAILY AVERAGE CONDENSATE PRODUCTION (m^3 per day)



RECENT CORPORATE DEVELOPMENTS

- QGEP created an offshore structure to support activities in the Atlanta Field, where QGEP is the operator. These activities relate to acquisitions, budgeting, construction, purchases, sales and the leasing of materials and equipment used for exploration and production in the area. In November 2012, Atlanta Field B.V. (AFBV) was established and QGEP Netherlands B.V. ("QGEP Netherlands") was created in January, 2013. QGEP Netherlands is a wholly owned subsidiary of Queiroz Galvão Exploração e Produção and has a 30% participating interest in AFBV.
- On November 30, 2012, Manati S.A. was incorporated into Queiroz Galvão Exploração e Produção S.A., its wholly owned controller.

ECONOMIC AND SECTOR OVERVIEW

Since posting a 7.5% GDP growth rate in 2010, Brazil's performance has been below expectation, slowing to 2.7% in 2011 and 0.9% in 2012. The deceleration experienced in 2011 was the result of several negative global factors and a downward credit cycle. The Central Bank reduced the SELIC, Brazil's basic interest rate, to a record low 7.25% in 2012, down from a peak of 12.5% in 2011. Despite sluggish economic growth, the official IPCA consumer price index closed above the government's 4.5% target at 5.84% in 2012, compared to 6.5% in 2011. However, in this scenario the 6.1% growth of the power energy and oil derivatives is a highlight.

In the second half of 2012, the economy gained traction and Brazil's growth pace rebounded to around 4.5%. An improvement in consumption appears to be leading the initial recovery, but the resumption of capex and infrastructure will ultimately provide more sustainability to the growth outlook for 2013. Ongoing inflationary pressures still remain an area of concern.

At the close of 2012, the exchange rate stood at R$2.05/US$, compared to R$1.87/US$ in 2011. Market consensus is that the exchange rate will be held around R$2 – R$2.10 to the dollar for the foreseeable future.

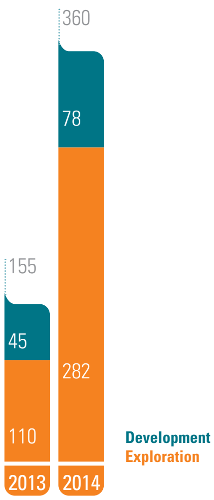
Despite uncertainties worrying the market in 2012, including the deceleration of the global economy which caused world oil demand growth forecasts to consistently be revised downward and volatility in oil price movements, Brent Crude price held up and closed the year at US$111, averaging US$112 for the period, a record year for Brent price.

CAPEX

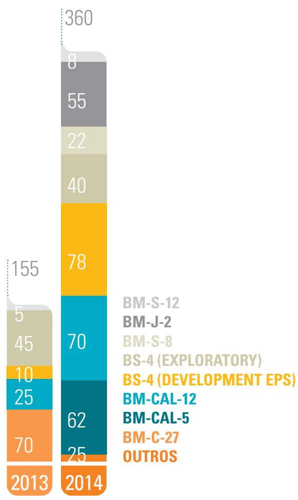
In 2012, QGEP incurred expenditures for exploration activities in the amount of R$87.0 million, which mostly included R$53.3 million for drilling at Block BM-S-8 and R$26.1 million related to block BM-S-12. In addition, R$12.7 million were incurred in expenditures on development of oil and gas in progress mainly related to Block BS-4. In the same period, R$125.5 million were written-off related to the Ilha do Macuco well in Block BM-S-12, including investments made in 2011 and 2012.

The expected breakdown of future CAPEX is outlined below:

CAPEX NET TO QGEP (US$ million)



CAPEX NET TO QGEP (US$ million)



FINANCIAL RESULTS

The following financial statements correspond to the Company's consolidated financial information for the year ended December 31, 2012.

Some percentages and other figures included in this performance report were rounded to facilitate presentation and therefore may present slight differences in relation to the tables and notes presented in the quarterly information. In addition, for the same reason, the totals presented in certain tables may not reflect the arithmetic sum of the preceding figures.

Below are major financial highlights for the fourth quarter and full year ended 2012:

CONSOLIDATED FINANCIAL INFORMATION (R$ million)

	4Q12	4Q11	Δ%	2012	2011	Δ%
Net Income (Loss)	47.3	23.8	98.8%	82.5	92.1	-10.5%
Amortization and Depreciation	20.8	15.5	33.5%	82.9	53.6	54.7%
Expenses Income/(Financial)	(16.0)	(25.3)	36.7%	(82.5)	(84.4)	2.2%
Income tax and social contribution	9.2	6.1	51.5%	40.0	29.1	37.7%
EBITDA[1]	**61.3**	**20.1**	**204.9%**	**123.0**	**90.5**	**35.9%**
Write-offs of sub commercial and dry wells	1.0	-	N/A	162.1	13.2	N/A
EBITDAX[2]	**62.2**	**20.1**	**209.9%**	**285.1**	**103.6**	**175.1%**
EBITDA Margin[3]	52.8%	24.2%	118.4%	26.6%	31.3%	-15.0%
EBITDAX Margin [4]	53.7%	24.2%	121.9%	61.7%	35.9%	72.0%
Net Debt[5]	(952.3)	(1,098.5)	13.3%	(952.3)	(1,098.5)	13.3%
Net Debt/EBITDAX	-3.34	-10.60	68.5%	-3.34	-10.60	68.5%

[1] We calculate EBITDA as profit before taxes and social contributions, net financial results and amortization expenses. EBITDA is not a financial measure according to Brazilian GAAP or International Reporting Norms (IFRS). It should also not be considered in isolation or as a substitute for net income, as a measure of operating performance, or as an alternative to operating cash flow as a measure of liquidity. Other companies may calculate EBITDA differently than us. Furthermore, EBITDA has limitations which inhibit its usefulness as a measure of our profitability as it does not consider certain costs inherent in our business, which could significantly impact our net results, such as financial expenses, taxes and amortization. EBITDA is utilized by us as an additional measure of our operating performance.

[2] EBITDAX= EBITDA + exploration expenditures with sub commercial and dry wells.

[3] EBITDA divided by net revenue.

[4] EBITDAX divided by net revenue.

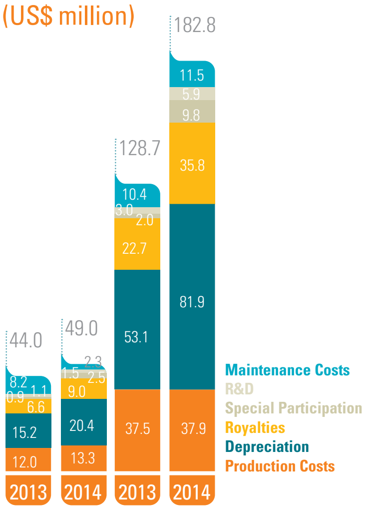
[5] Net debt corresponds to total debt, comprising current and long-term loans and financing and derivative financial instruments, less cash and cash equivalents and investments. Net debt is not recognized under Brazilian GAAP, U.S. GAAP, IFRS or any other generally accepted accounting principles. Other companies may calculate net debt differently.

OPERATING RESULTS

Net revenues for 4Q12 were R$116.0 million, a 39.6% increase over 4Q11, resulting from higher production at the Manati Field. For FY12, net revenues were R$462.3 million, a 60.0% increase over FY11, reflecting full production capacity at the Manati Field in 2012 and strong demand from Brazil's thermal power plants.

Operating costs were relatively stable in the 2012 fourth quarter at R$49.1 million compared to R$44.0 million for the same year-ago period when production levels were substantially lower. For FY12, operating costs were R$182.8 million, which included R$11.5 million in maintenance costs compared to R$128.7 million in 2011.

OPERATING COSTS (US$ million)



GENERAL AND ADMINISTRATIVE EXPENSES

G&A expenses were R$18.4 million in 4Q12, R$6.6 million higher than reported in 4Q11. For 2012, G&A expenses were R$63.3 million, above the R$59.5 million reported in 2011.

The reported amount for 2012 includes R$54.9 million in personnel expenses compared to R$43.9 million in 2011. The major part of this variation was related to the increase in personnel for operatorship at Block BS-4. On the other hand, part of these administrative expenses, R$13.1 million, was allocated to this project, where QGEP holds 30% of this amount and the remainder 70% is related to the partners of the block that reimburse expenses to the operator.

The remaining R$16.4 million in G&A expenses were linked to prior and current year profit sharing costs and change in management. 2011 expenses included R$23.1 million in incentive compensation linked to the successful completion of the Company's IPO.

EXPLORATION EXPENDITURES

Total exploration expenditures in 4Q12 were R$8.0 million and pertain to the acquisition, processing and analysis of seismic data, drilling plans, licensing and environmental studies and write-off of costs associated with noncommercial wells and non-operating reserves, among others. These costs are mainly related to activities at Blocks BM-S-12, BM-C-27, BM-CAL-12 and BM-S-8. Total exploration expenditures for 2012 amounted to R$177.0 million, the bulk of which was a R$125.5 million write-off for Block BM-S-12 and R$36.6 million related to the return of the Jequitibá discovery to the ANP, both which were largely incurred in the second quarter of 2012.

NET FINANCIAL INCOME

In 4Q12, the Company generated net financial income of R$16.0 million compared to R$25.3 million in 4Q11 due to lower interest rates. Net financial income for the quarter included the net effect of R$18.0 million in financial income and R$2.0 million in financial expenses. For full year 2012, net financial income was R$82.5 million compared to net financial income of R$84.4 million in 2011.

NET INCOME

The Company's net income was R$47.3 million in 4Q12, a 98.8% increase over 4Q11 levels as a result of improved production volumes from the Manati Field and lower exploration expenditures. For full year 2012, QGEP reported net income of R$82.5 million, which included exploration expenditures of R$177.0 million related principally to unsuccessful exploration activities at Block BM-S-12 and the return of the Jequitibá discovery to the ANP. For 2011, the Company reported net income of R$92.1 million.

BALANCE SHEET /CASH FLOW HIGHLIGHTS

CASH (CASH, CASH EQUIVALENTS AND INVESTMENTS))

At the end of 4Q12, the Company had a cash balance and net cash position of R$952.3 million.

Cash is invested in dedicated funds and fixed income assets, all in reais. The cumulative average yield of the portfolio at December 31, 2012 was 101.3% of the CDI rate and approximately 96% of the funds have daily liquidity.

ACCOUNTS RECEIVABLE/PAYABLE

Accounts receivable at the end of 2012 were R$92.8 million compared to R$99.1 million at the end of 3Q12, related to gas sales to Petrobras; Accounts payable were R$32.5 million at 2012 year end, up 6.1% from 3Q12. For full year 2011, accounts receivable and payable were R$76.1 million and R$292.5 million, respectively. In the end of 2011, accounts payable included R$243.1 million related to the acquisition of 30% interest in Block BS-4.

DEBT

The Company had no debt at the end of 2012. As previously reported, in the second quarter of 2012 the Company eliminated its debt, following the total repayment of the BNDES and BNB loans linked to Manati Field development.

OPERATING CASH FLOW

The Company had operating cash flow of R$69.2 million in 4Q12, 73.9% higher than in 4Q11, resulting from record operating cash flow of R$254.3 million for full year 2012 compared to R$194.2 million in FY11.

CAPITAL MARKET

Representing a market value of R$3.5 billion, QGEP's stock price (Ticker: QGEP3) was R$13.12 at the end of 2012, down 20.5% from December 31, 2011. Nonetheless, QGEP was the best performing oil and gas stock listed on the Bovespa based on price performance in the second half of 2012, with an average financial volume of R$9.3 million and an average daily volume of approximately 1,700 trades.

In January 2012, the Company was also selected for inclusion in the Brazil Index (IBrX), which tracks the BM&FBovespa's Top 100 companies in terms of negotiability.

During the year, the support of the Company's stock was further espoused by the addition of one sell-side analyst, amounting to 16 sell-side analysts that cover QGEP, representing both domestic and international banks and brokerages. At the end of 2012, 13 of the analysts had BUY recommendations and three had NEUTRAL recommendations on the Company. The stock's average target price was R$17.40.

DIVIDENDS

The Company's bylaws set forth the following rules for distributing its profits:

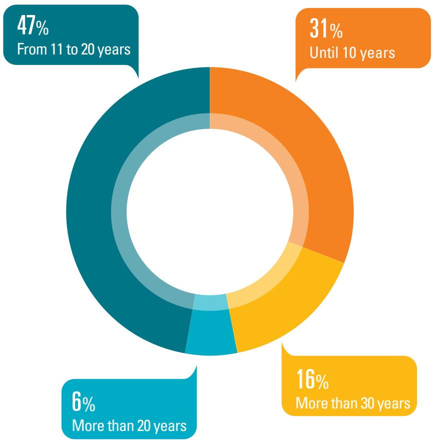
- 5% (five percent) of the net income in each fiscal year will be allocated to the legal reserve until it reaches 20% (twenty percent) of the Company's capital stock;
- Shareholders are guaranteed the minimum dividend of 0.001% on income, as set forth in Brazilian Corporate Law, after 5% of net income from the year have been allocated to the legal reserve until that reserve reaches 20% of the Company's capital stock; and
- Any remaining balance of net income from the year will be allocated in accordance with the decisions made at the Company's Annual Shareholders' Meeting.

HUMAN RESOURCES

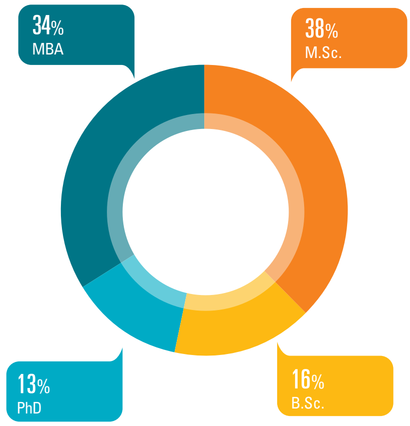
QGEP is supported by a skilled team of operating executives and technical personnel with vast experience in the oil and gas sector, both in Brazil and abroad. Our growing team of professionals possesses skillsets ranging from the areas of geology, geophysics and reservoir engineering to production and drilling. Most held senior roles at Petrobras and have played active roles in major discoveries in several Brazilian basins, including the Manati, Garoupa, Marlim, Albacora and Roncador Fields. Our administrative and financial team round out the remaining group of QGEP employees, most of which have been trained by Queiroz Galvão Group. At the close of 2012, the Company had approximately 85 total employees, including QGEP employees and third-party workers, a 42% increase compared to our 2011 workforce. Our operations are conducted according to the highest performance standards and we remain committed to the safety and welfare of all of our employees.

Below is an overview of our technical team:

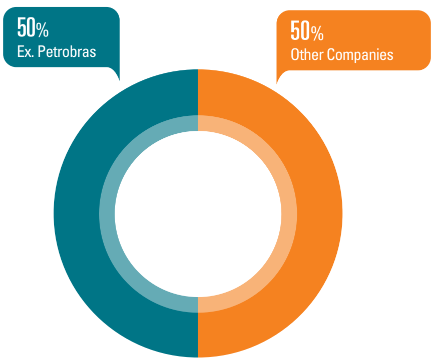
YEARS OF EXPERIENCE



SCHOLARSHIP



BACKGROUND



SOCIAL RESPONSIBILITY

QGEP's activities are firmly rooted in ethical principles, sound corporate governance and respect for the environment. We strive to be among the top E&P companies considered as the best companies to work for in Brazil. Our goal is to encourage social responsibility initiatives, job creation, the engagement of services and business operations deemed among the best in terms of integration and excellence. QGEP is committed to acting safely and responsibly in order to minimize the environmental impact of its activities and to benefit the local communities in the areas surrounding its operations.

Throughout 2012, we continued to work on three important social and environmental projects in the regions spanning from Ilhéus to Belmonte, located in the south of Bahia, areas under direct influence of Block BM-J-2, which QGEP owns 100% stake and is the operator. The Fishing Boat Arrival Monitoring Project aims to collect information on fish boat arrivals based on primary data concerning the region's main fishing activities. The project, which has been in operation for a year and a half, has most recently been able to contribute applicable information to those involved with Brazilian fishing surveying, as well benefit those in the neighboring communities. QGEP also maintained its support for the Beach Monitoring Project (BMP), whereby experienced biologists and veterinarians supporting the population, as well as conducting the necessary monitoring activities and informative campaigns. The Company also made the first deliveries associated with the Fishing Compensation Plan. The project determined compensations based on the open dialog with the traditional communities identified in this municipalities.

In addition to these environmental projects, QGEP also continued its support of educational, cultural and sports incentive programs, including Viva Vôlei, and in 2012 oversaw the operations of two sports centers, one in Canavieiras and the other in Campinhos, both located in the State of Bahia. Furthermore, the Company maintained its partnership with the Portinari Project and presented the "Portinari para Todos" ("Portinari for All") project at the UN Conference on Sustainable Development (Rio+20), with educators conducting workshops that were attended by over 80,000 children.

In keeping with our commitment to transparency and corporate governance, the company published its first Annual Sustainability Report for fiscal year 2011, which was in accordance with the guidelines set by the Global Reporting Initiative (GRI). Through dialogue with several QGEP stakeholders and an online survey, the Company was able to identify key issues that were top-of-mind for each particular group. Additionally, the Company conducted an internal audit of its Integrated Management System and the results will be used to implement improvements in the Company's standards, goals and targets, while also ensuring the highest levels of safety, environmental and health management.

RELATIONS WITH THE INDEPENDENT AUDITORS

The Company's policy regarding its relationship with the external auditors in the provision of services not related to financial statements auditing is supported by principles that safeguard their independence. These principles are based on the belief that auditors should not audit their own work, nor exercise managerial functions, advocate on behalf of their clients or provide any professional services that could be considered restricted under current regulations.

Deloitte Touche Tohmatsu Auditores Independentes were engaged by QGEP Participações S.A. to provide financial statements auditing services related to its financial statements and those related to its subsidiaries for the fiscal year 2012. Our independent auditors did not perform any other professional services for the Company, other than the financial statements audit of the Company and its subsidiaries.

Rio de Janeiro, March 13, 2013.

QGEP Management

Independent Auditor's Report on the Financial Statements

Deloitte Touche Tohmatsu
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(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
QGEP Participações S.A.
Rio de Janeiro - RJ

Introduction

We have audited the individual and consolidated financial statements of QGEP Participações S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2012 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board - IASB, and in accordance with the accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte Touche Tohmatsu

Opinion on the Individual Financial Statements

In our opinion, the individual financial statements present fairly, in all material aspects, the financial position of QGEP Participações S.A. as at December 31, 2012, its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of QGEP Participações S.A. as at December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB and accounting practices adopted in Brazil.

Emphasis of Matter

As described in Note 2 to the financial statements, the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of QGEP Participações S.A. these accounting practices differ from the IFRS, applicable to separate financial statements, only with respect to the measurement of investments in subsidiaries by the equity method of accounting, which, for purposes of IFRS would be measured at cost or fair value. Our opinion is not qualified in respect of this matter.

As mentioned in Note 1, through the present date, the transfers of the concession contracts for the exploration of oil and natural gas of Petróleo Brasileiro S.A. ("Petrobras") in respect to the blocks C-M-122, C-M-145 and C-M-146 (part of concession BM-C-27) are still pending the approval of the Brazilian industry regulator, the ANP ("Agência Nacional de Petróleo, Gás Natural e Biocombustiveis"). Our opinion is not qualified in respect of this matter.

Other matters

Statements of Value Added

We have also audited the individual and consolidated statements of value added ("DVA"), for the year ended December 31, 2012, prepared under the responsibility of the Company´s management, presentation of which is required by the Brazilian Corporate Law for publicly-traded companies and as supplemental information for IFRS that does not require the presentation of DVA statements. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, March 11, 2013

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU
Auditores Independentes

John Alexander Harold Auton
Engagement Partner

Balance Sheet

At december 31, 2012
(In thousands of Brazilian *reais* – R$)

	Note	Parent company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
		12/31/2012	12/31/2011	12/31/2012	12/31/2011
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	4	665	2,705	871,322	1,021,951
Short-term investments	4	-	-	80,947	130,479
Accounts receivable	5	-	-	92,769	76,140
Inventories	6	-	-	9,403	5,362
Recoverable taxes	9.1	-	-	35,698	20,698
Dividends receivable	10.2	2,428	2,716	-	-
Others		107	100	9,924	3,477
Total current assets		3,200	5,521	1,100,063	1,258,107
NONCURRENT ASSETS					
Restricted cash	8	-	-	24,231	60,968
Recoverable taxes	9.1	-	-	430	167
Deferred income tax and social contribution	9.3	-	-	-	5,800
Investments	10	2,224,776	2,170,498	-	-
Property, plant and equipment	11	-	-	773,188	869,425
Intangible	12	-	-	536,130	535,205
Others		-	-	-	51
Total noncurrent assets		2,224,776	2,170,498	1,333,979	1,471,616
TOTAL ASSETS		2,227,976	2,176,019	2,434,042	2,729,723

The accompanying notes are an integral part of these financial statements.

	Note	Parent company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
		12/31/2012	12/31/2011	12/31/2012	12/31/2011
LIABILITIES AND NET EQUITY					
CURRENT LIABILITIES					
Suppliers		101	83	32,517	26,652
Trade accounts payable		-	-	-	265,895
Borrowings and financing	13	-	-	-	51,992
Taxes payable	9.2	37	28	23,795	24,438
Payroll and related taxes		41	32	11,712	1,453
Related party transactions	7	0	113	85	500
Provision for research and development		-	-	9,020	6,035
Other obligations		-	-	12,654	18,383
Total current liabilities		179	256	89,783	395,348
NONCURRENT LIABILITIES					
Borrowings and financing	13	-	-	-	51,565
Provision for abandonment	15	-	-	116,462	107,047
Total noncurrent assets		-	-	116,462	158,612
NET EQUITY					
Capital stock	23	2,078,116	2,078,116	2,078,116	2,078,116
Legal reserve		10,510	6,387	10,510	6,387
Investment reserve		165,873	87,529	165,873	87,529
Stock options	23	12,197	3,731	12,197	3,731
Share held in treasury	24	(38,899)	-	(38,899)	-
Total net equity		2,227,797	2,175,763	2,227,797	2,175,763
TOTAL LIABILITIES AND NET EQUITY		2,227,976	2,176,019	2,434,042	2,729,723

The accompanying notes are an integral part of these financial statements.

Statement of Income

For the year ended december 31, 2012
(In thousands of Brazilian *reais* – R$)

	Note	Parent company (BRGAAP)		Consolidated (BRGAAP and USGAAP)	
		01/01/2012 to 12/31/2012	01/01/2011 to 12/31/2011	01/01/2012 to 12/31/2012	01/01/2011 to 12/31/2011 (resubmmited)
NET REVENUE	16	-	-	462,306	289,007
COSTS	17.1	-	-	(182,801)	(128,722)
GROSS PROFIT		-	-	279,505	160,285
OPERATING INCOME (EXPENSES)					
General and administrative expenditure	17.2	(2,839)	(3,565)	(63,285)	(59,547)
Equity method	10	85,179	95,289	-	-
Oil and gas exploration expenditure	18	-	-	(176,978)	(56,620)
Other net operating		-	-	779	(7,261)
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME		82,340	91,724	40,021	36,857
FINANCIAL INCOME, NET	19	128	413	82,477	84,354
INCOME BEFORE INCOME TAX SOCIAL CONTRIBUTION		82,468	92,137	122,498	121,211
Deferred Income tax and social contribution	9.3	-	-	(5,800)	2,939
Current Income tax and social contribution	9.3	-	-	(34,230)	(32,013)
NET INCOME FOR THE YEAR		82,468	92,137	82,468	92,137
NET INCOME PER SHARE – BASIC AND DILUTED	23	0.31	0.36	0.31	0.36

The accompanying notes are an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended December 31, 2012
(In thousands of Brazilian *reais* – R$)

	Note	Parent company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
		01/01/2012 to 12/31/2012	01/01/2011 to 12/31/2011	01/01/2012 to 12/31/2012	01/01/2011 to 12/31/2011
Net income for the year		82,468	92,137	82,468	92,137
Other comprehensive income		-	-	-	-
Comprehensive income of investees recognized by the equity method		-	-	-	-
Total comprehensive income for the year		82,468	92,137	82,468	92,137
Owners of the Company		82,468	92,137	82,468	92,137
Non-controlling interests		-	-	-	-

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

For the year ended December 31, 2012
(In thousands of Brazilian *reais* – R$)

			Income reserve		Capital reserves				
	Note	Capital stock	Legal reserve	Investment reserve	Stock options	Shares held in treasury	Propposal for additional dividends	Retained earnings	Total
BALANCE AT DECEMBER 31, 2010		620,417	1,780	-	-	-	106	-	622,303
Capital increase: resolution of the Board of Directors of February 7, 2011		1,317,460	-	-	-	-	-	-	1,317,460
Capital increase: resolution of the Board of Directors of March 2, 2011		197,619	-	-	-	-	-	-	197,619
Net income for the year		-	-	-	-	-	-	92,137	92,137
Appropriation of profit for the year:									
Legal reserve		-	4,607	-	-	-	-	(4,607)	-
Investment reserve		-	-	87,529	-	-	-	(87,529)	-
Minimum mandatory dividends		-	-	-	-			(1)	(1)
Dividends paid		-	-	-	-	-	(106)	-	(106)
Stock option		-	-	-	3,731	-	-	-	3,731
Cost of share issue		(57,380)	-	-	-	-	-	-	(57,380)
BALANCE AT DECEMBER 31, 2011		2,078,116	6,387	87,529	3,731	-	-	-	2,175,763
Net income for the year		-	-	-	-	-	-	82,468	82,468
Appropriation of profit for the year:									
Legal reserve		-	4,123	-	-	-	-	(4,123)	-
Investment reserve		-	-	78,344	-	-	-	(78,344)	-
Minimum mandatory dividends		-	-	-	-	-	-	(1)	(1)
Stock option		-	-	-	8,466	-	-	-	8,466
Shares held in tresury	24	-	-	-	-	(38,899)	-	-	(38,899)
BALANCE AT DECEMBER 31, 2012	23	2,078,116	10,510	165,873	12,197	(38,899)	-	-	2,227,797

The accompanying notes are an integral part of these financial statements.

Statements of Value Added

For the year ended December 31, 2012
(In thousands of Brazilian *reais* – R$)

	Note	Parent company 01/01/2012 to 12/31/2012	Parent company 01/01/2011 to 12/31/2011	Consolidated 01/01/2012 to 12/31/2012	Consolidated 01/01/2011 to 12/31/2011
REVENUES		-	-	691,534	898,777
Gas sales	16	-	-	586,053	372,020
Other revenues		-	-	779	383
Revenues related to own assets of construction	11	-	-	104,702	221,084
Acquisition of exploratory concession	12	-	-	-	305,290
INPUTS ACQUIRED FROM THIRD PARTIES (including Tax – ICMS, IPI, PIS and COFINS)		718	1,677	365,257	669,472
Gas production and service costs		-	-	228,475	100,991
Material, energy and other service		718	1,677	120,597	561,300
Others		-	-	16,186	7,181
GROSS VALUE-ADDED		(718)	(1,677)	326,276	229,305
DEPRECIATION, AMORTIZATION AND EXHAUSTION		-	-	82,919	53,606
NET VALUE-ADDED PRODUCED BY THE ENTITY		(718)	(1,677)	243,357	175,699
VALUE-ADDED RECEIVED IN TRANSFER		85,308	95,711	110,721	153,276
Equity income and dividends	10	85,179	95,288	-	-
Financial income	19	129	423	84,135	153,276
Monetary/Exchange variation		-	-	26,586	-
TOTAL VALUE-ADDED TO BE DISTRIBUTED		84,590	94,034	354,079	328,975
VALUE-ADDED DISTRIBUTION					
Personnel					
Personnel		1,766	1,462	39,253	32,668
Benefits		5	-	1,258	540
Charges and fees		-	-	866	270
Others		-	-	-	-
		1,771	1,462	41,377	33,478
TAXES					
Federal		340	327	99,654	64,441
State		-	-	55,134	42,109
Municipal		-	-	30	29
ANP (bonus e royalties)	17.1	-	-	45,649	24,711
		340	327	200,467	131,290
PAYMENT OF THIRD PARTY CAPITAL					
Interest		-	10	3,356	20,421
Rentals		-	-	1,074	578
Bank charges		11	98	447	2,570
Monetary/Exchange variation		-	-	24,890	48,501
		11	108	29,767	72,070
SHAREHOLDERS					
Net income for the year	23	82,468	92,137	82,468	92,137
		82,468	92,137	82,468	92,137
DISTRIBUTION OF VALUE ADDED		84,590	94,034	354,079	328,975

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flow

For the year ended December 31, 2012
(In thousands of Brazilian *reais* – R$)

	Note	Parent Company (BRGAAP)		Consolidated (BRGAAP and IFRS)	
		01/01/2012 to 12/31/2012	01/01/2011 to 12/31/2011	01/01/2012 to 12/31/2012	01/01/2011 to 12/31/2011
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income for the year		82,468	92,137	82,468	92,137
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Equity method	10	(85,179)	(95,289)	-	-
Depreciation and amortization	11/12	-	-	82,919	53,606
Deferred income tax and social contribution	9.3	-	-	5,800	(2,939)
Financial charges and exchange rate (gain) loss on borrowings and financing	13	-	-	2,648	17,431
Provision for guarantees – return of the blocks		-	-	-	(10,555)
Reduction of fixed assets and intangibles	11	-	-	118,463	14,067
Stock option plan	23	-	3,731	8,466	3,731
Provision for income tax and social contribution	9.3	-	-	34,230	32,013
Provision for research and development		-	-	2,985	1,034
Financial instruments derivatives		-	-	-	(308)
Exchange rate on Trade accounts payable - acquisition of the exploration block	19	-	-	(22,773)	40,259
Exchange rate on provision for abandonment	19	-	-	9,415	11,962
(Increase) decrease in operating assets:					
Trade accounts receivable		-	-	(16,629)	5,867
Recoverable taxes	9.1	-	-	(15,263)	(19,491)
Other assets		(7)	(2,157)	(10,438)	(6,593)
Increase (decrease) in operating liabilities:					
Suppliers		18	54	5,865	6,852
Taxes payable	9.2	9	28	2,653	(2,602)
Interest paid	13	-	-	(3,075)	(19,059)
Income tax and social contribution paid		-	-	(37,526)	(27,555)
Related parties	7	(113)	(547)	(415)	(680)
Other liabilities		9	(13)	4,539	5,043
Net cash provided by (used in) operating activities		(2,795)	(2,056)	254,332	194,219
CASH FLOWS FROM INVESTING ACTIVITIES					
Restricted cash	8	-	-	36,737	49,603
Short term investments	4	-	-	49,532	(130,479)
Payment of investment	10.2	-	(1,463,061)	-	-
Payment of property, plant and equipment	11	-	-	(104,702)	(221,084)
Payment of intangible	12	-	-	(244,498)	(305,290)
Dividends received	10.2	39,655	5,000	-	-
Net cash provided by (used in) investing activities		39,655	(1,458,061)	(262,931)	(607,250)
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital increase	23	-	1,515,079	-	1,515,079
Cost of share issue	23	-	(57,380)	-	(57,380)
Shares held in treasury	24	(38,899)	-	(38,899)	-
Payment of financing	13	-	-	(103,130)	(159,836)
Payment of dividends	23	(1)	(106)	(1)	(106)
Net cash provided by (used in) financing activities		(38,900)	1,457,593	(142,030)	1,297,757
Increase (decrease) in cash and cash equivalents		(2,040)	(2,524)	(150,629)	884,726
Cash and cash equivalents at beginning of year		2,705	5,229	1,021,951	137,225
Cash and cash equivalents at end of year		665	2,705	871,322	1,021,951
Increase (decrease) in cash and cash equivalents		(2,040)	(2,524)	(150,629)	884,726

As notas explicativas anexas são parte integrante das demonstrações financeiras

Notes to Financial Statements

For the year ended December 31, 2012
(Amounts in thousands of Brazilian *reais* – R$, unless otherwise stated)

1. OPERATIONAL CONTEXT

Operational History

QGEP Participações S.A. headquartered at Almirante Barroso Avenue, 52 room 1.301 – Centro ("QGEPP" or the "Company") was incorporated on March 9, 2010 under the name Latina Participações S.A., subsequently changed to QGEP Participações S.A. on September 2, 2010, and remained dormant until such date, when Queiroz Galvão Óleo e Gás ("QGOG") transferred to QGEPP 100% of its investment in Queiroz Galvão Exploração e Produção S.A. ("QGEP, which became a fully owned subsidiary of QGEPP.

The principal objective of QGEPP is to hold interests in companies that are focused on the exploration, production and sale of oil, natural gas and their byproducts, whether as a partner or shareholder, or through other types of forms of association with or without separate legal identity.

The E&P business is regulated by the Brazilian Oil, Natural Gas and Biofuel Agency ("ANP"). The company and its wholly owned subsidiary are referred to in this Financial Statements as "the Group".

On November 4, 2012, was constituted Atlanta Field B.V. ("AFBV"), headquartered in Rotterdam, Netherlands, and the objective is purchase, sale and rental of materials and equipment to be used for the exploration, development and production of oil and gas. On December 31, 2012 the Company hadn't transactions and accounting effects affecting the consolidated financial statements (disclosure only). The main operation consists in acquisition and lease of equipment to be used in the oil and gas industry.

On November 30, 2012, the indirect subsidiary Manati SA ("Manati") was incorporated by Queiroz Galvão SA Exploração e Produção ("QGEP"), its parent company (Note 2.4).

Information about the Group

As at December 31, 2012, the Group holds interests in nine E&P concessions located in offshore Brazilian continental margin, of which three are located in the Camamu – Almada basin (BCAM-40, BM-CAL-5 and BM-CAL-12, this include CAL-M-312 and CAL-372 Blocks), one in the Jequitinhonha basin (BM-J-2), one in Campos basin (BM-C-27 and this include C-M-122, C-M-145 and C-M-146 Blocks) and four in the Santos basin (Coral, BM-S-12, BM-S-8 and BS-4). QGEP operates Block BM-J-2 and BS-4, with all other blocks being operated by Petrobras.

BCAM-40 and BS-4 concessions are under production and development phases, respectively, and all other under exploration phase. In BCAM-40 are located Manati and Camarão Norte fields, and under production and production development phases, respectively. In BS-4 Block are located Atlanta and Oliva fields and are under developing production. The Coral Field is disabled. BM-CAL-5, BM-S-8, BM-S-12 and BM-C-27 concessions are under discovery evaluation plan, while concessions BM-CAL-12 and BM-J-2 are in the first exploratory period.

The concession agreement for C-M-122, C-M-145 and C-M-146 blocks (BM-C-27) acquired on October 10, 2012 from Petrobras, is in transfer process, subject to ANP approval.

The Manati Field was developed through the drilling of six wells, installed with Wet Christmas Trees (WCT). They produce for a fixed production rig (PMNT-1) that pumps gas along a 24" pipeline, approximately 125 km long, to the Geologist Vandemir Ferreira treatment station, which stabilizes and condenses the gas.

In the third quarter of 2011, the drilling of the prospectus Alto de Canavieiras relating to BM-J-2 block, was temporarily interrupted due to the condition of the environmental license issued by IBAMA that restricts drilling activities at certain periods of the year at this location. The environmental license is valid until June 2013. The Company plans to return to exploratory activities in the first semester of 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the individual and consolidated financial statements are described below:

2.1. STATEMENT OF COMPLIANCE

The consolidated financial statements of the Company comprise:

- The consolidated financial statements been prepared in accordance with International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB"), which are consistent with accounting practices adopted in Brazil, identified as "Consolidated ("IFRS and BRGAAP"); and
- The individual financial statement of the parent company has been prepared in accordance with accounting practices adopted in Brazil, identified as "The Parent Company – BRGAAP.

The accounting practices adopted in Brazil comprise those included in the Brazilian Corporate Law and the Accounting Pronouncements Committee – CPC and approved by the Brazilian Securities Exchange Commission (CVM).

The individual Financial Statements present the investment in subsidiaries under the equity method of accounting, according to Brazilian law. Thus, the Individual Financial Statements are not considered to be in accordance with IFRS, which explicitly states that such investments should be reported in the individual financial Statements of the Parent Company at their cost or at fair value.

As there is no difference between the consolidated shareholders' equity, and consolidated Income Statement assigned to the Company's shareholders, listed in the Individual Financial Statements prepared in accordance with IFRS and the accounting practices adopted in Brazil and the shareholder's equity and Income Statement in the Parent Company, issued in accordance with accounting practices adopted in Brazil, the Company opted for presenting these Financial Statements as one, side by side.

2.2. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The summary of principal accounting policies followed by the Company is as follows:

2.3. BASIS OF CONSOLIDATION AND INVESTMENT IN SUBSIDIARIES

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In the individual financial statements of the Company, financial reporting of the subsidiaries is recognized by the equity method.

The income of subsidiaries acquired, alienated or incorporated during the year are included in the consolidated statements of income and comprehensive income from the effective date of acquisition, alienation and incorporation as applicable.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company and its subsidiaries. All related parties transactions, balances, income and expenses are full eliminated on consolidated financial statements.

Company's ownership interests in subsidiaries

On December 31, 2012, the Company's financial statements include the financial information of its subsidiary, direct and indirect, listed below:

	Country operation	Percentage of shareholding – % Control	12/31/2012	12/31/2011
QGEP	Brazil	Direct	100%	100%
AFBV	Netherlands	Indirect	100%	-

2.4. INCORPORATION MANATI S.A.

On November 30, 2012 the indirect subsidiary Manati was incorporated by Queiroz Galvão SA Exploração e Produção ("QGEP"). The net assets incorporated in the amount of R$612,352 was paid in QGEP, therefore, recorded as capital stock of this company. Additionally, because of incorporation, receivable and payable balances were eliminated. This process did not generate goodwill.

The following tables show the balance sheet and income statement of Manati pre-incorporation for the period ended November 30, 2012:

Balance Sheet

Total current assets	270,156	Total current liabilities	48,630
Total non current assets	510,930	Total non current liabilities	120,104
		Total net equity (net assets)	612,352
Total assets	**781,086**	**Total Liabilities**	**781,086**

Income statement

NET REVENUE	422,294
COSTS	(160,875)
GROSS PROFIT	261,419
OPERATING INCOME (EXPENSES)	(15,106)
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME	246,312
FINANCIAL INCOME, NET	(1,142)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	245,170
Deferred Income tax and social contribution	3,787
Current Income tax and social contribution	(41,289)
NET INCOME OF ELEVEN MONTHS	207,668

2.5. SEGMENT INFORMATION

The Management conducted an analysis and concluded that QGEPP operates with a single segment, being Exploration and Production (E&P) of oil and gas. Additionally, net sales revenue is substantially derived from transactions with Petrobras in Brazil.

Summary of significant accounting policies:

2.6. CASH AND CASH EQUIVALENTS

Are held in order to cash commitments for short-term and consist of the balance of cash, bank deposits in cash and short-term investments with highly liquid and insignificant risk of changes in value.

2.7. INVENTORIES

Represented by materials and supplies acquired from third parties, to be used in exploratory drilling campaign. Inventories are recorded for lower value of cost and net realizable value. The inventories costs are determined by the average cost method (Note 6).

2.8. CURRENT AND NONCURRENT ASSETS AND LIABILITIES

Current and noncurrent assets and liabilities are stated at realizable value and/or settlement amounts, respectively. Inflation adjustments, changes in exchange rates, income earned and charges incurred, when applicable, are recognized on a pro rata basis to the balance sheet date.

2.9. EXPLORATION EXPENSES, DEVELOPMENT AND PRODUCTION OF OIL AND GAS (FIXED ASSETS, INTANGIBLE AND EXPLORATION EXPENDITURE FOR OIL AND GAS)

For exploration, development and production expenditure of oil and gas, the Group, for accounting practices adopted in Brazil, uses accounting principles in line with international standards IFRS 6 - "Exploration for and evaluation of mineral resources".

IFRS 6 allows the Management defines the accounting policy for recognition of exploration assets in exploration of mineral reserves. Management has defined the accounting policy for exploration and evaluation of mineral reserves considering the criteria that represent the best judgment aspects of business environment and reflect more adequately financial and equity position. The main accounting principles adopted are:

- Rights of exploration concession and signing bonus are recorded as intangible assets;
- Drilling costs of such viability assessments were not concluded remain capitalized on fixed assets until the conclusion. Exploratory costs of all production wells and of successful exploration wells related to economically viable reserves are capitalized while non-viable ("dryhole") are recorded directly in income on account for oil and gas exploration expenditures.
- Other exploration expenses not related to the signing bonus are recorded in the income statement in exploration expenditure for oil and gas extracting (costs related to acquisition, processing and interpretation of seismic, drilling campaign planning, licensing studies, payment for occupation and retention area, environmental impact and others).
- For farm-in transactions the Company have contracts that support partner for financial expenses for exploration who proceeded the selling participation in exploration blocks ("Farmor") and/or "carry." These committed expenditures are reflected in the financial statements when their progress for future exploration expenditure.

Property, plant and equipment represented by natural gas exploration, development and production assets in the Manati field are recorded at cost and amortized under the unit-of-production method, in which the charge for the year is based on the ratio between the annual volume produced and the total proved reserve of the producing field. Proved reserves used to calculate amortization in relation to the monthly production volume are estimated by external geologists and petroleum engineers in accordance with international standards and reviewed annually or when there is an indication of significant change. Nowadays, expenses related Manati field are being amortized, for being the only Field in production at the moment.

Fixed assets are recorded to acquisition cost, including interest and other financial charges of loans used in the formation of qualifying assets less accumulated depreciation and amortization.

The gain or loss arising from the sale or alienation of property, plant and equipment is determined by the difference between the residual value of the asset and any income received on disposal and is recognized in the results for the year in which the event occurred.

The Group records expenditure on acquisitions of exploration concessions as intangible assets, which principally includes the signature bonus related to licensing rounds to obtaining concession for oil or natural gas. These are recorded at acquisition cost, adjusted, as applicable, to recoverable value and amortized under the unit of production method in relation to proved reserves.

Management conducts an annual qualitative assessment of its oil and gas exploration assets to identify events or circumstances which may be indicators of impairment, such as the following:

- The period for which the Company has the right to explore in a specific area has expired or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned by the Company or its partners;
- Exploration and evaluation in a specific area have not led to the discovery of commercially viable quantities of reserves or resources and the Company has decided to discontinue such activities in that specific area;
- Sufficient data exist to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The future liability for decommissioning of the production area is recorded based on information provided by the field operator and based in revised estimates by Management when it is the operator, and fully recorded at the time of declaration of commerciality for each field, as part of costs related assets (fixed assets) and a corresponding provision for abandonment recorded in liabilities, support future expenses (Note 15). The provision for abandonment is reviewed annually by Management, adjusting the values assets and liabilities already accounted. Revisions in the calculation basis of the estimates expenses are recorded as cost of assets and exchange differences found are allocated directly in income statement.

2.10. IMPAIRMENT OF ASSETS

In accordance with CPC 01 ("Redução do Valor Recuperável dos Ativos"), and criteria defined in note 2.9, the Company annually reviews the carrying values of its property, plant, equipment, intangible and other non financial assets to determine whether there is any indication that those assets are impaired, or when significant events or changes in circumstances indicate that the carrying amount may not be recoverable. When applicable, if there is loss, arising from situations in which the asset's carrying amount exceeds its recoverable amount, defined as the higher value between the asset's value in use and value of net asset sale. If the book value exceeds the recoverable value, this loss is recognized in the income for the year.

QGEPP's management did not identify changes in circumstances, evidence of technological obsolescence or other indication that property, plant and equipment items used in operations might be impaired, and concluded that for the year ended December 31, 2012 the recognition of an impairment provisions for its property, plant and equipment was not required, except for the derecognition of assets which showed no potentially producing areas, as described in note 18.

2.11. BORROWINGS AND FINANCING

Borrowings and financing are initially recognized when funds are received at fair value net of any transaction costs. Then, are measured at amortized cost, including charges, interest pro rata temporis, inflation adjustments and exchange differences contractually incurred up to the balance sheet date.

2.12. PROVISION FOR JUDICIAL LAWSUITS

The provision for tax, civil and labor risks consists of the risks which settlement is probable based on the opinion of Management and external legal advisors, and values are recorded based on estimated costs of the outcomes of these processes. Contingent risks assessed as "possible loss" are disclosed by Management but not recognized (Note 14).

2.13. REVENUE AND EXPENSE RECOGNITION

Revenues and expenses are recognized on the accrual basis. Sales revenue is recognized when the risks and rewards of ownership are transferred to the counterparty.

2.14. INCOME TAX AND SOCIAL CONTRIBUTION

Income tax and social contribution are calculated and recorded based on the effective rates prevailing at the balance sheet date. Deferred taxes are recognized for temporary differences taxes losses and negative basis of social contribution, only up to the amount that realization is considered probable by Management.

2.15. TAX INCENTIVES

As the Company's subsidiary QGEP is located in the region under the jurisdiction of the Northeast Development Authority (SUDENE), it is entitled to income tax relief of 75%, calculated on its operating profit during a ten-year period. QGEP was granted this benefit in 2008. The amounts allocated to income and will subsequently are allocated to the earnings reserve in equity under tax incentives, for the indirect subsidiary Manati, until the date to be incorporated by QGEP. The formal transfer of the benefit, due to the incorporation (note 2.4), is in progress with SUDENE. According Decree No. 64,214/69, QGEP is eligible for the benefit for succession pursuant to the incorporation of its wholly owned subsidiary Manati.

2.16. PAYMENT ARRANGEMENTS BASED ON SHARES

Equity-settled share-based payments to employees, services are measured at the fair value of the equity instruments at the grant date, as described in Note 23iii).

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a accelerated basis over the vesting year, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits "Stock Option".

2.17. SHARES HELD IN TREASURY

Equity instruments which are reacquired (share held in treasury) are recognized at cost and deducted from equity. Any gain or loss is recognized in the income statement in purchase, sale, issue or cancellation of Group equity instruments. Any difference between book value and counter entry is recognized in other capital reserves.

2.18. FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when a entity of Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

2.19. FINANCIAL ASSETS

Financial assets are classified into the following specified categories: (i) financial assets "at fair value through profit or loss" (FVTPL), (ii) 'held-to-maturity' investments, (iii) "available-for-sale" (AFS) financial assets and (iv) 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

2.19.1. Financial assets at fair value through the profit or loss

Includes financial assets maintained for negotiation (ie acquired mainly for sale in the short term), or designated at fair value through profit or loss. Interest, monetary correction and exchange rate changes arising from the valuation at fair value are recognized in income as financial income or expenses as incurred. The Group has cash equivalents (CDB's, debentures committed and exclusive investment funds) and short-term investments classified in this category.

2.19.2. Investments held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the contractual obligation, the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment. The Group has restricted cash classified in this category.

2.19.3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The Group has accounts receivable and bank deposits (cash equivalents) under this class.

2.19.4. Impairment of financial assets

Financial assets, except those designated at fair value through profit or loss, are valued using impairment indicators at the end of each reporting period. Impairment losses are recognized if, and only if, there is objective evidence of impairment as a result of one or more events occurred after the initial recognition of the asset, with an impact on the estimated future cash flows.

For all other financial assets, objective evidence of impairment may include:

- Significant financial difficulty of the issuer or obligor; or
- Breach of contract, in the form of default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in net income.

2.20. FINANCIAL LIABILITIES

Financial liabilities are classified either as "Financial liabilities at fair value through profit or loss" or "Other financial liabilities". The Group has no financial liabilities at fair value.

2.20.1. Other financial liabilities

Other financial liabilities (including borrowings) are measured at amortized cost.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2.20.2. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, the Company's obligations are discharged, cancelled or they expire.

2.21. FUNCTIONAL CURRENCY

The functional currency of QGEPP and its subsidiary used in preparing the financial statements is the currency of Brazil – *real* (R$), being the one that best reflects the primary economic environment that the Company operates and how its managed.

This definition of functional currency was based on analysis of the following indicators, as described in the technical pronouncement CPC 02:

- Currency that most influences the prices of goods and services;
- Currency in which they are earned or invested substantially on the resources of financial activities;
- Currency in which are normally accumulated amounts received from operating activities (sale of oil products).

2.22. VALUE ADDED STATEMENT ("DVA")

The purpose of this statement is to disclose the wealth created by the Group and its distribution during a certain reporting period, and is presented as required by the Brazilian Corporate Law, as an integral part of its individual financial statements, and as additional disclosure of the consolidated financial statements, since this statement is not required by IFRSs.

The statement of value added was prepared using information obtained in the same accounting records used to prepare the interim financial information and pursuant to the provisions of CPC 09 – Statement of Value Added. Firstly, this statement presents the wealth created by the Group, which is represented by revenues (gross sales revenue, including taxes thereon, other revenues and the effects of the allowance for doubtful accounts), inputs acquired from third parties (cost of sales and purchases of materials, electric power and outsourced services, including taxes levied at the time of the purchase, effects of losses and recovery of assets, depreciation and amortization) and value added received from third parties (equity in earnings (loss) of subsidiaries, financial and other income). The second part of the statement of value added presents the distribution of wealth among personnel, taxes, fees and contributions, lenders and lessors, and shareholders.

2.23. STATEMENT OF CASH FLOW)

This statement is prepared according to CPC03 (R2)/ IAS7 through the indirect method. The Company classifies as cash and cash equivalents balances of cash immediately convertible into cash and highly liquid investments (typically with maturities less than three months) subject to an insignificant risk of changes in value.

Cash flows are classified in the statement of cash flows, depending on their nature: (i) operating activities, (ii) investing activities, and (iii) financing activities. Operating activities include primarily collections from customers and related parties, and payments to suppliers, staff, taxes and financial charges. The cash flows from investing activities primarily include acquisitions and disposals of investments, deposits and withdrawals and judicial payments and receipts arising from the sale of fixed assets. Cash flows from financing activities covered primarily include payments and receipts relating to loans and financing obtained, derivative financial instruments and payments of dividends and interest on capital.

2.24. NET INCOME PER SHARE

Calculated based on price weighted average numbers of total ordinary shares (Note 23 ii).

2.25. NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET ADOPTED

Standards, interpretations and amendments to existing standards issued by the CPC and IFRS with effect from January 1, 2012 had no impact on the Company's financial statements. The standards listed below, related to the Company, were published and are mandatory for accounting periods beginning on or after January 1, 2013 or in subsequent periods.

The Company did not early adopted the following new and revised pronouncements and interpretations, relating to its operations, already issued but not yet in effect:

Pronouncement or interpretation	Description	Applicable to fiscal years beginning on or after
IFRS 7	Financial Instruments – Disclosure	January 1, 2015
IFRS 9	Financial Instruments – Measurement and Classification	July 1, 2013
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of interests in other entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013
IAS 16	Property, Plant and Equipment	January 1, 2013
IAS 19	Employee Benefits	January 1, 2013
IAS 27	Consolidated and Separate Financial Statements	January 1, 2013
IAS 28	Investments in Associates	January 1, 2013
IAS 32	Financial Instruments – Presentation	January 1, 2014
IAS 34	Interim Financial Statements	January 1, 2013

The Company's management will assess the impacts of the adoption of these pronouncements and interpretations on the financial statements, which will be adopted when they become effective.

CPC has not issued the pronouncements and amendments related to new and revised IFRSs presented previously. Due to the commitment of CPC and CVM remain updated group of standards issued based on the updates made by IASB, it is expected that these pronouncements and amendments be issued by CPC and approved by CVM when they become effective.

2.26. EFFECTS OF CPC 23 – ACCOUNTING POLICIES, CHANGES IN ESTIMATES AND CORRECTION OF ERRORS

The effects of reclassification on the income statement made by management in the balance of December 31, 2011 based on CPC 23 – Accounting Policies, changes in accounting estimates and correction of error are presented below.

Consolidated income statement:

	2011 (originally presented)	2011 (Resubmitted)
NET REVENUE	289,007	289,007
COSTS	(128,722)	(128,722)
GROSS PROFIT	160,285	160,285
OPERATING INCOME (EXPENSES)		
General and Administrative Expenditure	(64,096)	(59,547)
Equity method	-	-
Oil and gas exploration expenditure	(52,071)	(56,620)
Other net operating	(7,261)	(7,261)
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME	36,857	36,857
FINANCIAL INCOME, NET	84,354	84,354
INCOME BEFORE INCOME TAX SOCIAL CONTRIBUTION	121,211	121,211
Deferred Income tax and social contribution	2,939	2,939
Current Income tax and social contribution	(32,013)	(32,013)
NET INCOME FOR THE YEAR	92,137	92,137

Management, after analysis of the nature of certain costs and expenses incurred on the fourth quarter of the year ended on December 31, 2011, understood to apply the reclassification, for better presentation in the oil and gas expenditure line in relation to taxes in seismic acquisition, which are associated with exploration activity.

These reclassifications have no impact on other financial statements presented.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies described in Note 2, management must make judgments and develop estimates regarding the carrying values of assets and liabilities for which are not easily obtained from other sources. The estimates and associated assumptions are based on historical experience and other factors deemed relevant. Actual results could differ from these estimates, when its effective realization in subsequent periods.

The main estimates used refer to record the effect of the provision for tax, civil and labor, depreciation of fixed assets and intangible assumptions for determining the provision for abandonment and decommissioning of areas, expected realization of tax credits and Other assets, provision for income tax and social contribution and the valuation of financial instruments and determining the fair value of derivative financial instruments, including financial assets held to maturity.

The estimates and assumptions are reviewed continuously. The effects of revisions to accounting estimates are recognized prospectively.

3.1. KEY JUDGMENTS IN APPLYING ACCOUNTING POLICIES

3.1.1. Held-to-maturity financial assets

The management has reviewed the Group's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity financial assets is R$24,231 on December 31, 2012. More details about these assets are described in Note 8.

3.2. KEY SOURCES OF ESTIMATION UNCERTAINTY

Below, are the main assumptions about the future and other key sources of estimation uncertainty used which can lead to significant adjustments in accounting amounts of assets and liabilities in the next period:

3.2.1. Valuation of financial instruments

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 22 provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

3.2.2. Fixed assets and intangible assets

As described in Note 2.9, Management reviews annually the estimated useful life of fixed assets at the end of each year. During the period, the Management concludes that useful life for fixed assets was adequate and adjustments were not required.

3.2.3. Deferred income tax and social contribution

The Group records deferred tax assets related to temporary differences arising between the accounting bases of assets and liabilities and the tax bases. Deferred tax assets are recognized to the extent that the Group expects to generate sufficient future taxable income based on projections and forecasts prepared by management. Such projections and forecasts statements include several assumptions related to the Group's performance, exchange rates, volume of production and other rates and factors that may differ from current estimates.

According to current Brazilian tax law, there is no deadline for the expiry of tax losses. However, the accumulated tax losses can be compensated only up to 30% of annual taxable income.

3.2.4. Provision for tax, civil and labor judicial lawsuits

The provision for tax, civil and labor risks is recorded and/or disclosed unless the possibility of loss is considered remote by our legal advisors. These contingencies are arranged in notes of the financial statements (Notes 2.12 and 14).

The booking of the provision for tax, civil and labor risks on a particular liability on the financial statements is made when the value of the loss can be reasonably estimated. By their nature, contingencies will be solved when one or more future events occur or fail to occur. Typically, the occurrence of such events not depends on our performance, which hampers the realization of precise estimates about the precise date on which such events are recorded. Assessing such liabilities, particularly in the uncertain legal environment in Brazil, and other jurisdictions involve the exercise of significant estimates and judgments of management regarding the results of future events.

3.2.5. Amortization of fixed and intangible assets and provision for abandonment and dismantling of areas

The estimates of proved reserves and probable reserves are periodically evaluated and updated. The proved and probable reserves are determined by using techniques which are generally accepted geological estimates. The calculation of reserves requires the Company to assume that positions of future conditions are uncertain, including Oil futures exchange rates, inflation rates, availability of licenses and production costs. Modifications in some of these assumptions could have a significant impact on proved reserves and probable reserves recorded.

The estimated volume of reserves is the basis for calculating the portion of amortization and its estimated useful life is a major factor to quantify the provision of abandonment and dismantling of their areas if there is a write-down of fixed assets. Any changes in estimates of the volume of reserves and in the life of assets linked to them may have significant impact on depreciation charges, in the financial statements as cost of Products sold. Changes in estimated useful life may have a significant impact on estimates of the provision for abandonment (Note 2.9), of its recovery after the write-down of fixed assets and of impairment analysis.

The future liability for decommissioning of the production area is recorded based on information provided by the operator of the field and based on estimates of Directors when it is the operator, and fully recorded at the time of declaration of commerciality for each field, as part of the costs related assets (fixed assets) and a corresponding provision for abandonment recorded in the liabilities, claims that such future expenses (Note 15).

The methodology for calculating this provision consists in estimating on the date of the financial statements how much the Company would disburse with abandonment and decommissioning of their production areas. The estimated amount of the provision is indexed in foreign currency U.S. dollar.

The provision for abandonment is reviewed annually by Directors by adjusting the values assets and liabilities. Revisions in the calculation basis of the estimates of expenditure are recognized as cost of assets and exchange differences found are allocated directly to income.

Exploration expenditure (expenses on successful drilling or evaluation) and signing bonus are capitalized and maintained according accounting practices as described in Note 2.9. The initial capitalization of expenses and maintenance is based on qualitative judgment of Management and viability is confirmed by the exploration in progress activities and operations planned by the committee of the consortium.

3.2.6. Provision for profit sharing

The profit sharing paid to employees (including key personnel) is based on achievement of performance metrics, financial and quality, individual goals of employees, determined annually. This provision is set monthly and is recalculated at the end of the year based on the best estimate of the achieved goals as set out in the annual budget process.

4. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

a) Cash and cash equivalents

	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Cash and bank deposits	7	51	3,562	758
CDBs and debentures	658	2,654	150,732	106,553
Exclusive investment fund (*)	-	-	717,028	914,640
Total	665	2,705	871,322	1,021,951

Cash and cash equivalents are concentrated in Banks Certificates of Deposit (CBD) and repurchase agreements (with debentures as guarantee) and shares of exclusive investment funds, possessing immediate liquidity and profitability indexed to the Interbank Deposit Certificate (CDI) rate, without impacts to the principal and earnings when redeemed.

b) Short-term investments

	Consolidated	
	12/31/2012	12/31/2011
Exclusive investment fund (*)	80,947	130,479
Total	80,947	130,479

The average return of, cash equivalents and short term investments was equivalent to 101.3% of the CDI Selic, accumulated year ended on December 31, 2012.

(*) Composition of exclusive investment funds

The Company has a multimarket exclusive investment fund that applies exclusively in shares of fixed income funds, backed by public, indexed to Selic, and private securities indexed to the rate of CDI.

The portfolios of investment funds, on December 31, 2012 are composed of exclusive titles and balances demonstrated below:

Product	2012	2011
Committed (debentures and bonds)	210,604	220,579
CDB/CDI (post-fixed)	506,424	694,061
Tittles classified as cash and cash equivalents	717,028	914,640
Letters of Treasury Financial (LFT)	29,611	130,479
Financial Letters (Votorantim, Bradesco, Itaú and CEF)	51,336	-
Titles classified as short term investments	80,947	130,479

5. ACCOUNTS RECEIVABLE

The Manati has a long term contract from 2007 (maturity until July/2030) to supply a minimum annual volume of gas to Petrobras, for a price in reais, that is adjusted annually based on contractual index.

The balances of accounts receivable relate primarily to transactions of sale of gas with Petrobras, which historically have no defaults or delays. There was an allowance for doubtful accounts because the accounts receivable balance is comprised only of balance with average collection period of approximately 40 days.

6. INVENTORIES

	Consolidated	
	12/31/2012	12/31/2011
Inventories	9,403	5,362

Composed by materials needed to carry out exploratory drilling campaign.

7. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries have been eliminated in consolidation and are not presented in this note. Information on transactions between the Company and other related parties is detailed below:

	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Liabilities – current				
Accounts payable – QG S.A (a).	-	-	-	58
Accounts payable – QGOG (b)	-	-	85	325
Accounts payable – BS3 S.A.	-	-	-	117
Accounts payable – QGEP	-	113	-	-
Total	-	113	85	500

	Consolidated	
	01/01/12 to 12/31/12	01/01/2011 to 12/31/12
Income		
General and administrative expenses (b)	962	2,750
Financial expenses (a)	194	1,177

(a) Refers to financial charges of loans from BNB/BNDES. These loans were fully paid in May 15, 2012 as described in Note 13.
(b) Due to provide of administrative services rendered by QGOG to QGEP and Manati. The costs incurred were allocated between the companies based on the efforts required for each corporate activity, with a maturity of 35 days. In case of delay in settlement, interest of 1% will be charged.

7.1. MANAGEMENT COMPENSATION

Includes fixed remuneration (wages and salaries, vacation, 13th salary and pension), social contributions (contributions to Social Security – INSS, FGTS, and others), the variable remuneration and stock option plan of key personnel in the administration is presented as table below:

	Parent	
	01/01/2012 to 12/31/12	01/01/2011 to 12/31/11
Short term benefits	2,074	1,690

	Consolidated	
	01/01/2012 to 12/31/12	01/01/2011 to 12/31/11
Short term benefits	14,362	5,356
Stock option plan	5,012	2,221

In addition to the compensation mentioned above, during the year ended December 31, 2011, the company recognized an amount of R$13,712 relating to bonus of the process of IPO for the Directors, as approved in the minutes of meeting of Board of Directors ("RCA"), at March 28, 2011.

The Company do not offer post-employment benefits, long-term benefits and/or benefits of employment contract cancellation, except retirement benefit plan as described in Note 26.

8. RESTRICTED CASH

	Consolidated	
	12/31/2012	12/31/2011
Abandonment fund (a)	24,231	11,379
Term investments – accelerated depreciation BNB and BNDES loans (b)	-	2,142
Term investments – account reserve (c)	-	47,447
Total Restricted cash	24,231	60,968

(a) The abandonment fund is represented by investments held for the payment of the allowance for noncompliance of Manati Field (drop-out fund – see Note 15) and are fully applied in Banco Bradesco. The average fund profitability was equivalent to 9.19% for the year ended December 31, 2012 (11.71% year ended December 31, 2011).
(b) Financial applications for which they are transferred every month, funds from the purchase and sale of natural gas, assuming production of Manati field excess the estimated monthly amount produced, according to contract, and equal to 50% of this surplus production multiplied by the sales contract price within the month. The loans were fully paid on May 15, 2012 and with financial investments held in the restricted cash Financing Contract.
(c) Other financial assets of the subsidiary QGEP were composed of financial balances that are part of the package of securities transferred to BNB and BNDES as a result of the funding for development of the Manati Field (reserve account). The loans were fully paid on May 15, 2012 and with financial investments held in the restricted cash Financing Contract.

9. TAXES

9.1. RECOVERABLE TAXES

	Consolidated	
	12/31/2012	12/31/2011
Prepaid income tax and social contribution	5,168	978
Income tax (WIT) on short-term investments (*)	13,258	19,514
Recoverable taxes	16,581	-
Others	1,121	373
Total	36,128	20,865
Current	35,698	20,698
Non current	430	167

(*) Credits refers to a semiannually charging system of income tax on the profitability of the investments funds, called "come cotas". The amount is calculated based on both lower tax rate of each fund type (percentage of 20% for short-term funds and 15% for long term funds).

9.2. TAXES PAYABLE

	Parent		Consolidated	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
State VAT (a)	-	-	4,468	5,006
Income tax and social contribution	-	-	-	6,301
IRRF	37	28	644	343
Taxes on revenue (PIS/COFINS) (a)	-	-	12,709	9,395
Royalties (b)	-	-	3,130	2,453
Special participation (c)	-	-	2,581	865
Others	-	-	263	75
Total current	37	28	23,795	24,438

(a) Taxes on the sale of natural gas produced in the Manati field.
(b) The Company pays royalties to the ANP on gas produced in the Manati field, as described in Note 20.
(c) The special participation provided for the gas produced in the Manati field, as described in Note 20.

9.3. RECONCILIATION OF INCOME TAX AND SOCIAL CONTRIBUTION EXPENSES IN INCOME

	Parent	
	01/01/12 to 12/31/12	01/01/11 to 12/31/11
Income before income tax and social contribution	82,468	92,137
Statutory rates	34%	34%
Income tax and social contribution expenses at statutory rates	(28,039)	(31,327)
Adjustment of taxes at effective rate:		
Shareholders' equity	28,961	32,398
Tax losses not recognized (a)	(922)	(1,071)
Deferred income tax and social contribution	-	-
Current income tax and social contribution	-	-

(a) Refers to 100% of the tax losses and carry forward of QGEPP. On December 31, 2012, QGEPP had tax losses and negative social contribution in total of R$63,307 (R$60,696 at December 31, 2011), and QGEPP does not record deferred tax assets for income tax and social contribution arising from tax losses of income tax or negative social contribution bases because there is no recovery of profitability until the current date for their activities still in the exploratory stages and development.

	Consolidated	
	01/01/12 to 12/31/12	01/01/11 to 12/31/11
Income before income tax and social contribution	122,498	121,211
Statutory rates	34%	34%
Income tax and social contribution expenses at statutory rates	(41,650)	(41,212)
Adjustment of taxes at effective rate:		
Tax incentives (a)	43,720	24,035
Tax losses not recognized as tax credits (b)	(16,628)	(4,681)
Provision for tax credits on December 31, 2011 (c)	5,800	-
Non deductible expenses (Income not taxable):		
Permanents (d)	(29,214)	(196)
Temporary	(2,058)	(7,019)
Income tax and social contribution	(40,030)	(29,073)
Deferred income tax and social contribution	(5,800)	2,939
Current income tax and social contribution	(34,230)	(32,013)

(a) Tax incentive calculated on the operating profits of the Manati operations (Note 2.15).
(b) On December 31, 2012, QGEP had tax losses in amount of R$71,211 and negative basis of social contribution in total of R$91,169 (R$39,003 on December 31, 2011), and QGEP does not record deferred tax assets for income tax and social contribution arising from tax losses of income tax or negative social contribution bases because there is no recovery of profitability until the current date.
(c) On December 31, 2012, Management, as considered in Note 3.2.3, reviewed the constitution of deferred income tax arising from temporary differences recorded in accounts, and recorded a provision for non-realization of this deferred income tax.
(d) Refers to the deferral of taxation on profits in a public company contract, mixed economy company.

10. INVESTMENTS

10.1. COMPOSITION

The following, are presented the details of the Company's subsidiaries at year ended:

Participation	Name of subsidiary	Place of incorporation and operation	Participation capital and total voting detainees – %
Direct	Queiroz Galvão Exploração e Produção S.A.	Brazil	100%
Indirect	Atlanta Field B.V. (*)	Netherlands	100%

(*) Without operation until December, 31 2012.

10.2. EQUITY METHOD INVESTMENTS

Data on investment and financial information for calculating the equity pick up on direct subsidiary QGEP, is as follows:

Number of ordinary shares	191,352,711
Direct shareholding	100%
	R$
Capital stock	2,042,553
Shareholders' equity	2,224,776
Net income	85,179
Assets	2,433,271
Liabilities	208,495
Net revenue	40,012

Changes in investments in direct subsidiary of QGEP presented in financial statements is as follows:

	R$
Balance at December 31, 2011	2,170,498
Stock option plan	8,466
Intermediary dividends (a)	(36,939)
Minimum mandatory dividends	(2,428)
Equity (b)	85,179
Balance at December 31, 2012	2,224,776

(a) Intermediary dividends was distributed based in reserve investments balance on December 31, 2011, as approval on Extraordinary General Meeting, as described below, and QGEPP purpose is repurchase of shares in treasury and subsequently meet the Plan for Stock option (Notes 23 and 24 iii):

	Approval date	Amount paid
Extraordinary General Meeting	06/05/2012	6,284
Extraordinary General Meeting	08/16/2012	13,315
Extraordinary General Meeting	09/13/2012	5,490
Extraordinary General Meeting	11/15/2012	11,850
Total		36,939

(b) The result obtained by the subsidiary for the year ended December 31, 2012.

10.3. INFORMATION ABOUT SUBSIDIARIES

• Queiroz Galvão Exploração e Produção S.A.

Queiroz Galvão Exploração e Produção S.A. ("QGEP") was incorporated on October 16, 2009 under the name Chania Participações S.A., subsequently changed to Queiroz Galvão Exploração e Produção S.A. on May 14, 2010, and was dormant until July 2, 2010 when QGOG subscribed to the capital of QGEP with the above net assets of its E&P segment. With this, QGEP became a fully owned subsidiary of QGOG.

The principal objectives of QGEP are exploration for oil and gas, production and trade of oil, natural gas and their derivatives, and investment in other entities substantially focused on related activities, Such investments may be as partner, shareholder or through other forms of association with or without separate legal identity.

• Atlanta Field B.V.

The Atlanta Field BV ("AFBV"), a wholly owned subsidiary of Queiroz Galvão Exploration and Production ("QGEP"), is a privately held Dutch company and is engaged in the acquisition, budgeting, construction, purchase, sale, rental, lease or charter of materials and equipment to be used for the exploration and exploitation of the Concession Area and also acquire, manage, operate equipment, including equipment recorded to support the activities of the Company. On December 31, 2012 this subsidiary do not have operations and accounting effects.

11. PROPERTY, PLANT AND EQUIPMENT

	Depreciation and amortization rate %	Consolidated 12/31/2012 Cost	Consolidated 12/31/2012 Depreciation and amortization	Consolidated 12/31/2012 Net	12/31/2011 Net
Corporative segment					
Furniture and fixtures	10%	672	(120)	552	593
Vehicles	20%	826	(192)	634	532
Improvement in third parties properties	20%	1,346	(413)	933	1,141
Computers – Hardware	20%	1,066	(282)	784	880
Advances for fixed assets acquisition	-	635	-	635	-
Subtotal		4,545	(1,007)	3,538	3,146
Upstream segment					
Expenditure on exploration of natural resources in progress (i)	-	296,920	-	296,920	327,917
Expenditure on exploration of natural resources (ii)	(iii)	16,844	(12,121)	4,723	6,353
Expenditures on development of production oil and gas in progress (iv)	-	14,097	-	14,097	1,362
Expenditure on the development of oil and gas production	(iii)	805,667	(351,757)	453,910	530,647
Subtotal		1,133,528	(363,878)	769,650	866,279
Total		1,138,073	(364,885)	773,188	869,425

(i) Expenditure on exploration in progress is not amortized until the completion of the exploration process.
(ii) Refers to discovery and delimited wells of the Manati field, which is already on operation.
(iii) The proved reserves used to calculate amortization (in proportion to monthly production volume) are estimated by external geologists and petroleum engineers in accordance with international standards. These estimates are revised annually or when there is evidence of significant change, see Note 20(b). The effects of any such changes in reserves on depreciation or amortization are recorded prospectively and do not affect charges in previous periods.
(iv) Expenditure on development in progress is not amortized because awaiting start production.

Cost	Consolidated Corporate spending on fixed assets	Expenditure on exploration of natural resources - in progress	Expenditure on exploration of natural resources	Expenditures on development of oil and gas in progress	Expenditures on development of oil and gas	Total
Balance at 12/31/2011	3,533	327,917	16,844	1,362	802,178	1,151,834
(+) Additions of the year	1,405	87,073 (a)	-	12,735	3,489	104,702
(-) Write-off year	(393)	(118,070) (b)	-	-	-	(118,463)
Balance at 12/31/2012	4,545	296,920	16,844	14,097	805,667	1,138,073

(a) Main additions refers to BM-S-8 in the amount of R$53,384 and BM-S-12 in the amount of R$26,050 ,that includes expenses with drilling services.
(b) Reductions refers to Ilha do Macuco well (BM-S-12 block) in amount of R$81,513 and Jequitibá prospect (BM-CAL-5) in amount of R$36,557.

Depreciation and Amortization	Corporate asset depreciation	Expenditure on exploration amortization	Expenditures on development amortization	Total
Balance at 12/31/2011	(387)	(10,491)	(271,531)	(282,409)
(+) Additions of the period	(620)	(1,630)	(80,226)	(82,476)
Balance at 12/31/2012	(1,007)	(12,121)	(351,757)	(364,885)

12. INTANGIBLE

	Consolidated			
	Cost	Amortization	12/31/2012	12/31/2011
Acquisition of exploration concession (i)	529,399	-	529,399	529,399
Signing bonus (ii)	4,364	-	4,364	4,364
Others	2,895	(528)	2,367	1,442
Total	536,658	(528)	536,130	535,205

(i) On June 1, 2011, the subsidiary QGEP signed with Shell Brasil Petróleo Ltda. ("Shell") a purchase and sale agreement regarding the right to participate in the block BM-S-8, located in the offshore Santos Basin in the total amount of R$278,692 (US$175,000). The transfer of rights of participation of Shell to QGEP was approved by ANP in December 2011. The consortium formed by Petrobras (operator), QGEP, Petrogal and Barra Energia. The payment of 10% of the value, in amount of R$27,687 (US$17,500) for the acquisition was held on June 15, 2011 and the other 90% in amount of R$247,732 (US$157,000) of the acquisition were paid on July 15, 2011.
On August 16, 2011, the subsidiary QGEP signed with Shell Brasil Petróleo Ltda. ("Shell") a purchase and sale agreement regarding the right to participate in the fields Atlanta and Oliva (BS-4), located in the offshore Santos Basin in the total amount of R$250.707 (US$157,500). The consortium formed by Petrobras, Chevron and Shell (operator). On February 16, 2012, ANP approved the transfer of 30% of concession rights, as the operation of Atlanta and Oliva fields (BS-4) to QGEP. The payment of 10% of the value (US$15,750) for the acquisition was held on August 18, 2011 and the other 90% (US$141,750) of the acquisition were paid on March 2, 2012, paying all amount in accounts payable on December 31, 2011.
(ii) On December 31, 2012, the signing bonus in the amount of R$4,364, corresponds to expenditures for the acquisition of exploration rights from ANP which are not being amortized yet, as it refers to the concession areas in exploratory phase. The composition of this balance is available for consultation in Note 20.

				Consolidated
Cost	Acquisition of exploration concession	Signing bonus	Software	Total
Balance at 12/31/2011	529,399	4,364	1,442	535,205
(+) Additions for the period (i)/(ii)	-	-	1,368	1,368
(-) Write-off period (iii)	-	-	(443)	(443)
Balance at 12/31/2012	529,399	4,364	2,367	536,130

13. BORROWINGS AND FINANCING

Borrowings and financing are intended primarily to finance exploration and evaluation projects and/or development of oil and natural gas reserves, and capital expenditures normally incurred for drilling and other services related to the Company's operations, and were fully paid in May 15, 2012. Below is the movement for the year ended December 31, 2012.

Balance on 12/31/2011	103,557
(-) Payment of principal	(103,130)
(+) Interest charged	2,892
(-) Payment of interest	(3,075)
(-) Term compliance bonus	(244)
Closing balance on 12/31/2012	-

The process considered as a possible loss was not accrued in the financial statements is the result of the Tax Foreclosure fine imposed on Assessment Notice No. 2006-007365/TEC/AIMU-0343, issued on 11/12/2006. The offense relates to breach of condition determined by the Environment Institute (IMA), resulting in erosion and siltation of streams, when the installation of the pipeline between the cities of Guaibin and São Francisco do Conde, whose fine, updated, is R$518. Queiroz Galvão Exploração e Produção S.A. ("QGEP") successor by merger of Manati S.A. may be responsible for 45% of any contingency, in proportion to their participation in each concession contract and may involve repair damage and environmental responsibility.

14. TAX, CIVIL AND LABOR JUDICIAL LAWSUITS

Management, based on the opinion of its external legal counsel, has concluded that there are no lawsuits for which the likelihood of an unfavorable outcome for the Company is probable; therefore no provision for loss on such risks has been recognized in this interim financial information.

Through an agreement made on October 28, 2010, the Company has agreed to indemnify QGOG for any claims related to E&P activities that may be imputed to that Company. In compensation, on January 18, 2011, the Company signed a contract with Constellation and QGOG Overseas, Ltd. ("Constellation"), whereby those companies were required to compensate for losses accruing in respect of all existing liabilities and contingent risk not related to E&P that will be allocated to the Company. Based on the opinion of outside legal counsel of QGOG and Constellation, the Company concluded that there are no probable cases of loss, hence no provision was recorded in the period presented in the interim financial information.

15. PROVISION FOR ABANDONMENT

The estimated cost for abandonment, informed by operator, was reviewed for the year ended December 31, 2012, and approved by the consortium, according to notes 2.9 and 3.2.5. This provision reflects the estimated expenses to be incurred, including but not limited to: (i) plugging of wells, and (ii) removing production equipment.

Changes in the provision for abandonment for the year ended on December 31, 2012:

	Consolidated
Balance on 12/31/2011	107,047
Exchange differences	9,415
Balance on 12/31/2012	116,462

16. NET REVENUE

	Consolidated	
	01/01/12 to 12/31/12	01/01/11 to 12/31/11
Gross revenue	586,053	372,020
Tax on revenue (PIS)	(9,402)	(6,019)
Tax on revenue (COFINS)	(43,312)	(27,723)
State VAT (ICMS)	(54,870)	(42,026)
Discounts - contractual reduction	(16,163)	(7,245)
Total deductions	(123,747)	(83,013)
Net revenue	462,306	289,007

17. COSTS AND GENERAL AND ADMINISTRATIVE EXPENDITURE

17.1 COST

	Consolidated	
	01/01/12 to 12/31/12	01/01/11 to 12/31/11
Extraction costs	(49,437)	(47,983)
Royalties and special participation	(45,649)	(24,711)
Research and development	(5,859)	(2,973)
Amortization and depreciation	(81,856)	(53,055)
Total	(182,801)	(128,722)

17.2 GENERAL AND ADMINISTRATIVE EXPENDITURE

	Parent	
	01/01/12 to 12/31/12	01/01/11 to 12/31/11
Payroll	(2,111)	(1,751)
Services from third parties	(336)	(485)
Insurance	(35)	(865)
Taxes and fees	(10)	(136)
Advertisements and publications	(198)	(262)
Associations	(134)	(6)
Other expenses	(15)	(60)
Total	(2,839)	(3,565)

	Consolidated	
	01/01/12 to 12/31/12	01/01/11 to 12/31/11
Payroll (a)	(54,860)	(43,888)
Services from third parties	(8,167)	(4,495)
Insurance	(832)	(958)
Taxes and fees	(930)	(1,347)
Advertisements and publications	(1,167)	(907)
Sponsor	(1,709)	(763)
Shared services	(1,224)	(1,955)
Depreciation	(1,063)	(485)
Maintenance	(1,072)	(453)
Other expenses	(5,086)	(4,296)
E&P allocating projects (b)	12,825	-
Total	(63,285)	(59,547)

(a) The amount in December 31, 2011, includes the amount of R$23,070 related to the payments to directors, managers, officers and employees (including directors, managers, officers and employees of the subsidiary QGEP) for an incentive compensation tied to the completion of the IPO. This incentive compensation was the total value of 1,523% of the primary offering, as approved on the Minutes of Meeting of Board of Directors ("MBD") of March 28, 2011. For the year ended December 31, 2012 was recorded R$13,1 and refers to profit sharing.
(b) This amount refers for the expenses related to BS-4 Block, which the Company is the operator with 30% interest, with the remainder related to their partners.

18. OIL AND GAS EXPLORATION EXPENDITURES

The oil and gas exploration expenditure is related to the purchase, processing and interpretation of seismic data, drilling campaign planning, licensing and environmental impact studies, costs of dry wells or costs related to commercially unviable reserves, and similar costs. From the balance of R$176,978 on December 31, 2012, R$162,133 refers to derecognition exploration expenses of Ilha do Macuco dry well (R$81,513 from fixed assets and R$44,045 from income) and Jequitibá (R$36,557 from fixed assets and R$619 from income) located in the BM-S-12 and BM-CAL-5, respectively, which showed no potentially producing areas. From the balance of R$56,020 on December 31, 2011, R$13,165 is related to exploration expenses of the well 1-SP-80 located in block BM-S-76, which did not show potentially producing areas, as already reported to the market and R$29,584 refers seismic of new acquisitions.

19. FINANCIAL INCOME, NET

	Parent	
	01/01/12 to 12/31/12	01/01/11 to 12/31/11
Interest on short-term investments	129	423
Financial expenses	(1)	(10)
Monetary variation	-	-
Total	128	413

	Consolidated	
	01/01/12 to 12/31/12	01/01/11 to 12/31/11
Interest on short-term investments	84,135	153,276
Interest on borrowings and financing and financial expenses (a)	(3,356)	(20,421)
Exchange rate changes net:		
Borrowings and financing	-	1,204
Derivative financial instrument (b)	(11,490)	-
Provision for abandonment	(9,415)	(11,962)
Accounts payable – Atlanta and Oliva (BS-4) (c)	22,773	(40,121)
Others	(170)	2,378
Total	82,477	84,354

(a) Net of R$244 for compliance bonus as provided in the loan agreements and financing.

(b) In 2011, the Company contracted derivative instruments, NDF's (Non Deliverable Forwards) in amount of US$70,000, and the objective was reducing exposure in the dollar relative to reais, regarding the acquisition of 30% of block BS-4. On March 2, 2012 the Company paid additional 90% of acquisition price and derivative instruments (NDFs) was settled on the same date.

(c) As described in Note 12, reflects the effect of exchange rate changes on liabilities arising from the acquisition of BS-4 Block.

20. ADDITIONAL INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION

a) Rights and obligations with the ANP

The Group owns concessions for exploration and production of oil and natural gas in the following blocks:

Stage	Basin	Block/Field	Concession date	Equity interest	%
Disabled	Santos	Coral	09/15/2000	Petrobras (operator)	35
				Queiroz Galvão Exploração e Produção	15
				Panoro Energy	35
				Brasoil	15
Development and production	Camamu BCAM-40	Manati Camarão Norte	08/06/1998	Petrobras (operator)	35
				Queiroz Galvão Exploração e Produção	45
				Panoro Energy	10
				Brasoil	10
	Santos	Atlanta and Oliva BS-4	08/06/1998	Petrobras	40
				Barra Energia	30
				Queiroz Galvão Exploração e Produção (operator)	30
Exploration	Camamu Almada	BM-CAL-5	09/28/2001	Petrobras (operator)	72.5
				Queiroz Galvão Exploração e Produção	27.5
	Camamu – Almada	CAL-M-312 CAL-M-372	11/24/2004	Petrobras (operator)	60
				Queiroz Galvão Exploração e Produção	20
				El Paso	20
	Campos	BM-C-27 (*)	11/26/2003	Petrobras (operador)	70
				Queiroz Galvão Exploração e Produção	30
	Santos	BM-S-12	08/29/2001	Petrobras (operator)	70
				Queiroz Galvão Exploração e Produção	30
	Santos	BM-S-8	09/15/2000	Petrobras (operator)	66
				Petrogral	14
				Barra Energia	10
				Queiroz Galvão Exploração e Produção	10
	Jequitinhonha	BM-J-2	09/02/2002	Queiroz Galvão Exploração e Produção (operator)	100

(*) In process of tranfer to QGEP of 30% of participation

The table below shows the commitments assumed under the Group's current portfolio of interests in oil and natural gas exploration and production projects:

Block/field	PEM guarantee (QGEP %) MM R$	Year of contract	Signatures bonds	Área km²	Royalties	Area retention rate per km² (Amounts in Brazilian *reais*)		
						Exploration	Development	Production
Manati	-	2000	-	75,650	7.5%	100.00	200.00	1,000.00
Camarão Norte	-	2000	-	16,470	7.5%	100.00	200.00	1,000.00
Coral	-	2000	-	43,915	8.5%	200.00	400.00	2,000.00
BM-S-12	-	2001	1,596	2,058,720	10%	435.52	871.04	4,355.20
BM-CAL-5	-	2001	1,146	341,700	10%	152.43	304.86	1,524.30
BM-J-2	16.2	2002	855	742,051	10%	174.43	348.86	1,744.30
CAL-M-312	2.2	2004	205	745,851	10%	239.00	478.00	2,390.00
CAL-M-372	9.3	2004	562	745,031	10%	239.00	478.00	2,390.00
BM-S-8	-	2000	-	2.432,2	10%	396.02	792.04	3,960.20
BM-C-27	-	2003	-	257,888	10%	610.61	1,221.22	6,106.10
Atlanta and Oliva (BS-4)	-	2000	-	199.6	7.8%	200.00	400.00	2,000.00
Total	27.7		4,364					

As at December 31, 2012, QGEP has undertaken to perform the Minimum Exploration Program ("PEM") of the concessions described in Note 1, which comprises the drilling of two (2) exploration wells, one in BM-J-2 Block and one in BM-CAL-12 (CAL-M-372 Block), both scheduled for completion in 2013 and 2014, respectively. The commitment comprise: (i) drilling of a well in BM-CAL-5, scheduled for the end of 2014, (ii) a drilling of a well, performing a formation test and a long-term contingent test in BM-S -8, (iii) drilling of a well in BM-C-27, scheduled for 2014 and (iv) reentry and possible deepening and evaluation of well 1-SCS-13, BM-S-12. BM-J-2 Block was started in 2011, but environmental restrictions at certain times of the year, had to be temporarily interrupted about 2,540 feet deep, leaving about 2,160 meters over the be drilled.

The subsidiary QGEP S.A. holds 45% of the Manati field, which started production in January 2007, and has decommissioning obligations. As at December 31, 2012, the provision for abandonment is R$116,462 (Note 15).

The following payments of Government profit participation and third-party royalties are covered by QGEP's agreement with the ANP:

- Royalties – equivalent to 7.5% (Manati field) of the higher of the benchmark price or the sales revenue, payable from the start of production of the concession area. During the year ended December 31, 2012 were charged R$35,780 royalty on the production of the Manati field in the year, of which R$3,130 remains accrued on that date. These charges are recorded in the income statement as operating costs.
- Special participation – The special participation provided for by Article 45, III, of Law No. 9,478/97 sets out financial compensation due by oil and natural gas production concessionaires in the case of a large production volume or high profitability, as defined in the regulating Decree. This is paid for each field in a given concession area as from the quarter in which such field starts production. During the year ended December 31, 2012 were accrued R$9,869, and these charges are recorded in the income statement as operating costs special participation, of which R$2,581 remains on accounts payable.
- Payment for concession area occupation and retention – During the exploration, development and production stage the company incurred retention payments of R$211 recorded in the statement of comprehensive income as operating costs.

b) Information on reserves (not audited by independents auditors)

The net proved gas reserves of subsidiary QGEP in Manati field were prepared in accordance with the criteria set out by the FASB – Accounting Standards Codification ASC 932 Extractive Industries – Oil and Gas.

These reserves are the estimated quantities of gas that, based on geological analysis and engineering information, can be estimated with reasonable certainty under defined economic conditions, established methods of operation and prevailing regulatory conditions.

The estimate of reserves is subject to uncertainties, and therefore changes in such estimates may occur as knowledge is increased based on new information collected.

The estimated gas reserve is as follows:

	Total field reserve MMm³ (unaudited)
Estimated proved reserve at December 31, 2012 (a)	11,987

(a) Based on estimates of the Company's petroleum engineers.

The proved reserve was estimated based on the certified reserve in 2011, less annual production.

c) Guarantees

On December 31, 2012, the Group has guarantees through letters of credit and warranty insurance, by the ANP in amount of R$27,898 for the Minimum Exploration Programs established in the concession contracts areas of exploration.

21. COMMITMENTS

On 31 December 2012 the Group had contracts with suppliers that involve services of technical advisory, supply of materials and supplies and equipment operation with various maturities to campaign exploratory block BS-4 in an amount of approximately R$89,773.

On November 7, 2012, the subsidiary Queiroz Galvão Exploração e Produção S.A. signed an agreement with Petrobras for 30% of rights on the exploration and production, related to participation in the PAD of the prospectus which includes the Guanabara block C-M-122, C-M-145 and C-M-146, (part of the concession of BM-C-27) in Campos Basin. Petrobras will remain as operator with 70% interest in the blocks. The transfer of 30% participation to QGEP is subject to ANP approval. The agreement with Petrobras of QGEP not require any initial outlay for participation in the blocks. QGEP will carry some of the costs of drilling in the prospectus Guanabara Deep. The exploration investments for QGEP are estimated in US$55 million (R$112,393 on December 31, 2012).

The table below summarizes our contractual obligations and commitments at December 31, 2012:

	R$ thousands		
	Payments due by period		
	Total	2013	2014
BS-4	89,773	55,491	34,282
C-M-122, C-M-145 and C-M-146 Blocks	112,393	-	112,393
Total	202,166	55,491	146,675

22. FINANCIAL INSTRUMENTS

a) General Considerations

The Company's financial instruments include cash and cash equivalents, short-term investments, restricted cash, trade accounts receivable, suppliers, borrowings and financing (only December 31, 2011) and related parties.

The Company has no options, swaptions, swaps with non-exercise option, flexible options, derivatives embedded in other products, structured transactions with derivatives or "exotic derivatives". The Company does not conduct derivative transactions for speculative purposes reaffirming its commitment to conservative financial management policy, in relation to its financial liability, or cash and cash equivalents position.

b) Categories of financial instruments

	31/12/2012			
	Parent		Consolidated	
	Registered value	Fair value	Registered value	Fair value
Financial assets				
Held to maturity				
Restricted cash (i)	-	-	24,231	24,231
Borrowings and receivables:				
Cash and bank deposits	665	665	154,294	154,294
Trade account receivables (ii)	-	-	92,769	92,769
Fair value through income				
Cash equivalent (iii)	-	-	717,028	717,028
Short-term investments (iii)	-	-	80,947	80,947
Financial instruments derivatives (i)	-	-	-	-
Financial liabilities				
Suppliers (ii)	101	101	32,517	32,517
Related Parties	-	-	85	85

CPC 40/IFRS 7 defines fair value as the value/price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at a date of their measurement. The standard clarifies that fair value should be based on the assumptions that market participants use when an attribute value/price to an asset or liability and establishes a hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives more reason to available market information (ie, observable) and less reason to information regarding the data without transparency (ie, unobservable data). Additionally, the standard requires that the company considers all aspects of risks of non-performance ("nonperformance risk"), including the Company's own credit, to measure the fair value of a liability.

CPC 40/IFRS 7 establishes a three level of hierarchy to be used in measuring and disclosing the fair value. An instrument categorization in the fair value hierarchy based on the lowest level of "input" significant for its measurement. Below is shown a description of three levels of hierarchy:

Level 1 –The "inputs" are determined based on prices in an active market for identical assets or liabilities at the measurement date. Additionally, the Company should have opportunity to negotiate this price in an active market and can't be adjusted by the Company.

Level 2 – The "inputs" are other than prices as determined by Level 1 that are observable for the asset or liability, either directly or indirectly. The "inputs" in Level 2 include prices in an active market for similar assets or liabilities, prices in an inactive market for identical assets or liabilities, or "inputs" that are observable or can corroborate the observation data from a market by correlation or other means for substantially the entire portion of the assets or liabilities.

Level 3 – The "inputs" are those unobservable from little or no market activity. These "inputs" represent the best estimates of the Company's management on how market participants would assign value / price of these assets or liabilities. Generally, assets and liabilities are measured using Level 3 pricing models, discounted cash flow, or similar methodologies that require significant judgment or estimation.

The fair values of financial instruments estimated by management were determined as follows level 2:

(i) Balance refers to amortized cost, as described in Note 2.19.
(ii) The values related to the balances of receivables and payables also have no significant differences to their fair values due to the turnover of receivables/payables in of these balances being less than 60 days.
(iii) The fair value measurements are obtained by observable variables for assets and liabilities, directly (that is, as price) or indirectly (coming from prices).

c) Liquidity Risk

The Company manages liquidity risk by maintaining adequate reserves, and approved credit lines for funding of loans as it considers appropriate, through the continuous monitoring of expected and actual cash flows, and through the alignment of the maturity profiles of financial assets and liabilities. The following table shows in detail the maturity of contracts for financial liabilities:

	Parent	
	Less than 1 year	Total
Suppliers	101	101
Total	101	101

	Consolidated	
	Less than 1 year	Total
Suppliers	32,517	32,517
Related parties	85	85
Total	32,602	32,602

d) Credit risk

Credit risk is minimized because the Company's sales are made primarily to Petrobras. (95.4% period ended December 31, 2012 and 96.3% period ended December 31, 2011). Regarding the concentration of business, Management believes that, although most of transactions being with only one customer, Petrobras, the credit risk is insignificant, considering that Petrobras is assessed by rating agencies as Investment Grade, is controlled by the Federal Government and does not have a history of default or delays. During the years ended December 31, 2012 and 2011 were not recorded losses on receivables with the client Petrobras.

e) Interest rate risk

The Company uses funds generated by operating activities to manage its operations and to ensure their investment and growth. Financial investments are tied to interest post fixed – CDI rates.

Sensitivity analysis for interest rates

Operation	Balance at 12/31/2012	Risk	Probable scenario (a)	Scenario I – 25% stress	Scenario II – 50% stress
Effective rate on December 31, 2012			6.90%	6.90%	6.90%
Cash equivalents and short-term investments	797,975	Decrease CDI	797,975	797,975	797,975
Estimated annual rate of CDI to December 31, 2013			7.39%	5.54%	3.70%
Cash equivalents and Short-term investments – sensitivity scenario		Decrease CDI	856,945	841,113	825,281
Effect on income and shareholder's equity on December 31, 2013:					
Estimated financial revenue			58,970	43,138	27,306

(a) Probable scenario of interest rate CDI for one year period at December 31, 2013, according Focus report at March 8, 2013, issued by Banco Central does Brasil.

Operation	Balance at 12/31/2012	Risk	Probable scenario(a)	Scenario I 25% stress	Scenario II 50% stress
Effective rate on December 31, 2012			6.90%	6.90%	6.90%
Restricted cash:	24,231	Decrease CDI	24,231	24,231	24,231
Estimated annual rate of CDI to December 31, 2013			7.39%	5.54%	3.70%
Restricted cash:		Decrease CDI	26,022	25,541	25,060
Effect on income and shareholder's equity on December 31,2013:					
Estimated financial revenue			1,791	1,310	829

(a) Probable scenario of interest rate CDI for one year period at December 31, 2013, according Focus report at March 8, 2013, issued by Banco Central do Brasil.

f) Non-Brazilian exchange rate risk

These risks are derived principally from the effect of exchange rates increase on foreign currency transactions.

In order to reduce exposure from fluctuations of the dollar, in the seismic of new acquisitions, Management opted to protect part of the value in R$, indexed in dollar, using derivative instruments as described below.

The instruments signed for acquisition was call option and the notional amount of US$601 was paid a premium of R$55 for the purchase of the Option, and the terms and provisions are the following:

Trade Date:	August 2, 2012
Reference Currency:	USD
Sellers' Choice of Currency:	Banco Itaú BBA S.A.
Currency Option Style:	European
Currency Option Type:	Purchase Option of USD
Notional Amount of Reference Currency:	USD601
Exercise Price:	2.27R$/USD
Held to Maturity	August 28, 2013
Exercise Date:	August 28, 2013
Settlement Date:	August 28, 2013
Premium:	R$55
Date of Payment of the Premium:	August 2, 2012

Financial instruments	Rate	2012	
		Notional value	Fair value
		R$	R$
Call Option	USD	1,228	19 (a)

(a) The fair value was recorded in Others Assets (Current Assets). The year ended December 31, 2012, the effect results was R$(9).

Sensitivity analysis for non-Brazilian exchange rate exposure

The table below presents the sensitivity analysis in the case of dollar appreciation against *real* (R$) and the impact on financial instruments liabilities of the Company.

	Risk	Consolidated			
		12/31/2012			
		Probable scenario (a)		Scenario	
		USD	R$	Possible (25%)	Remote (50%)
Effective rate on December 31, 2012			2.0435	2.0435	2.0435
Operation					
Provision for abandonment	US$ increase	56,992	116,462	116,462	116,462
Call option	US$ increase	601	1,228	1,228	1,228
Estimated annual rate of USD to December 31, 2013			2,00	2,50	3,00
Provision for abandonment	US$ increase	56,992	113,983	142,479	170,974
Call option	US$ increase	601	1,202	1,503	1,803
Effect on income and shareholder's increment in appreciation of the US$ against the *real* for year ended on December 31, 2012:					
Estimated financial revenue			2,505		
Estimated expense			-	(28,796)	(57,592)

(a) Probable scenario of interest rate CDI for one year period at December 31, 2013, according Focus report at March 8, 2013, issued by Banco Central do Brasil.

23. SHAREHOLDERS' EQUITY

i. Capital stock

At the Extraordinary General Meeting ("EGM") of January 17, 2011 it was decided to split each share into three (3) common shares and therefore the number of issued shares stood at 186,065,886 as of that date.

A meeting of the Board of Directors ("MBD") held on 7 February 2011 approved the capital increase of R$1,317,460 from the current R$620,417 to R$1,937,877 through the issuance of 69,340,017 shares, all ordinary nominative, with no par value which were subject to public offering held in Brazil on this date in the OTC market which is not organized, according to CVM Instruction 400 of December 29, 2003.

In "MBD" held on March 2, 2011 were approved the capital increase of R$197,619 from the current R$1,937,877 to R$2,135,496 by issuing 10,401,002 common shares, all nominative without nominal value, were publicly distributed under the same conditions and at the same price of the shares initially offered, due to the exercise of an option to distribute additional shares by BTG Pactual in accordance with the provisions of the Distribution Agreement and Final Prospectus for Public Offering Primary Distribution of Common Shares of QGEP Participações S.A. ("Final Prospectus").

The capital stock of the Company on December 31, 2012 is R$2,078,116, divided into 265,806,905 common shares without nominal value, net amount of R$57,380 of share issue costs. The composition of the share capital on December 31, 2012 is as follows:

Shareholder	Nº ordinary shares	% of shareholding
Queiroz Galvão S.A.	167,459,291	63.0
FIP Quantum	18,606,588	7.0
Outstanding shares	75,910,838	28.6
Share held in treasury	3,588,956	1.3
Management	241,232	0.1
Total	265,806,905	100

ii. Net income per share

The basic earnings per share is computed by dividing net income by the weighted average of all classes of shares outstanding during the year. The calculation of diluted earnings per share is computed including options to purchase shares of executives and key employees using the treasury stock method when the effect is dilutive.

The instruments of participation that will or may be settled in shares of the Company are included in the calculation only when the liquidation has a dilution impact on earnings per share.

Basic and diluted earnings per share	01/01/12 to 12/31/12	01/01/11 to 12/31/11
Numerator		
Net income of the period	82,468	92,137
Denominator (in thousands of share)		
Weighted average number of common shares	264,551	256,850
Basic and diluted earnings per common share	0.31	0.36

Basic earnings and diluted earnings per common share is the same as in December 31, 2012 stock options are "out of money", and therefore do not impact the calculation of diluted earnings per share.

iii. Stock options

The Board of Directors, within their functions and in accordance to the Stock option approved the granting of preferred stock options to managements and executives of the Company. Grants for 2012 and 2011, the options become exercisable 20% from the first year, an additional 30% from the second and remaining 50% from the third year. The options under this Plan of 2012 and 2011 may be exercised within 7 years after the grant date.

The fair value of the purchase options was estimated at concession date of options using the binomial model for pricing in the amount of R$5.31 and R$3.87 for the Plans in 2012 and R$9.87 for the Plan in 2011.

The meetings of the Board of Directors and the assumptions used in pricing model are as follows:.

	Stock option to purchase shares 05/29/2012	Stock option to purchase shares 03/26/2012	Stock option to purchase shares 04/29/2011
Date of Board of Directors meeting	05/28/2012	03/23/2012	04/29/2011
Total of options granted	550,000	1,941,517	1,097,439
Exercise price of the option	R$12.81	R$14.17	R$19.00
Fair value of the option at grant date	R$3.87	R$5.31	R$9.87
Estimated volatility of the stock price	49.88%	53.24%	59.24%
Expected dividend	1.93%	1.93%	2.35%
Rate of return risk-free	4.06%	4.69%	6.36%
Length of the options (in years)	7	7	7

The movement of stock options existing on December 31, 2012 is presented below:

	Stock option	Price weighted average exercise
Option outstanding at December 31, 2010	-	-
Granted in the period – 04/29/2011	1,097,439	19.00
Option outstanding at December 31, 2011	1,097,439	19.00
Granted in the period – 03/26/2012	1,941,517	14.17
Granted in the period – 05/28/2012	550,000	12.81
Option outstanding at December 31, 2012	3,588,956	15.33

The range of exercise prices and average maturity of outstanding options, as well as the ranges of exercise prices for options exercisable at December 31, 2012 are summarized below:

	Options outstanding			Option exercisable	
Plan	Options outstanding at Dec/2012	Average remaining maturity in years	Average exercise price	Options outstanding Dec/2012	Average exercise price
Plan 2012 – 2nd grant plan	550,000	7	12.81	-	-
Plan 2012 – 1st grant plan	1,941,517	7	14.17	-	-
Plan 2011	1,097,439	7	19.00	219,488	19.00

For the year ended December 31, 2012, the Company recorded in shareholders' equity a result with stock-based compensation in the amount of $8,466, including R$3,757 of 2011 plan, R$4,068 of 1st grant of 2012 plan and R$641 of 2nd grant of 2012 plan (R$3,544 of 2011 plan), being the counterpart in the income statement as personnel cost.

iv. Appropriation of profit for the year:

The Management of the Company is proposing to the General Shareholders' Meeting to appropriate the amount of net income for the year ended December 31, 2012, as follows:

	2012
Net income for the year	82,468
Legal reserve (5%)	(4,123)
Minimum mandatory dividends	(1)
Investment reserve	(78,344)

The Company's bylaws provide for the payment of minimum dividend of 0.001% calculated on the adjusted net income in the form of the Corporations Law.

Based on the profits remaining after allocations to legal reserves and mandatory dividends, that will be submitted for approval at a shareholder's meeting.

24. SHARES HELD IN TREASURY

On April 2012, the Company authorized the repurchase program of up to 1,097,439 ordinary shares issued by it, all nominative without nominal value, for maintenance of shares held in treasury and subsequently canceled or sold in order to implement the Program Grant of Option Shares in 2012. The maximum term of the repurchase program is 365 days from April 24, 2012, date of approval of Share Repurchase Plan by the Board of Directors.

On July 2012, the Company authorized the repurchase program of up to 2,699,826 ordinary shares issued by it, all nominative without nominal value, for maintenance of shares held in treasury and subsequently canceled or sold in order to implement the Program Grant of Option Shares in 2011. The maximum term of the repurchase program is 365 days from July 9, 2012, date of approval of Share Repurchase Plan by the Board of Directors.

Position of shares held in treasury is presented below:

	Ordinary shares (*)	Value – R$ thousand
Balance on December 31, 2011	-	-
Movement in the period		
Grant of option Shares in 2011	1,097,439	9,107
Grant of option Shares in 2012	2,491,517	29,792
Balance on December 31, 2012	3,588,956	38,899

(*) Number of shares

Historical cost on acquisition of shares held in treasury (R$ per share)	12/31/2012
Weighted average	11.22
Minimum	7.88
Maximum	13.39

Market value of shares held in treasury

The market value of shares held in treasury at period ended December 31, 2012 is presented below:

	12/31/2012 Ordinary shares
Shares held in treasury	3,588,956
Prices per share – BOVESPA (R$)	13.12
Market value (R$ thousand)	47,087

Shares held in treasury represent 1.35% of total of Company ordinary shares on December 31, 2012.

25. INSURANCE

The major assets or interests covered by insurance and respective amounts are summarized as follows:

Insurance type	Maturity	Insured amounts Dec-12
Civil liability general	01/21/2013	256,513
Petroleum and operating risks	01/21/2013	812,015
Total		1,068,527

The insurances were renewed in 2012, and de maturity of new policies to January 21, 2014, as described in Note 30.

26. RETIREMENT PLAN BENEFITS

The direct subsidiary QGEP, has a voluntary private pension plan to which all employees and directors are eligible. This is a defined contribution plan, with contributions of up to 12% of the monthly salary by the employee, and a counterpart of up to 6.5% by QGEP, according to the level of the employee in the hierarchy. The plan is managed by the Bradesco Life and Pension with two types of regime, progressive and regressive. When employees leave the plan before the end of the minimum contribution period, the contributions payable are reduced to the amount already paid by the Company. The only obligation of the Company in relation to the retirement plan is to make the specified contributions.

The total expenditure of R$432 in December 31, 2012 (R$196 in December 31, 2011), recognized in the consolidated income statement, refers to contributions to be paid as rates specified by the rules of these plans.

27. ADDITIONAL INFORMATION ON CASH FLOWS

The non cash items flows of the Company are as follows:

	12/31/2012	12/31/2011
Addition to intangible assets	-	225,636
Addition to fixed assets	-	801
Stock options	8,466	3,731
Dividends receivable – declared but not received	2,428	2,716

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized by the Board of Directors on March 11, 2013.

29. SUBSEQUENT EVENTS

(i) On January 2013, the major assets or interests covered by insurance were renewed. The amounts and maturity are summarized as follows:

Insurance type	Maturity	Insured amounts Dec-11
Civil liability general	01/21/2014	296,556
Petroleum and operating risks	01/21/2014	1,201,302
Total		1,497,858

(ii) On January 31, 2013, was established QGEP Netherlands B.V. ("QGEP Netherlands"), with headquarters in Rotterdam, Netherlands, wholly owned subsidiary of Queiroz Galvão Exploração e Produção ("QGEP"), and capital stock to be paid in total of US$1. QGEP Netherlands is engaged incorporate, manage and supervise companies; carry all types of commercial and industrial activities, and all things that are related to the activities described.

(iii) Atlanta Field B.V. (AFBV) was established by Queiroz Galvão Exploração e Produção S.A. ("QGEP") on November 22, 2012. On February 12, 2013, QGEP sold their entire participation interest in AFBV to QGEP Netherlands B.V, a wholly owned subsidiary of QGEP. On February 21, 2013, OGX Netherlands Holding B.V, and FR Barra 1 S.à r.l, depending on QGEP in partnership in BS-4 Block concession, entered the structure AFBV and now holds 40% and 30% respectively, participation interests in AFBV. QGEP Netherlands BV on this date has 30% stake in AFBV.

DECLARATION
PURSUANT TO ARTICLE 25 OF CVM REGULATION 480/09

In our capacity as directors of QGEP PARTICIPAÇÕES S.A., a corporation headquartered at Avenida Almirante Barroso, 52, sala 1301, Rio de Janeiro, RJ and registered under CNPJ/MF No. 11.669.021/0001-10 (the "Company"), and in compliance with Section V, paragraph 1, Article 25 of Regulation No. 480 issued by the Securities and Exchange Commission of Brazil on December 7, 2009, which we have reviewed, discussed and agree with the opinion expressed by the Company's independent auditors (Deloitte Touche Tohmatsu Auditores Independentes) regarding the Company's financial statements for the period January 1, 2012 to December 31, 2012.

Rio de Janeiro, March 11, 2013.

Lincoln Rumenos Guardado
Chief Executive Officer

Paula Costa

Paula Vasconcelos da Costa Corte-Real
Finance and Investor Relations Director

Danilo

Danilo Oliveira
Director

Sérgio Michelucci Rodrigues
Director

DECLARATION
PURSUANT TO ARTICLE 25 OF CVM REGULATION 480/09

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Rio de Janeiro, March 11, 2013.

Lincoln

Lincoln Rumenos Guardado
Chief Executive Officer

Paula Costa

Paula Vasconcelos da Costa Corte-Real
Finance and Investor Relations Director

Danilo

Danilo Oliveira
Director

Sérgio Michelucci Rodrigues
Director

GRI Cross-Reference Table

GRI 3.12

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Queiroz Galvão Exploração e Produção (QGEP)** has presented its report "Annual Sustainability Report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 1 August 2013

B
GRI REPORT
GRI CHECKED

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: *Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 22 July 2013. GRI explicitly excludes the statement being applied to any later changes to such material.*

1. STRATEGY AND ANALYSIS		AR's Pages/ Comments	FSs' Pages	Global Compact
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	6 to 9		
1.2	Description of key impacts, risks, and opportunities.	6 to 9, 26 and 27	114 to 117	
2. ORGANIZATION PROFILE		**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
2.1	Name of the organization.	2 and 3	92 to 93	
2.2	Primary brands, products, and/or services.	38 to 44	92 to 93	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	2 and 3	92 to 93	
2.4	Location of organization's headquarters.	136	92 to 93	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	2 and 3	92 to 93	
2.6	Nature of ownership and legal form.	2 and 3	92 to 93	
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	2 and 3, 59	92 to 93	
2.8	Scale of the reporting organization.	2 to 4	75 to 82	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	10 to 11	77	
2.10	Awards received in the reporting period.	22		
3. REPORT PARAMETERS		**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	11		
3.2	Date of most recent previous report (if any).	11		
3.3	Reporting cycle (annual, biennial, etc.)	11		
3.4	Contact point for questions regarding the report or its contents.	136		
3.5	Process for defining report content, including: a) determining materiality, b) prioritizing topics within the report, and c) identifying stakeholders the organization expects to use the report.	12		
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, and suppliers).	11		
3.7	State any specific limitations on the scope or boundary of the report.	11		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	11		
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.	11	93 to 103	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/ periods, nature of business, and measurement methods).	11		
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	11		
3.12	Table identifying the location of the Standard Disclosures in the report.	124		
3.13	Policy and current practice with regard to seeking external assurance for the report.	11	83 to 84	

4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT GOVERNANCE		AR's Pages/ Comments	FSs' Pages	Global Compact
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	16 to 23		
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	18		
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	18 and 19		
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	18		
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	18		
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	18		
4.7	Process for determining the composition, qualifications and expertise of the members of the highest governance body and its committees,including any consideration of gender and other indicators of diversity.	19		
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	5 and 23		1, 6 and 10
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	19		
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	19		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	26 and 27		7
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	23		
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: a) has positions in governance bodies, b) participates in projects or committees, c) provides substantive funding beyond routine membership dues or d) views membership as strategic.	46 to 47		
4.14	List of stakeholder groups engaged by the organization.	12		
4.15	Basis for identification and selection of stakeholders with whom to engage.	12		
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	56 to 60		
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	12		

ECONOMIC PERFORMANCE INDICATORS

MANAGEMENT			30 to 37, 47 and 63	93 to 101	
Aspect: Economic Performance			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Essential	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations, and other community investments, retained earnings, and payments to capital providers and governments.	66	90	
Essential	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Not material.		
Essential	EC3	Coverage of the organization's defined benefit plan obligations.	Not material.		
Essential	EC4	Significant financial assistance received from government.	65		
Aspect: Market Presence			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Additional	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Not material.		
Essential	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Not material.		
Essential	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	Not material.		7, 8 and 9
Aspect: Indirect Economic Impacts			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Essential	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	49	81 to 82	
Additional	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	49	81 to 82	

ENVIRONMENTAL PERFORMANCE INDICATORS

MANAGEMENT			47 and 48		
Aspect: Materials			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Essential	EN1	Materials used by weight or volume.	Not material.		
Essential	EN2	Percentage of materials used that are recycled input materials.	55		8 and 9
Aspect: Energy			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Essential	EN3	Direct energy consumption by primary energy source.	54		
Essential	EN4	Indirect energy consumption by primary source.	Not material.		
Additional	EN5	Energy saved due to conservation and efficiency improvements.	Not material.		8 and 9
Additional	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Not material.		8 and 9
Additional	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Not material.		8 and 9

Aspect: Water			AR's Pages/ Comments	FSs' Pages	Global Compact
Essential	EN8	Total water withdrawal by source.	Not material.		
Additional	EN9	Water sources significantly affected by withdrawal of water.	Not material.		
Additional	EN10	Percentage and total volume of water recycled and reused.	Not material.		8 and 9
Aspect: Biodiversity			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Essential	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	49		
Essential	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	49		
Additional	EN13	Habitats protected or restored.	48 and 49		8
Additional	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	44 and 49		8
Additional	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	48		
Aspect: Emissions, Effluents, and Waste			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Essential	EN16	Total direct and indirect greenhouse gas emissions by weight.	54 and 55		
Essential	EN17	Other relevant indirect greenhouse gas emissions by weight.	54 and 55		
Additional	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Not material.		8
Essential	EN19	Emissions of ozone-depleting substances by weight.	Not material.		
Essential	EN20	NOx, SOx, and other significant air emissions by type and weight.	Not material.		
Essential	EN21	Total water discharge by quality and destination.	56		8
Essential	EN22	Total weight of waste by type and disposal method.	55		8
Essential	EN23	Total number and volume of significant spills.	There were no spills in 2012 (because there were no operations during the year).		
Additional	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	There was no transport of hazardous waste in 2012 (because there were no operations during the year).		
Additional	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Not material.		

Aspect: Products and Services			AR's Pages/ Comments	FSs' Pages	Global Compact
Essential	EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	56		8
Essential	EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Not material.		8
Aspect: Compliance			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Essential	EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	47	109 to 110	
Aspect: Transport			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Additional	EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	52		
Aspect: Overall			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Additional	EN30	Total environmental protection expenditures and investments by type.	47		8
LABOR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS					
MANAGEMENT			56 and 58		
Aspect: Employment			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Essential	LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	57		
Essential	LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	58		6
Additional	LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Not material.		
Aspect: Labor/Management Relations			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Essential	LA4	Percentage of employees covered by collective bargaining agreements.	Not material.		3
Essential	LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Not material.		3
Aspect: Occupational Health and Safety			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Additional	LA6	Percentage of total workforce represented in formal joint management – worker health and safety committees – that help monitor and advise on occupational health and safety programs.	58		
Essential	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region and by gender.	There were no lost days due to work-related injuries, occupational diseases or accidents in the workplace. The absenteeism rate was 0.5%, representing two employees who missed work through INSS (Social Security). There were no fatalities during the year.		

Essential	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Not material.		
Additional	LA9	Health and safety topics covered in formal agreements with trade unions.	58		

Aspect: Training and Education			AR's Pages/ Comments	FSs' Pages	Global Compact
Essential	LA10	Average hours of training per year per employee by gender, and by employee category.	Not material.		
Additional	LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Not material.		7, 8 and 9
Additional	LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Not material.		

Aspect: Diversity and Equal Opportunity			AR's Pages/ Comments	FSs' Pages	Global Compact
Essential	LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Not material.		

Aspect: Equal Remuneration for Women and Men			AR's Pages/ Comments	FSs' Pages	Global Compact
Essential	LA14	Ratio of basic salary and remuneration of women to men by employee category, by signifi cant locations of operation.	Not material.		
Essential	LA15	Return to work and retention rates after parental leave, by gender.	Not material.		

HUMAN RIGHTS PERFORMANCE INDICATORS

MANAGEMENT			23, 49 and 50		

Aspect: Investment and Procurement Practices			AR's Pages/ Comments	FSs' Pages	Global Compact
Essential	HR1	Percentage and total number of signifi cant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	23		
Essential	HR2	Percentage of signifi cant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	23		
Additional	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Not material.		

Aspect: Non-Discrimination			AR's Pages/ Comments	FSs' Pages	Global Compact
Essential	HR4	Total number of incidents of discrimination and corrective actions taken.	Not material.		6

Aspect: Freedom of Association and Collective Bargaining			AR's Pages/ Comments	FSs' Pages	Global Compact
Essential	HR5	Operations and significant suppliers identifi ed in which the right to exercise freedom of association and collective bargaining may be voilated or at significant risk, and actions taken to support these rights.	Not material.		3

Aspect: Child Labor			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Essential	HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Not material.		5
Aspect: Forced and Compulsory Labor			**AR'S PAGES/ COMMENTS**	**FSs' Pages**	**Global Compact**
Essential	HR7	Operations and significant suppliers identifi ed as having signifi cant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Not material.		2 and 4
Aspect: Security Practices			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Additional	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Not material.		1
Aspect: Indigenous Rights			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Additional	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	51		
Aspect: Assessment			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Essential	HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Not material.		
Aspect: Remediation			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Essential	HR11	Number of grievances related to human rights fi led, addressed and resolved through formal grievance mechanisms.	Not material.		
SOCIETY PERFORMANCE INDICATORS					
MANAGEMENT			47 and 82	75 and 76	
Aspect: Local Community			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Essential	SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	49 to 51	81 to 82	
Essential	SO9	Operations with signifi cant potential or actual negative impacts on local communities.	49	81 to 82	
Essential	SO10	Prevention and mitigation measures implemented in operations with signifi cant potential or actual negative impacts on local communities.	49	81 to 82	
Aspect: Corruption			**AR's Pages/ Comments**	**FSs' Pages**	**Global Compact**
Essential	SO2	Percentage and total number of business units analyzed for risks related to corruption.	Not material.		10
Essential	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	Not material.		10
Essential	SO4	Actions taken in response to incidents of corruption.	Not material.		

Aspect: Public Policy			AR's Pages/ Comments	FSs' Pages	Global Compact
Essential	SO5	Public policy positions and participation in public policy development and lobbying.	Not material.		
Additional	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Not material.		

Aspect: Anti-Competitive Behavior			AR's Pages/ Comments	FSs' Pages	Global Compact
Additional	SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Not material.		

Aspect: Compliance			AR's Pages/ Comments	FSs' Pages	Global Compact
Essential	SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Not material.		

PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS

MANAGEMENT			Not material.		

Aspect: Customer Health and Safety			AR's Pages/ Comments	FSs' Pages	Global Compact
Essential	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Not material.		
Additional	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Not material.		

Aspect: Product and Service Labeling			AR's Pages/ Comments	FSs' Pages	Global Compact
Essential	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Not material.		
Additional	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Not material.		
Additional	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Not material.		

Aspect: Marketing Communications			AR's Pages/ Comments	FSs' Pages	Global Compact
Essential	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Not material.		
Additional	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Not material.		

Aspect: Customer Privacy			AR's Pages/ Comments	FSs' Pages	Global Compact
Additional	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not material.		

Aspect: Compliance			AR's Pages/ Comments	FSs' Pages	Global Compact
Essential	PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Not material.		

PERFORMANCE INDICATORS - OIL AND GAS SECTOR SUPPLEMENT

Aspect: Reserves			AR's Pages/ Comments	FSs' Pages	Global Compact
Sectoral	OG1	Volume and type of estimated proved reserves and production.	38 to 44, 59 to 60		

Aspect: Energy			AR's Pages/ Comments	FSs' Pages	Global Compact
Sectoral	OG2	Total amount invested in renewable energy.	There were no investments in renewable energy or research on biofuels in 2012.		
Sectoral	OG3	Total amount of renewable energy generated by source.	54		

Aspect: Ecosystem-related services, including biodiversity			AR's Pages/ Comments	FSs' Pages	Global Compact
Sectoral	OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored.	49	81 to 82	

Aspect: Emissions, efluents and waste			AR's Pages/ Comments	FSs' Pages	Global Compact
Sectoral	OG5	Volume and disposal of formation or produced water.	There were no operations in 2012. QGEP does not produce or reuse water.		
Sectoral	OG6	Volume of flared and vented hydrocarbon.	There were no hydrocarbons flared or vented in 2012, as there were no operations during the year.		
Sectoral	OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal.	There was no drilling waste (drill mud and cuttings) produced in 2012, as there were no operations during the year.		

Aspect: Products and services			AR's Pages/ Comments	FSs' Pages	Global Compact
Sectoral	OG8	Benzene, lead and sulfur content in fuels.	Not applicable, as the company is only an upstream operator.		

Aspect: Indigenous Rights			AR's Pages/ Comments	FSs' Pages	Global Compact
Sectoral	OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place.	51	81 to 82	

Aspect: Society			AR's Pages/ Comments	FSs' Pages	Global Compact
Sectoral	OG10	Number and description of significant disputes with local communities and indigenous peoples.	51 QGEP has no disputes associated with its operations. All its Blocks are offshore and are in the exploration stage.		
Sectoral	OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned.	No sites were decommissioned in 2012.		

Aspect: Involuntary resettlement			AR's Pages/ Comments	FSs' Pages	Global Compact
Sectoral	OG12	Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process.	The company is only active in offshore Blocks where it is the operator, and there is still no need to have an onshore production facility. Accordingly, there had been no resettlement of any family at the end of 2012.		

Aspect: Integrity of assets and process safety			AR's Pages/ Comments	FSs' Pages	Global Compact
Sectoral	OG13	Number of process safety events, by business activity.	At the end of 2012 there had been no hydrocarbons produced and no commercial activity in the Blocks where QGEP is the operator.		

Aspect: Fossil fuel substitutes			AR's Pages/ Comments	FSs' Pages	Global Compact
Sectoral	OG14	Volume of biofuels produced and purchased meeting sustainability criteria.	At the end of 2012 there had been no hydrocarbons produced and no commercial activity in the Blocks where QGEP is the operator. Accordingly, there had been no production or purchase of biofuels at the end of 2012.		

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