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

PetroRecôncavo S.A.

Report on Review of Interim Financial Information for the Nine-month Period Ended September 30, 2021

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders and Management of
PetroRecôncavo S.A.

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of PetroRecôncavo S.A. ("Company"), included in the Interim Financial Information Form (ITR), for the quarter ended September 30, 2021, which comprises the balance sheet as at September 30, 2021 and the related statements of profit and loss and of comprehensive income for the three- and nine-month periods then ended, and of changes in equity and of cash flows for the nine-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board - IASB, as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review of Interim Financial Information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual and consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual and consolidated interim financial information included in the interim financial information referred to above has not been prepared, in all material respects, in accordance with technical pronouncement CPC 21 (R1) and international standard IAS 34, applicable to the preparation of Interim Financial Information (ITR), and presented in accordance with the standards issued by the CVM.

Emphasis of matter

Without modifying our conclusion, we draw attention to note 1 to the individual and consolidated interim financial information, which states that, as a result of the characteristics of the Company's and its subsidiaries' operations, they concentrate their sales on one single customer (Petróleo Brasileiro S.A. - Petrobras). Consequently, any interpretation or analysis of this individual and consolidated interim financial information must take these circumstances into consideration.

Other matters

Statements of value added

The interim financial information referred to above includes the individual and consolidated statements of value added (DVA) for the nine-month period ended September 30, 2021, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the international standard IAS 34. These statements were subject to review procedures performed together with the review of the Interim Financial Information (ITR) to reach a conclusion on whether they were reconciled with the interim financial information and accounting records, as applicable, and if their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria set out in this technical pronouncement and consistently with the individual and consolidated interim financial information taken as a whole.

The accompanying individual and consolidated interim financial information has been translated into English for the convenience of readers outside Brazil.

Salvador, November 10, 2021

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.

Jônatas José Medeiros de Barcelos
Engagement Partner

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

PETRORECÔNCAVO S.A. AND SUBSIDIARIES

BALANCE SHEETS AS AT SEPTEMBER 30, 2021
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
ASSETS	Notes	09/30/2021	12/31/2020	09/30/2021	12/31/2020
CURRENT ASSETS					
Cash and cash equivalents	3	336,786	11,663	392,406	30,861
Short-term investments	3	712,709	9,993	764,069	66,414
Trade receivables	4	49,426	52,578	165,001	108,733
Inventories		-	127	1,011	1,211
Dividends receivable	16	304	304	-	-
Recoverable taxes	5	19,533	13,457	46,645	22,433
Derivative financial instruments	14	-	-	-	80,506
Other assets		7,307	11,161	7,132	12,826
Total current assets		1,126,065	99,283	1,376,264	322,984
NONCURRENT					
Short-term investments	3	-	-	68,622	68,597
Related parties	16	-	20,460	-	-
Recoverable taxes	5	493	14	8,895	562
Derivative financial instruments	14	-	-	-	56,576
Judicial deposits	6	2,514	2,237	2,588	2,311
Other assets		274	475	274	475
Deferred income tax and social contribution	11	25,386	2,482	222,009	3,070
Investments	7	410,479	560,003	-	-
Property, plant and equipment	8	380,233	386,092	1,614,191	1,599,890
Lease right-of-use assets	22	9,998	10,528	13,865	20,680
Intangible assets		5,440	4,607	5,854	5,028
Total noncurrent assets		834,817	986,898	1,936,298	1,757,189
TOTAL ASSETS		1,960,882	1,086,181	3,312,562	2,080,173

		Company		Consolidated	
LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	09/30/2021	12/31/2020	09/30/2021	12/31/2020
CURRENT LIABILITIES					
Trade payables	9	44,378	49,022	65,658	80,089
Payroll and related charges		21,143	12,002	28,402	16,065
Taxes payable		6,613	14,083	51,170	22,762
Loans and financing	10	13,188	1,355	268,087	212,931
Leases payable	22	7,503	5,995	11,782	15,241
Derivative financial instruments	14	-	-	211,860	-
Dividends payable	15.6	2	2	2	2
Provision for well abandonment	13	-	-	6,301	6,301
Other payables		127	1,168	18,209	1,170
Total current liabilities		92,954	83,627	661,471	354,561
NONCURRENT LIABILITIES					
Loans and financing	10	602	1,379	519,872	681,109
Leases payable	22	2,355	5,100	2,816	7,646
Derivative financial instruments	14	-	-	236,619	17,886
Provision for tax, civil and labor contingency risks	12	3,745	4,965	3,745	4,965
Provision for well abandonment	13	11,919	10,914	38,732	33,810
Total noncurrent liabilities		18,621	22,358	801,784	745,416
SHAREHOLDERS' EQUITY					
Share capital	15	1,813,114	674,941	1,813,114	674,941
Treasury shares		(922)	-	(922)	-
Capital reserve		33,167	31,158	33,167	31,158
Profit reserve		160,945	160,945	160,945	160,945
Retained earnings		104,518	-	104,518	-
Equity variation adjustment		(295,996)	78,671	(295,996)	78,671
Capital transactions		34,481	34,481	34,481	34,481
Total shareholders' equity		1,849,307	980,196	1,849,307	980,196
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,960,882	1,086,181	3,312,562	2,080,173

The accompanying notes are an integral part of the interim financial statements

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

PETRORECÔNCAVO S.A. AND SUBSIDIARIES

STATEMENTS OF PROFIT AND LOSS FOR THE THREE AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021
(In thousands of Brazilian reais - R$, except earnings per share)

		Company				Consolidated			
	Notes	07/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020	01/01/2021 09/30/2021	01/01/2020 09/30/2020	07/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020	01/01/2021 09/30/2021	01/01/2020 09/30/2020
NET REVENUE	18	84,813	62,126	231,162	202,316	260,344	200,177	755,242	581,213
COSTS OF SALES AND SERVICES	19	(64,237)	(47,408)	(176,899)	(152,126)	(179,203)	(118,385)	(498,632)	(358,872)
GROSS PROFIT		20,576	14,718	54,263	50,190	81,141	81,792	256,610	222,341
REVENUE (EXPENSES)									
General and administrative	19	(9,210)	(9,507)	(34,942)	(28,707)	(11,315)	(12,384)	(40,786)	(35,577)
Other income (expenses), net	19	(9,512)	(1,837)	(8,185)	399	(12,888)	(2,354)	(25,333)	(1,791)
Equity in investments	7, 19	(13,157)	8,623	66,080	(148,439)	-	-	-	-
Total		(31,879)	(2,721)	22,953	(176,747)	(24,203)	(14,738)	(66,119)	(37,368)
OPERATING INCOME (LOSS)		(11,303)	11,997	77,216	(126,557)	56,938	67,054	190,491	184,973
FINANCIAL INCOME									
Financial income	20	4,675	1,258	15,916	1,910	5,228	5,330	26,106	9,767
Financial expenses	20	(1,536)	(1,430)	(5,639)	(4,383)	(22,148)	(33,518)	(76,171)	(95,109)
Foreign exchange variation, net	20	51,605	(923)	34,191	(7,077)	(4,220)	(25,600)	(2,190)	(310,791)
		54,744	(1,095)	44,468	(9,550)	(21,140)	(53,788)	(52,255)	(396,133)
NET INCOME (LOSS) BEFORE TAXES		43,441	10,902	121,684	(136,107)	35,798	13,266	138,236	(211,160)
INCOME TAX AND SOCIAL CONTRIBUTION									
Current		(13,642)	(2,783)	(17,177)	(15,453)	(14,826)	(2,783)	(52,243)	(15,453)
Deferred		(7,381)	(1,917)	(2,844)	2,476	797	(4,141)	184	81,758
Reduction - tax incentive		508	-	2,939	-	1,157	-	18,425	-
	11	(20,515)	(4,700)	(17,082)	(12,977)	(12,872)	(6,924)	(33,634)	66,305
NET INCOME (LOSS) FOR THE PERIOD		22,926	6,202	104,602	(149,084)	22,926	6,342	104,602	(144,855)
Net earnings (loss) per common and preferred share - R$	15.5	0.0923	0.0370	0.4959	(0.8883)				
Diluted earnings (loss) per common and preferred share - R$	15.5	0.0919	0.0367	0.4932	(0.8820)				

The accompanying notes are an integral part of the interim financial statements.

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PETRORECÔNCAVO S.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021
(In thousands of Brazilian reais - R$)

	Company				Consolidated			
	07/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020	01/01/2021 09/30/2021	01/01/2020 09/30/2020	07/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020	01/01/2021 09/30/2021	01/01/2020 09/30/2020
NET INCOME (LOSS) FOR THE PERIOD	22,926	6,202	104,602	(149,084)	22,926	6,342	104,602	(144,855)
Hedging instruments	-	(10,273)	-	9,699	(100,148)	(69,412)	(567,674)	304,726
Deferred taxes on financial instruments	-	3,492	-	(3,298)	34,050	23,600	193,007	(103,607)
COMPREHENSIVE INCOME FOR THE PERIOD	22,926	(579)	104,602	(142,683)	(43,172)	(39,470)	(270,065)	56,264

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PETRORECÔNCAVO S.A. AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021
(In thousands of Brazilian reais - R$)

				Capital reserve		Profit reserve			Other comprehensive income						
	Notes	Share Capital	Treasury shares	Income tax relief incentive	Shares and share purchase options granted	Legal reserve	Tax incentives	Reserve for reinvestment	Cash flow hedge accounting	Capital transaction	Advance for future capital increase	Accumulated profit (loss)	Total Shareholders equity of the Company	Reconciliation	Total consolidated Shareholders equity
														2.3	
BALANCE AS AT DECEMBER 31, 2019		669,295	-	18,501	12,657	23,187	36,423	169,480	(3,391)	34,481	304	-	960,937	860	961,797
Capital increase		5,646	-	-	-	-	-	-	-	-	(304)	-	5,342	-	5,342
Equity evaluation adjustment		-	-	-	-	-	-	-	8,220	-	-	-	8,220	-	8,220
Equity evaluation adjustment of subsidiary		-	-	-	-	-	-	-	192,899	-	-	-	192,899	-	192,899
Share repurchase		-	-	-	-			(140)	-	-	-	-	(140)	-	(140)
Cancelation of dividends		-	-	-	-	-	-	12,894	-	-	-	-	12,894	-	12,894
Loss for the period		-	-	-	-	-	-	-	-	-	-	(149,084)	(149,084)	4,229	(144,855)
BALANCE AS AT SEPTEMBER 30, 2020		674,941	-	18,501	12,657	23,187	36,423	182,234	197,728	34,481	-	(149,084)	1,031,068	5,089	1,036,157
BALANCE AS AT DECEMBER 31, 2020		674,941	-	18,501	12,657	23,187	36,423	101,335	78,671	34,481	-	-	980,196	-	980,196
Capital increase	15	1,187,375	-	-	-	-	-	-	-	-	-	-	1,187,375	-	1,187,375
Stock option exercise	15	778	-	-	-	-	-	-	-	-	-	-	778	-	778
Share issue cost	15	(49,980)	-	-	-	-	-	-	-	-	-	-	(49,980)	-	(49,980)
Repurchase of shares	15	-	(4,001)	-	-	-	-	-	-	-	-	-	(4,001)	-	(4,001)
Sale of treasury shares		-	1,539	-	-	-	-	-	-	-	-	(246)	1,293	-	1,293
Share-based compensation		-	1,540	-	-	-	-	-	-	-	-	162	1,702	-	1,702
Share based payment plan	15	-	-	-	2,009	-	-	-	-	-	-	-	2,009	-	2,009
Other comprehensive income of the subsidiary	7	-	-	-	-	-	-	-	(374,667)	-	-	-	(374,667)	-	(374,667)
Profit for the period		-	-	-	-	-	-	-	-	-	-	104,602	104,602	-	104,602
BALANCE AS AT SEPTEMBER 30, 2021		1,813,114	(922)	18,501	14,666	23,187	36,423	101,335	(295,996)	34,481	-	104,518	1,849,307	-	1,849,307

The accompanying notes are an integral part of the interim financial statements.

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PETRORECÔNCAVO S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
	Notes	09/30/2021	09/30/2020	09/30/2021	09/30/2020
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit (loss) before taxes on income		121,684	(136,107)	138,236	(211,160)
Adjustments to reconcile profit (loss) for the year to					
cash generated by operating activities:					
Interest and exchange differences, net		(33,265)	321	44,927	368,565
Exchange differences on translating cash and cash equivalents	3	-	-	364	(798)
Interest and foreign exchange differences on leases	22	1,291	7,497	3,161	2,325
Depreciation and depletion of property, plant and equipment	8	57,188	53,462	192,387	143,969
Amortization of intangible assets		656	533	709	533
Depreciation of right-of-use assets	22	5,295	8,199	13,998	13,736
Amortization of borrowing costs	10	70	-	10,018	14,135
Vesting of share-based compensation	15.7	2,009	5,646	2,009	5,646
Share-based payment		1,702	-	1,702	-
Allowance for inventory loss		-	-	-	41
Equity in investments	7, 19	(66,080)	148,439	-	-
Fair value of settled hedge	14	-	-	56,841	(8,574)
Provision for tax, civil, labor and regulatory contingency risks	12	215	2,604	215	2,604
Adjustment of provision for well abandonment	13	1,005	1,305	4,922	3,815
Write-off of property, plant and equipment and leases		37,753	35,131	101,435	62,055
CHANGES IN ASSETS					
Trade receivables		3,152	(6,427)	(56,268)	(22,370)
Inventories		127	-	200	(2,112)
Recoverable taxes		(6,555)	1,078	(32,545)	(6,302)
Judicial deposits		(277)	(31)	(277)	(31)
Other assets		4,055	269	5,895	(4,417)
CHANGES IN LIABILITIES					
Trade payables		(4,644)	(4,107)	(14,431)	9,196
Payroll and related charges		9,141	(5,199)	12,337	(1,975)
Taxes payable		(21,440)	(10,099)	14,071	(9,283)
Other accounts payable		(1,041)	(335)	17,039	(104)
Payment of tax, civil, labor and regulatory contingencies	12	(1,435)	-	(1,435)	-
Hedge contract payment (receivables)	14	-	-	(56,841)	8,574
Interest paid	10	(1,130)	(222)	(44,860)	(50,687)
Interest on leases paid	22	(590)	(1,307)	(1,721)	(1,865)
Income tax and social contribution paid		(268)	(135)	(19,481)	(1,424)
CASH GENERATED BY OPERATING ACTIVITIES		108,618	100,515	392,607	314,092
CASH FLOWS FROM INVESTING ACTIVITIES					
Loans with related parties		(8,690)	2,641	-	-
Interest received on loans with related parties		-	7	-	-
Advance for future capital increase in subsidiaries		(69,363)	-	-	-
Short-term investments		(671,224)	(52,801)	(662,919)	(147,264)
Additions to property, plant and equipment	8	(90,107)	(54,012)	(309,745)	(116,545)
Additions to intangible assets		(465)	(1,564)	(511)	(1,225)
Capital increase in subsidiaries	7	(60,550)	-	-	-
CASH USED IN INVESTMENT ACTIVITIES		(900,399)	(105,729)	(973,175)	(265,034)
CASH FLOW FROM FINANCING ACTIVITIES					
Financing raised	10	60,479	-	60,479	-
Repayment of financing	10	(46,591)	(1,285)	(211,770)	(67,118)
Stock option exercise	15.7	778	-	778	-
Repayment of leases - principal	22	(6,702)	(13,753)	(16,314)	(18,671)
Capital increase	15	1,187,375	5,342	1,187,375	5,342
Share issue cost	15.1	(75,727)	-	(75,727)	-
Repurchase of shares		(4,001)	(140)	(4,001)	(140)
Sale of treasury shares		1,293	-	1,293	-
CAIXA FROM (USED IN) FINANCING ACTIVITIES		1,116,904	(9,836)	942,113	(80,587)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		325,123	(15,050)	361,545	(31,529)
Cash and cash equivalents at the beginning of the period	3	11,663	19,977	30,861	56,265
Cash and cash equivalents at the end of the period	3	336,786	4,927	392,406	24,736
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		325,123	(15,050)	361,545	(31,529)

The accompanying notes are an integral part of the interim financial statements.

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PETRORECÔNCAVO S.A. AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED FOR THE NINE-MONTH PERIOD ENDED SETPEMBER 30, 2021
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
	Notes	09/30/2021	09/30/2020	09/30/2021	09/30/2020
Wealth creation					
Revenue:					
Services	18	250,312	216,109	250,312	216,109
Products	18	-	-	710,263	455,032
Other		6,602	4,269	1,215	2,561
Total revenue		256,914	220,378	961,790	673,702
Inputs and services acquired from third parties					
Cost of sales and services		(19,450)	(14,605)	(40,489)	(42,388)
Materials, energy, outsourced services and other		(64,703)	(57,603)	(131,445)	(92,156)
Recovery (loss) of receivables		-	-	430	16
Total inputs acquired from third parties		(84,153)	(72,208)	(171,504)	(134,528)
Gross value added		172,761	148,170	790,286	539,174
Depreciation, amortization and depletion	19	(63,139)	(62,194)	(207,094)	(158,238)
Wealth created by the entity		109,622	85,976	583,192	380,936
Wealth received in transfer:					
Financial income		72,861	2,477	94,093	11,081
Equity in investments	7, 19	66,080	(148,844)	-	-
Total wealth received in transfer		138,941	(146,367)	94,093	11,081
Wealth for distribution		248,563	(60,391)	677,285	392,017
Wealth distributed					
Personnel:					
Wages		49,490	31,688	65,242	42,905
Benefits		11,507	8,232	20,049	13,850
Governmental severance fund (FGTS)		1,898	1,340	2,980	2,140
Taxes, fees and contributions:					
Federal		34,703	25,666	123,096	(21,320)
State		75	73	116,264	45,231
Municipal		9,372	6,705	9,372	6,705
Third-party capital remuneration:					
Rent	19	8,523	3,367	16,917	7,858
Royalties	19	-	-	72,412	32,289
Interest		28,393	12,027	146,348	407,214
Return on equity:					
Profit (loss) incurred		104,602	(149,489)	104,605	(144,855)
Wealth distributed		248,563	(60,391)	677,285	392,017

The accompanying notes are an integral part of the interim financial statements.

1. GENERAL INFORMATION

PetroRecôncavo S.A. (“Company”, “PetroRecôncavo” or “Parent Company”) is engaged in the operation and production of mature oil and natural gas fields in Brazil. The Company is headquartered in the city of Mata de São João, State of Bahia, and was organized on July 21, 1999, for the purpose of, together with Petróleo Brasileiro S.A. (Petrobras S.A.), restore, reactivate and rejuvenate 12 “mature” oil and gas fields in Brazil’s Recôncavo basin through a “risk production agreement”, dated February 1, 2000, effective for twenty-seven years counted from the execution date and renewable for a similar term, at the discretion of the Brazilian Oil Agency - ANP (*Agência de Petróleo, Gás Natural e Biocombustíveis*). This activity encompasses the planning and implementation of all phases in the production chain of an oil and gas field such as reservoir study, implementation of well intervention programs, production monitoring and control, including production measurement, transportation and handling.

In operation since February 2000, PetroRecôncavo is paid on a monthly basis for the production of oil and natural gas, exclusively by Petrobras S.A., in accordance with the second clause of the ”risk production agreement” signed by the parties, which sets forth that the hydrocarbons produced within the established areas, on the aforementioned agreement, are exclusively property of Petrobras. The exploration areas PetroRecôncavo operates refer to fields whose concessions belongs to Petrobras.

On December 23, 2020, the Company entered into an agreement to acquire the total interests held by Petrobras in the twelve onshore fields that are the subject matter of the “risk production agreement”, which are grouped in another set called the Remanso Cluster and include the fields Brejinho, Canabrava, Cassarongongo, Gomo, Fazenda Belém, Mata de São João, Norte Fazenda Caruaçuçu, Remanso, Rio dos Ovos, Rio Subaúma, São Pedro and Sesmaria, in the Recôncavo basin, State of Bahia. The acquisition price was of US$30.0 million. Of this amount: (i) US$4.0 million, equivalent to R$20.6 million, was paid on the signing date, December 23, 2020; (ii) US$21.0 million is due and will be paid when the deal is closed, less the cash generation of the asset, that will be presented by Petrobras, from July 2020 to the transaction closing date, plus other price adjustment terms; and (iii) US$5.0 million payable in twelve months after the deal is closed, which is expected to take place during 2021. This acquisition is subject to compliance with precedent conditions, such as regulatory authorizations from CADE (Brazilian antitrust agency), ANP, environmental agencies, among others. The “risk production agreement” will be terminated with the closing of the transaction. On March 16, 2021, CADE approved the transaction, with the precedent conditions mentioned above being maintained.

The Company’s subsidiaries are Recôncavo E&P S.A. (“Recôncavo”), Reconcavo America LLC (“Reconcavo America”), Potiguar E&P S.A. (“Potiguar”) and SPE Miranga S.A. (“SPE Miranga”) (collectively with PetroRecôncavo referred to as the “Group”), whose activities are described below:

Recôncavo

Recôncavo was established on March 22, 2004 and is engaged in the development, prospection, exploration and drilling in oil basins, and the production and sale of oil, gas and other byproducts.

The subsidiary Recôncavo E&P S.A. currently holds concessions to exploit the Lagoa do Paulo, Lagoa do Paulo Norte, Lagoa do Paulo Sul, Acajá-Burizinho, and Juriti fields, which were acquired in ANPs Bidding Rounds 4 and 6.

Recôncavo America

Recôncavo America, established on May 15, 2006, based in the State of Delaware, United States of America, is engaged in purchasing oilfield equipment, especially workover and drilling rigs, and leasing them in Brazil, under the special customs regime for the export and import of goods intended to be used in oil and natural gas prospection and extraction activities, called REPETRO. In December 2020, Recôncavo America sold its assets to its parent company PetroRecôncavo and its subsidiary Potiguar for R$18,156, at these assets' carrying amounts on the sale date.

Potiguar

Potiguar E&P S.A., headquartered in the city of Mossoró, State of Rio Grande do Norte, is a privately-held company, established on June 15, 2018 and is controlled by PetroRecôncavo S.A.

On December 9, 2019 PetroRecôncavo, through its subsidiary Potiguar E&P, secured the acquisition of Petrobras' interests in the Fields of the Riacho da Forquilha Cluster, the first concluded transaction involving onshore Fields in mature basins of Petrobras' divestment plan. The Cluster, located in the state of Rio Grande do Norte, is composed of 34 concessions, of which 30 are 100% owned and operated by Potiguar E&P, two in partnership with Sonangol Hidrocarbonetos Brasil Ltda, which began to be operated by Potiguar E&P from June 2021, and two with Partex Brasil Ltda and operated by them.

Potiguar signed, on June 28, 2021, in Rio de Janeiro, a concession contract for the exploration and production of oil and natural gas of the POT-T-702 block, acquired in the 2nd Cycle of the Permanent Offer carried out by ANP. The concession contract comprises an area of 17,178 km² and a Minimum Exploratory Program (PEM) composed of 1,000 work units, corresponding to R$6,000,000.00 (six million Brazilian reais), with a five-year term for its execution, in one single period. The PEM value was guaranteed, in compliance with the que tender document, through a performance bond issued in favor of ANP, valid for the total period of exploration, and which will be returned as soon as the exploratory commitment is fulfilled. The area acquired is adjacent to blocks already operated by Potiguar E&P, and its exploratory program will consist of the drilling of at least one well with the purpose of assessing the existence of accumulations in reserves similar to the existing ones in the neighboring concessions of the Block.

SPE Miranga

SPE Miranga, established in the Municipality of Salvador, state of Bahia, is a privately-held company, established on January 12, 2021, controlled by PetroRecôncavo S.A., engaged in the extraction of oil and natural gas, encompassing the development, research, exploration and drilling of oil basins and the production and trade of oil, gas and related products.

On February 24, 2021 SPE Miranga signed a contract for the purchase of total equity interest of Petrobras in the nine onshore fields: Apraius, Biriba, Fazenda Onça, Jacuípe, Miranga, Miranga Norte, Rio Pipiri, Riacho de São Pedro and Sussuarana, which form the Miranga Cluster, in the Recôncavo basin, Bahia. This acquisition is subject to compliance with precedent conditions, such as regulatory authorizations from ANP, CADE and environmental agencies, as applicable. On April 8, 2021, CADE approved the transaction and, on September 24, 2021, ANP approved the assignment, conditioning the signature of the concession contracts to the constitution of instruments of the well deactivation and abandonment guarantees, which were registered by the company with ANP on October 28, 2021. In addition to the demand with ANP, the closing of the transaction is conditioned also to the transfer of the titles of environmental licenses, in progress with the state environmental agency - INEMA.

The acquisition price was of US$220.1 million, out of which (i) US$11.0 million was paid on the signing date, February 24, 2021; (ii) US$44.0 million to be paid on the closing date of the transaction, without any adjustment to the price; (iii) US$20.0 million payable in twelve months after the deal is closed; (iv) US$20.0 million payable in twenty-four months after the deal is closed; (v) US$40.1 million payable in thirty-six months after the deal is closed; and (vi) up to US$85.0 million in contingent payments, pegged to possible different reference price range of oil (Brent) during the period between the calendar-years 2022, 2023 and 2024.

Petrobras will have the right to withhold the deposit should the contract be terminated due to violation attributed to SPE Miranga, including events such as: (i) the Company's failure to pay the amounts due on the transaction closing date; (ii) in the case of CADE and/or ANP not approving the transaction, should such non-approval be caused by omission or non-compliance of a legal requirement attributed to SPE Miranga; and (iii) should ANP not grant its final approval of the transaction due to the fact that the Company is not qualified as an Operator, when the case requires, for onshore fields in accordance with any applicable Laws and Regulations.

Should the deal not be closed due to any violation on the part of Petrobras, SPE Miranga will have the right to receive reimbursement of the total value of the deposit, plus a fine-penalty in the amount of the deposit.

Presently, SPE Miranga in a pre-operational phase and its activities are being maintained through financial contributions from its shareholders. The start-up of operations depends on the conclusion of the operation for the transfer of the concessions of the fields presented above.

Considering that the operations of the Company and its subsidiaries Recôncavo and Potiguar are exclusively related to Petrobras S.A., the results of operations of the Company and its subsidiaries could be affected as a result of the dependency on one single customer.

1.1. Main actions and impacts resulting from COVID-19

The Company remains operating, following the rules defined by the committee established for the health crisis management. The main objectives of the committee are to preserve the health of its collaborators and contractors, maintain the activities of the Company without impact to operational safety and, at the same time, assess the developments of the crisis on the business plan.

The Company recommended to its collaborators and contractors non-essential for the operation to work remotely, as well as increasing distancing of people in the work environment and temporarily suspending non-essential travel, visits, in-person training and displacements. Presently, collaborators may voluntarily return to the corporate office, adapted to the protection measures recommended by the committee, among which are included frequent testing. Collaborators belonging to groups of risk remain working remotely.

The Company reviewed its operating revenue and cash flow projection for 2021 and did not ascertain the need to recognize any impairment loss of property, plant and equipment, deferred taxes and trade receivables. Considering the unpredictability of the evolution of the outbreak and its impacts, the current estimate of the financial impact of the outbreak on operating revenue and projected cash flows may be revised according to new developments related to this pandemic crisis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED IN PREPARING THE INTERIM FINANCIAL STATEMENTS

The accounting practices of the previous year were applied consistently in the preparation of these interim financial statements.

2.1. Basis of preparation and presentation of the interim financial statements

a) The individual and consolidated interim financial statements are prepared in accordance with technical pronouncement CPC 21 (R1) - issued by the Accounting Pronouncements Committee ("CPC"); and with the international standard IAS 34; and guidelines issued by Brazilian Securities and Exchange Commission ("CVM").

   The individual and consolidated interim financial statements should be read in conjunction with the individual and consolidated financial statements of the Company as at December 31, 2020.

b) In preparing these interim financial statements Management is required to use certain critical accounting estimates and to make judgments in the process of applying its accounting practices.

c) There were no significant changes to the assumptions and judgments made by Management in the use of the estimates for the preparation of these interim financial statements in relation to those used for the financial statements as at December 31, 2020.

d) These interim financial statements were authorized for issue by Company Management on November 10, 2021.

2.2. Significant accounting policies

All relevant information specifically related to these interim financial statements, and only in relation to these, are being evidenced and correspond to the information used by the Company in its management. The significant accounting policies and estimates adopted by the Company and its subsidiaries are in accordance with CPC 21 and were disclosed in the individual and consolidated financial statements as at December 31, 2020. There were no alterations between the policies disclosed in the financial statements as at December 31, 2020 and these interim financial statements.

2.3. Basis of consolidation and investments in subsidiaries

The Company consolidates all investees over which it has control, i.e., when it is exposed or has rights to variable returns from its involvement with the investee, and has the ability to guide all relevant activities of the investee.

When necessary, the subsidiaries' interim financial statements are adjusted to conform their accounting policies to those adopted by the Company. All intragroup transactions, balances, income and expenses are fully eliminated in consolidation.

In the Company's interim financial statements, the financial information on the subsidiaries is recognized under the equity method. The same adjustments are made to the Company's interim financial statements.

Reconciliation of net equity and net income (loss) between the parent company and consolidated

As at December 31, 2019 the Company was a lessee of 21 assets of the subsidiary Recôncavo America which were considered within the scope of IFRS 16 and, consequently, the right-of-use assets and liabilities were recognized at the amounts payable for the lease.

For consolidation purposes, the Company reversed this recognition in order to eliminate the consolidated balances between PetroRecôncavo (lessee) and Recôncavo America (lessor). Accordingly, these were recorded under consolidated property, plant and equipment.

This change generated a difference in the year 2020 between net equity and net income(loss) for the year of the parent company and consolidated. As at September 30, 2020 this difference between the net equity of the parent company and the consolidated balance was of R$5,089 and the difference in net income (loss) for the nine-month period ended September 30, 2020 was of R$4,229.

In December 2020, Recôncavo America sold its leased assets to the Company and to its subsidiary Potiguar, ending the differences between net income (loss) and net equity.

2.4. Functional currency and foreign currency translation

The Company's Management defined the Brazilian currency, the real (R$), as the "Functional Currency", for the Company and each of its subsidiaries, since this is the currency of the primary economic environment in which the Company and each subsidiary operate. The Brazilian real is also the presentation currency for these interim financial statements.

3. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash and cash equivalents

	Company		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Bank - checking accounts	810	289	13,021	9,045
Short-term investments and Bank Deposit Certificates (CDB)	335,976	11,374	379,385	21,816
Total	336,786	11,663	392,406	30,861

Short-term investments and CDBs refer to fixed-income transaction (CDB - Bank Deposit Certificates and repo operations), indexed between 70.0% and 103.5% of the Interbank Deposit Certificate rates (CDI) (75% as at December 31, 2020) maintained by top tier banks, as per Note 22.3 to the interim financial statements, having ratings of between Aa1 (BR) and Ba3, based on the Moody rating and to investment funds with yields equivalent to 103.16% to 105.76% of the CDI rate (131.93% to 177.07% of the CDI as at December 31, 2020). The Company and its subsidiaries can immediately redeem these investments without any fee or restriction and their market values do not differ from the amounts recognized in books.

As at September 30, 2021, the subsidiary Recôncavo America LLC has R$8,952 (R$7,900 as at December 31, 2020) in cash and cash equivalents, held in U.S. dollars. In the nine-month period ended September 30, 2021, this subsidiary recorded R$364 (2020, gain of R$565) relating to foreign exchange differences arising on translating foreign currency-denominated balances.

Short-term investments

	Company		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Short-term investments	712,709	9,993	832,691	135,011
Total	712,709	9,993	832,691	135,011
Current	712,709	9,993	764,069	66,414
Noncurrent	-	-	68,622	68,597

The short-term investments of the Company refer mainly to investments in Exchange Funds, once Management opted to invest part of the funds from its IPO, as evidenced in Note 15, in this type of investments as a manner of protection from exchange variations due to the fact that its bank debts (and those of the subsidiaries) and remaining payments to Petrobras for the acquisition of assets are in U.S. dollars.

Subsidiary Potiguar must keep short-term investments of at least R$114,841 as loan collateral as at September 30, 2021. This amount is invested in an Exchange Fund (Itaú Cambial FICFI), recognized in line item “financial investments” and with yield equivalent to 5.18% in the nine-month period ended September 30, 2021 calculated at the amount invested, whereby:

- All funds of the Debt Service Reserve Account Exchange Fund represent a Long-term Restricted Investment, since they cannot be freely used and will remain restricted until the end of the financing, scheduled for April 2024, according to the agreement.
- All the funds of the Exchange Fund of other restricted accounts (Retention Account, Cash Reserve Account, and Centralizing Account) represent a Short-term Restricted Investment, since they cannot be freely used, but should be used within 12 months.

The purpose of the Foreign Exchange Fund is to match the US dollar fluctuation against the Brazilian real. Since the subsidiary’s debt is denominated in US dollars, the Company aims, therefore, to hedge against foreign exchange fluctuation.

4. TRADE RECEIVABLES

	Company		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Petrobras S.A.	49,426	52,578	165,001	108,733
Total	49,426	52,578	165,001	108,733

As at September 30, 2021 and December 31, 2020, the Company and its subsidiaries had no past-due balances and no estimated loss on doubtful debts. Invoices are issued to the customer Petrobras S.A. with an average due date from 30 to 50 days. The Company and its subsidiaries have no history of material losses or delays of receivables, and expect no future loss on such receivables.

5. RECOVERABLE TAXES

	Company		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Withholding income tax (IRRF)	13,240	89	14,469	169
Corporate income tax (IRPJ)	1,487	9,166	3,211	11,146
Social contribution (CSLL)	1,692	2,322	3,442	3,212
Tax on revenue (PIS)	482	207	3,008	776
Tax on revenue (COFINS)	2,033	824	13,951	3,717
State VAT (ICMS)	2	-	16,026	2,678
Other	1,090	863	1,433	1,297
Total	20,026	13,471	55,540	22,995
Total current	19,533	13,457	46,645	22,433
Total noncurrent	493	14	8,895	562

Due to the decision of the Federal Supreme Court (STF), published on May 14, 2021, where it was defined, in general repercussion, that ICMS amounts are to be excluded from the calculation base of the PIS and COFINS, the subsidiary Potiguar recorded extemporaneous PIS and COFINS credits in the amounts of R$2,353 and R$10,838, respectively. The credits recognized under assets were related to the exclusion of ICMS effectively paid from the calculation base of the PIS and COFINS contributions, which amounts were unduly paid in accrual periods between December 2019 and July 2021.

6. JUDICIAL DEPOSITS

	Company		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
PIS, COFINS, Economic Intervention Contribution (CIDE) and IRPJ (a)	1,287	1,287	1,303	1,303
IRPJ	-	-	17	17
Labor claims	1,104	826	1,104	826
Other	123	124	164	165
Total	2,514	2,237	2,588	2,311

(a) In 2007, the Company was notified by the tax authorities for alleged nonpayment of PIS and COFINS. The Company believes that this assessment is unfounded due to the existence of payments related to these tax debts. The Company filed an annulment action and deposited in escrow the amounts related to the aforementioned taxes. As at September 30,2021 and December 31, 2020 the Company recognizes the adjusted amount of R$1,287 as a judicial deposit for PIS and COFINS. The Company, based on the opinion of its legal counsel, who consider the Company's likelihood of a favorable outcome as probable, did not recognize any provision in these interim financial statements.

7. INVESTMENTS

Information on investees

Investees	Base-date	Common shares held (thousands)	Share in paid-in capital %	Share capital	Total assets	Total liabilities	Net equity	Gross revenue	Net income(loss)
Recôncavo E&P S.A.	09/30/21	6,561	100	6,561	19,745	4,092	15,653	10,596	3,991
Recôncavo America LLC	09/30/21	n/a	100	9,242	26,726	-	26,726	-	(176)
Potiguar E&P S.A.	09/30/21	525,183	100	525,183	1,686,886	1,372,105	314,781	699,667	71,183
SPE Miranga S.A.	09/30/21	60,550	100	60,550	63,345	1,169	62,176	-	(59)
Recôncavo E&P S.A.	12/31/20	6,561	100	6,561	15,145	3,483	11,662	7,050	(1,220)
Recôncavo America LLC	12/31/20	n/a	100	9,242	26,904	-	26,904	8,598	16,269
Potiguar E&P S.A.	12/31/20	525,183	100	525,183	1,554,911	1,033,474	521,437	626,549	(93,549)

Changes in investments

	Recôncavo E&P S.A.	Recôncavo America LLC (iii)	Potiguar E&P S.A.	SPE Miranga S.A.	Total
Balance as at December 31, 2019	12,882	10,635	530,280	-	553,797
Equity in investments	(1,220)	16,269	(93,549)	-	(78,500)
Cancelation of dividends (i)	-	-	2,644	-	2,644
Equity evaluation adjustment	-	-	82,062	-	82,062
Balance as at December 31, 2020	11,662	26,904	521,437	-	560,003
Equity in investments	3,991	(9,035)	71,183	(59)	66,080
Capital increase (ii)	-	-	-	60,550	60,550
Advance for future capital increase (iv)	-	-	96,828	1,685	98,513
Equity evaluation adjustment					
Balance as at September 30, 2021	15,653	17,869	314,781	62,176	410,479

(i) As mentioned under Note 10 to the interim financial statements, the financing contract obtained with the purpose of financing part of the acquisition of the Riacho da Forquilha Cluster, forbids the payment of dividends by the Company and its subsidiaries resulting from the profit obtained or other cash balances obtained during the fiscal year 2020. Considering these restrictions, and in a similar manner as occurred in 2019, Management of the Company recommended to the shareholders to vote against the minimum mandatory dividends in the next General Shareholders' Meeting. As at December 31, 2019 PetroRecôncavo, Potiguar and Recôncavo established minimum mandatory dividends in the amounts of R$12,894, R$2,644 and R$304, respectively. Such dividends were cancelled in the respective General Shareholders' Meeting held on June 30, 2020, with the exception of Recôncavo, whose General Shareholders' Meeting has not yet occurred. Company Management will recommend to the shareholders of Recôncavo E&P S.A. to vote for the cancelation of the minimum mandatory dividends, mentioned above, in their next General Shareholders' Meeting.

(ii) During the nine-month period ended September 30, 2021, there were 60,549,300 (sixty million, five hundred and forty-nine thousand, three hundred) common shares of the investee SPE Miranga issued at a subscription price of R$1 (one Brazilian real). All of the shares were subscribed and paid-in by the Company in cash.

(iii) Equity in investments of the subsidiary Reconcavo America in the nine-month period ended September 30, 2021 includes the elimination of a balance related to unrealized profits between related parties.

(iv) Refers to advances for future capital increase in the subsidiaries Potiguar and SPE Miranga. These contributions will be subscribed and paid in to the share capital in the next general Shareholders' Meeting of the subsidiaries.

8. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment

	Company								
	Balance 12/31/2019	Additions	Write-offs	Transfers	Balance 12/31/2020	Additions	Write-offs (vii)	Transfers	09/30/2021
Cost				(a)				(a)	
Land	80	-	-	-	80	-	-	-	80
Properties and constructions	7,799	8	(2)	-	7,805	-	-	717	8,522
Machinery and equipment	15,780	16,425	(47)	1,017	33,175	1,609	(15)	1,720	36,489
Furniture and fixtures	10,543	669	-	65	11,277	658	-	356	12,291
Vehicles	3,274	113	-	-	3,387	-	(434)	151	3,104
Computers and peripherals	2,103	128	(4)	126	2,353	332	-	-	2,685
Investment for increasing production and well drilling (i)	846,512	33,361	(3,613)	7,419	883,679	24,245	-	8,714	916,638
Advance to acquire oil and gas production rights (vi)	-	20,629	-	-	20,629	-	-	-	20,629
Spare parts inventory (iii)	36,250	36,082	(36,628)	(3,911)	31,793	49,767	(37,415)	(8,728)	35,417
Advance to acquire fixed assets (v)	447	6,050	(979)	(3,530)	1,988	4,644	(35)	-	6,597
PP&E in progress (iv)	65	3,765	(3)	(1,591)	2,236	8,852	(144)	(3,954)	6,990
Total	922,853	117,230	(41,276)	(405)	998,402	90,107	(38,043)	(1,024)	1,049,442
Depreciation, amortization and depletion									
Properties and constructions	(3,919)	(541)	-	-	(4,460)	(412)	-	-	(4,872)
Machinery and equipment	(9,117)	(886)	8	-	(9,995)	(2,961)	6	-	(12,950)
Furniture and fixtures	(6,086)	(733)	-	-	(6,819)	(618)	-	-	(7,437)
Vehicles	(1,677)	(293)	-	-	(1,970)	(212)	283	-	(1,899)
Computers and peripherals	(941)	(220)	-	-	(1,161)	(209)	-	-	(1,370)
Investment for increasing production and well drilling	(514,323)	(73,582)	-	-	(587,905)	(52,776)	-	-	(640,681)
Total	(536,063)	(76,255)	8	-	(612,310)	(57,188)	289	-	(669,209)
Impairment									
Estimated loss on recovery of assets	(1,691)	-	1,691	-	-	-	-	-	-
Total	(1,691)		1,691	-	-	-	-	-	-
Net balance	385,099	40,975	(39,577)	(405)	386,092	32,919	(37,754)	(1,024)	380,233

	Consolidated								
Cost	Balance 12/31/2019	Additions	Write-offs	Transfers (a)	Balance 12/31/2020	Additions	Write-offs (vii)	Transfers (a)	Balance 30/09/2021
Land	105	-	-	-	105	-	-	-	105
Properties and constructions	12,808	315	(2)	-	13,121	16	-	2,871	16,008
Machinery and equipment	49,135	22,982	(27,822)	(792)	43,503	2,362	(10,995)	3,823	38,693
Furniture and fixtures	11,042	2,098	(100)	65	13,105	1,214	-	356	14,675
Vehicles	3,274	262	-	-	3,536	51	(434)	151	3,304
Computers and peripherals	2,218	720	(4)	126	3,060	1,370	-	-	4,430
Investment for increasing production and well drilling (i)	882,562	72,843	(4,012)	22,907	974,300	92,323	(5)	16,677	1,083,295
Oil and gas production rights (ii)	1,237,215	-	-	-	1,237,215	-	-	-	1,237,215
Advance to acquire oil and gas production rights (vi)	-	20,628	-	-	20,628	60,548	-	-	81,176
Spare parts inventory (iii)	45,320	92,229	(68,531)	(13,605)	55,413	127,672	(90,668)	(16,691)	75,726
Advance to acquire fixed assets (v)	749	13,646	(979)	(7,730)	5,686	9,365	(323)	-	14,728
PP&E in progress (iv)	1,705	6,897	(29)	(1,591)	6,982	14,824	(297)	(8,211)	13,298
Total	2,246,133	232,620	(101,479)	(620)	2,376,654	309,745	(102,722)	(1,024)	2,582,653
Depreciation, amortization and depletion									
Properties and constructions	(5,400)	(705)	-	-	(6,105)	(534)	-	-	(6,639)
Machinery and equipment	(29,089)	(2.486)	19,442	-	(12,133)	(1,993)	406	-	(13,720)
Furniture and fixtures	(6,125)	(803)	-	-	(6,928)	(754)	-	-	(7,682)
Vehicles	(1,677)	(293)	-	-	(1,970)	(212)	283	-	(1,899)
Computers and peripherals	(944)	(241)	-	-	(1,185)	(267)	-	-	(1,452)
Investment for increasing production and well drilling	(526,470)	(86,782)	-	(10)	(613,262)	(78,272)	-	-	(691,534)
Oil and gas production rights	(9,202)	(126,485)	-	506	(135,181)	(110,355)	-	-	(245,536)
Total	(578,907)	(217,795)	19,442	496	(776,764)	(192,387)	689	-	(968,462)
Impairment									
Estimated loss on recovery of assets	(1,691)	-	1,691	-	-	-	-	-	-
Total	(1,691)	-	1,691	-	-	-	-	-	-
Net balance	1,665,535	14,825	(80,346)	(124)	1,599,890	117,358	(102,033)	(1,024)	1,614,191

(a) Part of the balance was transferred to intangible assets and another part that refers to finance leases, was transferred to line item "Right-of-use leases".

Pursuant to the contractual provision, the Company uses in its operations equipment belonging to Petrobras, kept in the fields of the Recôncavo basin. These assets are not recognized in the Company's interim financial statements nor are the corresponding depreciation charges. The Company does not make any payment for the use of these assets.

(i) "Investment to increase production" refers to motors, transformers, equipment or sundry expenses used in the wells or overground facilities aimed at increasing production or work in recoverable reserves. Well drilling refers to the capitalization of expenses incurred on the drilling of new wells in fields that have been proved commercially feasible. The depreciation of these assets and the depletion of expenses are made using the percentage of current production as a ratio of the developed proven reserve of each field, limited to the expiration date of the concession agreements for each field (most expire in 2025). Assessment of the total reserve as at December 31, 2020 was performed by independent expert *Netherland Sewell & Associates, Inc.*

(ii) The "Oil and gas production rights" represent the concession cost for the: (a) exploitation of onshore blocks BT-REC-10 and BT-REC-14 acquired in the 4th, 6th and 9th ANP bidding rounds and (b) the concessions of 34 onshore oil and natural gas production fields, called "Riacho da Forquilha Cluster", described below. The amortization of this cost is calculated based on the method of units produced, which consists of calculating the ratio of the annual volume produced to the total proven reserve of each field, limited to the expiration date of the concession agreements. Additions to this line item in the year represent the cost of acquiring the onshore fields from Petrobras.

On April 25, 2019, the subsidiary Potiguar entered into a Purchase and Sale Agreement for the acquisition of Petrobras' interests in a set of 34 onshore oil and natural gas producing fields, called "Riacho da Forquilha Cluster", located in the Potiguar Basin, State of Rio Grande do Norte. The acquisition was completed on December 9, 2019, after its approval by the relevant regulatory bodies. The adjusted acquisition price was of US$351,453, less the cash generation of the asset and other price adjustment conditions as from January 1, 2019 (effective date) of the transaction. In the year ended December 31, 2019, Potiguar paid an amount equivalent of US$295,221 (R$1,235,568), corresponding to 84% of the adjusted acquisition price. The reconciliation of R$1,235,568 thousand paid to Petrobras at the closing of the transaction on December 9, 2019 is demonstrated below:

Adjustment items (01/01/2019 to 12/09/2019) pursuant to the Purchase and Sale agreement submitted by Petrobras	Amounts set in US dollars for final price adjustment purposes (US$'000)	Final adjustment (exchange rate of R$4.2136 for amounts calculated in US dollars) (In thousands of Reais - R$)
(+) Total acquisition price	384,200	1,618,865
(-) Advance	(28,815)	(121,415)
(+) LIBOR interest	18,579	78,284
(-) Revenue generated (*)	(109,655)	(462,043)
(+) Royalties (*)	11,837	49,876
(+) Environmental Licensing (*)	2,772	11,682
(+) Operating Costs/Expenses (*)	25,016	105,406
(+) Taxes on assets (*)	16,932	71,343
(+) Investments in assets (*)	784	3,308
(+) Opening oil inventory (*)	988	4,162
(=) Closing Adjustment	322,638	1,359,468
Deposit paid to Petrobras on 04/25/19 (Signing)	28,815	113,041
Total adjusted acquisition price	351,453	1,472,509
Deposit paid to Petrobras on 04/25/2019 (Signing)	28,815	113,041
Amount paid to Petrobras on 12/09/2019 (Closing)	266,406	1,122,527
Total amount paid to Petrobras until 12/09/2019 (84% Closing)	295,221	1,235,568

(*) Amounts stated as an integral part of the purchase and sale agreement and equally stated by the seller, Petrobras, as the "adjustment" to the acquisition price of the Riacho da Forquilha Cluster group of assets. The amounts are adjusted using the CDI from the date they were generated up until December 9, 2019.

The subsidiary must pay Petrobras a remaining balance corresponding to 16% of the adjusted acquisition value, or approximately US$56,000, contingent to the extension of the concessions of eleven of the 34 fields acquired, as shown below:

Field	Percentage
Baixa do Algodão	0.2%
Boa Esperança	0.5%
Brejinho	1.5%
Cachoeirinha	1.0%
Fazenda Curral	0.2%
Fazenda Malaquias	1.0%
Leste de Poço Xavier	0.3%
Livramento	1.8%
Lorena	2.8%
Pajeú	0.2%
Riacho da Forquilha	6.5%
Total	16.0%

The process for extending concessions involves filing Development Plans with ANP showing a viable investment and production plan beyond the current contractual period. On March 5, 2020, Potiguar filed with the ANP the Development Plans for the eleven fields listed above. The assessment process of the extension requests is managed by ANP's Development and Production Authority, which judges the development strategy presented, the physical and financial calendar of the production development projects, the increase in production capacity of the facilities, financial provisions for decommissioning and abandonment of facilities, among other issues. If approved, the extension of the concessions should add new volumes of proven reserves, with potential impacts on the estimates used to calculate the depletion and provision for abandonment of wells. At the time of issuing these interim financial statements, ANP had not ruled on the approval of the Development Plans submitted. No obligations and impact arising from the increase in proven reserves were recognized in these interim financial statements.

(iii) Motors, production equipment and sundry materials that will be used in production are recognized in line item "capital asset inventories". The depreciation of these assets is calculated using the method of units produced, which calculating the ratio of the annual volume produced to the total proven reserve of each field, limited to the expiration date of the concession agreements, as from the time they are transferred to line item "Investment to increase production".

(iv) Constructions in progress represent items of property, plant and equipment that are in the process of construction or transportation, and are not yet ready for use.

(v) Advance for acquisition of capital assets refers to advances made to suppliers of production materials and equipment that will be used to increase production.

(vi) On December 23, 2020, the Company entered into an agreement to acquire the total interests held by Petrobras in the twelve onshore fields that are the subject matter of the “production agreement with risk clause”, which are grouped in another set called the Remanso cluster, and include the fields Brejinho, Canabrava, Cassarongongo, Gomo, Fazenda Belém, Mata de São João, Norte Fazenda Caruaçuçu, Remanso, Rio dos Ovos, Rio Subaúma, São Pedro and Sesmaria, in the Recôncavo basin, State of Bahia. The acquisition price is US$30.0 million. Of this amount: (i) US$4.0 million, equivalent to R$20.6 million, was paid on the execution date, December 23, 2020; (ii) US$21.0 million is due and payable when the deal is closed, less the cash generation of the asset from July 2020 to the transaction closing date, to be submitted by Petrobras, plus other price adjustment terms; and (iii) US$5.0 million is payable in twelve months after the deal is closed, which is expected to take place in 2021. This acquisition is subject to compliance with precedent conditions, such as regulatory authorizations from CADE (Brazilian antitrust agency), ANP, environmental agencies, among others. The “production agreement with risk clause” will be terminated with the closing of the transaction. On March 16, 2021 CADE approved the transaction and on May 27, 2021 ANP approved the assignment, conditioning the signature of the concession contracts to the constitution of the instruments of the deactivation and abandonment guarantees, which were registered by the Company with ANP on May 28, 2021. The transfer of the environmental licenses with the state environmental agency INEMA have already been concluded.

On February 24, 2021 SPE Miranga signed a contract for the purchase of total equity interest of Petrobras in the nine onshore fields: Apraius, Biriba, Fazenda Onça, Jacuípe, Miranga, Miranga Norte, Rio Pipiri, Riacho de São Pedro and Sussuarana which form the Miranda Cluster, in the Recôncavo basin, in Bahia. This acquisition is subject to compliance with precedent conditions, such as regulatory authorizations from ANP, CADE and environmental agencies, as applicable.

The acquisition price was of US$220.1 million, out of which (i) US$11.0 million was paid on the signing date, February 24, 2021; (ii) US$44.0 million to be paid on the closing date of the transaction, without any adjustment to the price; (iii) US$20.0 million payable in twelve months after the deal is closed; (iv) US$20.0 million payable in twenty-four months after the deal is closed; (v) US$40.1 million payable in thirty-six months after the deal is closed; and (vi) up to US$85.0 million in contingent payments, pegged to possible different reference price range of oil (Brent) during the period of calendar-years 2022, 2023 and 2024.

(vii) The write-offs recognized in line item “Spare parts inventories” refer basically to motors, production equipment, and sundry materials which were used in repair and maintenance activities and recognized in the cost of services and sales.

Impairment loss of property, plant and equipment

The Company and its subsidiaries annually review indications of possible impairment of their investments to increase production and well drilling, pursuant to the accounting policy shown in Note 2.8. to the financial statements as at December 31, 2020. The recoverable values of the Cash-Generating Units (CGUs) were determined based on value-in-use calculations, made based on estimates (see Note 3 of the financial statements as at December 31, 2020). As at September 30, and December 31, 2020, the Company did not identify any indications of impairment of its assets.

Assets pledged as collateral

The Company has a land drilling rig pledged as collateral in tax foreclosure lawsuit No. 0000566-44.2011,805.0164, filed against the parent company.

As part of the bank financing contractual obligations, Potiguar pledged as collateral (i) the rights arising from the concession contracts of the 34 fields belonging to the Riacho da Forquilha cluster; (ii) its position in oil and natural gas purchase and sale, and interests in well decommissioning contracts, all entered into with Petrobras; (iii) oil inventories; (iv) own equipment and machinery, (v) 100% of its shares; and (vi) receivables arising from: (a) oil and natural gas purchase and sale, and interests in well decommissioning contracts, (b) insurance policies, (c) swaps entered into with Banco ABC, Goldman Sachs, Itaú Unibanco and Morgan Stanley, and (d) the guarantees granted under the assigned contracts.

9. SUPPLIERS

	Company		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
In local currency	22,198	31,107	55,012	73,681
In foreign currency	2,923	1,702	7,948	5,030
Related parties (Note 16)	19,257	16,213	2,698	1,378
Total	44,378	49,022	65,658	80,089

10. LOANS AND FINANCING

	Company		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
FINEP	1,978	2,734	1,978	2,733
Bank loans	11,977	-	811,391	926,501
Unamortized costs	(165)	-	(25,410)	(35,194)
Total	13,790	2,734	787,959	894,040
Total current	13,188	1,355	268,087	212,931
Total noncurrent	602	1,379	519,872	681,109

	Company	Consolidated
Balance as at December 31, 2019	4,263	744,019
Payment of principal	(1,522)	(104,585)
Interest paid	(308)	(67,929)
Accrued interest	301	72,881
Amortization of borrowing cost	-	16,848
Foreign exchange variation	-	232,806
Balance as at December 31, 2020	2,734	894,040
Additions	60,479	60,479
Payment of principal	(46,591)	(211,770)
Interest paid	(1,130)	(44,860)
Accrued interest	1,190	42,816
Amortization of borrowing cost	70	10,018
Foreign exchange variation	(2,962)	37,236
Balance as at September 30, 2021	13,790	787,959

	Company		Consolidated	
	R$	US$	R$	US$
Loan review per currency				
December 31, 2020:				
FINEP	2,374	-	2,374	-
Bank loans	-	-	-	171,514
September 30, 2021:				
FINEP	1,813	-	1,813	-
Bank loans	-	2,202	-	144,528

The maturities of noncurrent loans are presented below:

	Company	Consolidated
2022	301	71,231
2023	301	296,451
2024	-	152,190
Total	602	519,872

In the year ended December 31, 2016, the Company obtained a financing facility from Financiadora de Estudos e Projetos ("Finep" a government project financing agency), in order to finance activities related to PetroRecôncavo's innovation plan over the next 36 months. The total facility contracted was of R$10,691, at an interest rate equivalent to the TJLP (long-term benchmark rate) + 2.0% per year, a 24-month grace period, and total term of 84 months. The amount raised is to be released to the Company in three annual tranches, and the balance outstanding as at December 31, 2018, 2019 and 2020 refers to the release of two tranches. In the year ended December 31, 2018, the Company elected not to receive the third tranche of the financing. The agreement does not provide for any penalties in case one of the tranches is not received. There are no restrictive covenants relating to this financing.

On February 19, 2021 the Company, through its subsidiary SPE Miranga S.A., signed a contract for the purchase of 100% of the equity interest of Petrobras in nine onshore fields: Apraius, Biriba, Fazenda Onça, Jacuípe, Miranga, Miranga Norte, Rio Pipiri, Riacho de São Pedro and Sussuarana which form the Miranda Cluster. With the purpose of financing part of the payment, the Company signed an International Loan Contract, AGE1187904 with the financial institution Itaú Unibanco S.A. Nassau Branch, in the total amount of US$11,000,000.00 (eleven million U.S. dollars), at a fixed interest rate of 3.7225%. The loan is payable in 5 installments with the following maturities 06/24/2021, 07/26/2021, 08/25/2021, 09/22/2021 and 10/21/2021.

On April 25, 2019, the subsidiary Potiguar contracted a loan for the purpose of financing part of the payment arising from the acquisition of the 34 oil and natural gas producing fields, a transaction closed on December 9, 2019. The loan was contracted with financial institutions Itaú BBA, Morgan Stanley and Deutsche Bank. The total amount contracted was of US$232,000, at an interest rate of 6.3% above the three-month LIBOR, and the amount received by December 31, 2019 totaled US$195,428.

Potiguar must maintain short-term investments as collateral for the loan with a carrying amount of at least R$126,603 and this amount is deposited with the financial institution and recognized in line item "Short-term investments". The loan will be repaid in quarterly installments until April 2024, and the grace period for the principal ended on July 25, 2020. As guarantee of this financing the subsidiary Potiguar must maintain a balance in the restricted account and as at September 30, 2021 the amount of R$129,723 was registered in this heading (December 31, 2020, R$118,114).

As at September 30, 2021 Potiguar must maintain short-term investments as collateral for the loan with a carrying amount of at least R$114.841 and this being 100% of the next installment of amortization of principal and interest, plus two-thirds of the amount of the next installment. As at September 30, 2021 the subsidiary had a balance of R$115,852 (December 31, 2020, R$118,114) in the linked financial investments being, as such, as provisioned for in the agreement. The loan will be paid in quarterly installments up until April 2024.

Additionally, the agreement contains terms and conditions on dividend distribution, including:

- Distribution of dividends only after the grace period, which expired on July 25, 2020. No payment of dividends originating from profit for the year or other cash balances earned during the year 2019. Because of this covenant, the Company and its subsidiaries cancelled the mandatory minimum dividends accounted for in the year ended December 31, 2019, in accordance with the related General Shareholders' Meeting held on June 30, 2020, except for the subsidiary Recôncavo, whose Annual Shareholders' Meeting has not yet been held. The Company's Management will recommend that at the next Annual Shareholders' Meeting, the shareholders of Recôncavo E&P S.A. vote to cancel the mandatory minimum dividends mentioned above.

- Average price of Brent Oil in the previous year cannot be lower than US$45/bbl.

- Average price of Brent Oil at the end date of the last quarter cannot be lower than U$45/bbl. Potiguar must be compliant with all contractual obligations.

- The Company and its subsidiaries must agree to all maturity acceleration covenants.

As at December 31, 2019, PetroRecôncavo, Potiguar and Recôncavo recognized mandatory minimum dividends totaling R$12,894, R$2,644, and R$304, respectively, as referred to in Notes 7 and 15. These dividends were cancelled at the respective Annual Shareholders' Assemblies.

As at September 30, 2021, the Company has met all the covenants set forth in its debt agreements, including: (i) presentation of the financial statements of the subsidiary Potiguar within 90 days, audited by an independent auditor; (ii) the covenant whereby the Company and its subsidiaries undertake not to create liens on its assets to guarantee debt beyond those permitted; (iii) the covenants requiring compliance with laws, rules and regulations applicable to its business, including, but not limited to, environmental laws; and (iv) the covenants in financing agreements that require the Company and its subsidiaries to conduct their business in compliance with anticorruption laws and anti-money laundering laws, and to implement and maintain policies necessary for such compliance.

Additionally, the financing of the subsidiary Potiguar includes covenants requiring compliance with periodic performance indexes, under the penalty of accelerating debt maturity in case of noncompliance. As at December 31, 2020, the obligations are as follows:

- On the last day of each fiscal quarter (beginning December 31, 2020), the Leverage Ratio (Net Debt-to-EBITDA) of subsidiary Potiguar must not be greater than:

  - 2.5 by the end of 2020.

  - 2.25 during 2021.

  - 2.0 during 2022.

  - 1.5 during 2023 onward.

- On the last day of each fiscal quarter, the Group's consolidated Leverage Ratio (Net Debt-to-EBITDA) must not be greater than 2.5.

- On the last day of each fiscal year, the Asset Coverage Ratio (PV-10 of Proven Reserves-to-Gross Debt) of subsidiary Potiguar must not be lower than 1.5.

- At any time, Free Cash (Cash and cash equivalents, including restricted accounts relating to loans) of subsidiary Potiguar must not be lower than R$20,000.

In the nine-month period ended September 30, 2021 and year-ended December 31, 2020, the Group complied with the applicable covenants.

The assets pledged as collateral for the agreement were disclosed in Note 8.

11. INCOME TAX AND SOCIAL CONTRIBUTION

The amounts of income tax and social contribution affecting profit or loss for the year are as follows:

	Company		Consolidated	
	07/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020	07/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020
Net income (loss) before income tax and social contribution	43,441	10,902	35,798	13,266
Combined income tax and social contribution tax rate	34%	34%	34%	34%
Income tax and social contribution at rates according to the legislation	(14,770)	(3,707)	(12,171)	(4,510)
Equity in investments	(4,473)	2,932	-	-
Tax benefit effect on deferred taxes	-	(4,573)	-	(4,572)
Other	(1,780)	648	(1,858)	2,158
Reduction - tax incentive	508	-	1,157	-
Income tax and social contribution	(20,515)	(4,700)	(12,872)	(6,924)

	Company		Consolidated	
	01/01/2021 to 09/30/2021	01/01/2020 to 09/30/2020	01/01/2021 to 09/30/2021	01/01/2020 to 09/30/2020
Net income (loss) before income tax and social contribution	121,684	(136,107)	138,236	(211,160)
Combined income tax and social contribution tax rate	34%	34%	34%	34%
Income tax and social contribution at rates according to the legislation	(41,373)	47,533	(47,000)	73,051
Equity in investments	22,467	(51,726)	-	-
Tax benefit effect on deferred taxes	-	(4,573)	-	(4,572)
Other	(1,115)	(4,211)	(5,059)	(2,174)
Reduction - tax incentive	2,939	-	18,425	-
Income tax and social contribution	(17,082)	(12,977)	(33,634)	66,305

	Company		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Assets				
Provision for well abandonment	4,052	3,711	5,826	5,243
Derivative financial instruments	-	-	152,483	-
Tax loss/tax loss carryforward	17,071	-	58,115	39,220
Deferred tax on provisions and other	9,210	4,812	10,644	5,575
Total	30,333	8,523	227,068	50,038
Liabilities				
CPC adoption (property, plant and equipment)	4,947	6,041	5,059	6,414
Derivative financial instruments	-	-	-	40,527
Unrealized foreign exchange variation	-	-	-	27
Total	4,947	6,041	5,059	46,968
Total deferred income tax and social contribution	25,386	2,482	222,009	3,070

The balance of deferred income tax and social contribution arises basically from the temporary difference of the provision for well abandonment, subsidiaries' tax loss carryforwards (tax assets), and deferred taxes on the balance of the fair value of derivative financial instruments of the subsidiary Potiguar and CPC adoption (tax liabilities).

Management considers that the tax assets arising from the temporary provisions will be realized in the proportion in which the wells are abandoned and the contingencies and other provisions are realized.

Management's expectations for the realization of the tax credits are presented below:

	Company	Consolidated
2021	5,490	32,910
2022	9,492	101,355
2023	7,897	72,005
2024	2,455	15,328
2025 onward	4,999	5,470
	30,333	227,068

12. PROVISION FOR TAX, CIVIL, LABOR AND REGULATORY CONTINGENCY RISKS

12.1. Probable loss - labor and tax claims

Based on the individual analysis of the legal claims filed against the Company and its subsidiaries, and supported by the opinion of its internal and external legal counsels, provisions for risks were recognized in noncurrent liabilities, for risks where the likelihood of loss is considered as probable, as demonstrated below:

	Company		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Labor claims	2,744	3,594	2,744	3,594
Tax claims	1,001	1,371	1,001	1,371
Total	3,745	4,965	3,745	4,965

Changes in the provision

	Company	Consolidated
Balance as at December 31, 2019	2,777	2,777
Recognized provisions	2,604	2,604
Reversed provisions	(416)	(416)
Balance as at December 31, 2020	4,965	4,965
Recognized provisions	585	585
Reversed provisions	(370)	(370)
Payments made	(1,435)	(1,435)
Balance as at September 30, 2021	3,745	3,745

The Company is a party to 44 labor claims (48 as at December 31, 2020), of which 19 (21 as at December 31, 2020) are assessed as of probable loss. Most of these labor claims are filed against companies outsourced by the Company, in which PetroRecôncavo appears as a jointly and severally liable party.

12.2. Possible losses - labor, civil and social security claims

As at September 30, 2021 and December 31, 2020, the Company was a party to claims possible likelihood of loss, based on the opinion of Management and its legal counsel, as follows:

	Company		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Tax claims	24,203	25,608	25,663	25,608
Labor claims	500	1,041	500	1,041
Regulatory claims	326	-	326	-
Civil claims	365	1,365	659	1,375

Tax claims consist of sundry claims involving federal taxes.

Labor claims consist of sundry claims filed by former employees and mainly related to joint and several liability, claiming the payment of severance pay, overtime, risk premiums, among other.

13. PROVISION FOR WELL ABANDONMENT

	Company	Consolidated
Balance as at December 31, 2019	10,582	29,982
Adjustments	1,740	5,480
Recognized provision	-	6,624
Estimate review	(1,408)	(1,975)
Balance as at December 31, 2020	10,914	40,111
Adjustments	1,005	4,922
Balance as at September 30, 2021	11,919	45,033
Total current liabilities	-	6,301
Total noncurrent liabilities	11,919	38,732

The main assumptions for the recognitions/adjustments of the provision for well abandonment are as follows:

- Well abandonment and area decommissioning costs are recognized as part of the costs of these assets against the provision that will support such expenditure.
- The abandonment cost estimates are accounted for taking into account the present value of these obligations, discounted at a risk rate of 12% p.a.
- The estimated abandonment costs are reviewed annually, with the consequent revision of the present value calculation by adjusting the amounts of assets and liabilities already recognized. The annual reviews of the useful lives of the wells are made based on the reserves report issued annually by the Company's independent reserves certifiers. Estimates are revised within a given year whenever there is a revision of the useful lives and a reduction of the abandonment cost of each well.
- The estimated abandonment costs were calculated and accounted for taking into account the present value of these obligations for the wells whose useful lives do not exceed the end of the concession agreements for each field. The Company believes that it will not incur any abandonment costs in the case of wells whose estimated end of reserves exceeds the end of the concessions, since they will still have useful lives even after the end of the concessions.

Based on the foregoing, the Company's Management believes that the amounts provided for are sufficient to cover the expected well abandonment costs.

14. DERIVATIVE FINANCIAL INSTRUMENTS

The subsidiary Potiguar entered into offset agreements with counterparties Itaú BBA, Morgan Stanley, Goldman Sachs and Banco ABC. The resulting derivatives are as follows:

	Consolidated	
	09/30/2021	12/31/2020
<u>Derivative financial assets</u>		
Commodity non-deliverable forwards, current assets	-	80,506
Commodity non-deliverable forwards, noncurrent assets	-	56,576
Total	-	137,082

	Consolidated	
	09/30/2021	12/31/2020
Derivative financial liabilities		
Commodity non-deliverable forwards, current liabilities	(211,860)	-
Commodity non-deliverable forwards, noncurrent liabilities	(236,619)	(17,886)
Total	(448,479)	(17,886)
Commodity non-deliverable forwards, net	(448,479)	119,196

a) Changes in derivative financial instruments

	Company	Consolidated
Balance as at December 31, 2019	-	(5,140)
Fair value of financial instruments before settlement	43,025	153,969
Settlement of derivative contracts	(43,025)	(153,969)
Fair value of unrealized financial instruments	-	124,336
Balance as at December 31, 2020	-	119,196
Fair value of financial instruments before settlement	-	(56,841)
Settlement of derivative contracts	-	56,841
Fair value of unrealized financial instruments	-	(567,675)
Balance as at September 30, 2021	-	(448,479)

On April 25, 2019, the subsidiary Potiguar, having PetroRecôncavo as Sponsor, entered into a financing agreement with three different banks to pay part of the amount arising from the acquisition of a set of 34 oil and natural gas fields. In order to hedge future earnings and manage the risks of not being able to repay this loan, Potiguar entered into cash flow hedge transactions that fix the future prices of Brent oil, thus protecting itself against market fluctuations.

While it did not assume the operation of the Riacho da Forquilha cluster, said agreement required PetroRecôncavo to enter into hedging contracts that represented:

- 85% of the net volume of its proven, developed, producing (PDP) reserves hedged for the next 24 months.

- 57% of the net volume of its PDP reserves hedged for the other 12 months, totaling 36 months of hedging.

It should be observed that such volumes were measured as per the Reserves Report issued by expert Netherland Sewell & Associates Inc. (“NSAI”), mitigating the risk of speculation.

After the acquisition of the cluster and control of the operation by Potiguar, the outstanding contracts entered into by PetroRecôncavo were transferred to Potiguar and new derivatives were contracted to keep their net volumes hedged as follows:

- For months 1 to 12, (i) at least 85% of its PDP reserves or (ii) 80% of its 1P reserves, limited to 95% of its 1P reserves.

- For months 13 to 24, (i) at least 60% of its 1P reserves, limited to 75% of its 1P reserves.

- For months 25 to 36, (i) at least 40% of its 1P reserves, limited to 55% of its 1P reserves.

At the time of the closing of the asset acquisition transaction on December 10, 2019, Potiguar entered into additional derivatives to be compliant with the rules of the financing agreement.

The contracting of derivatives to hedge part of the net production verified by an independent expert proved useful for the oil market since commodity price fluctuations have a strong impact on Company's profit or loss.

The Group applied hedge accounting for the highly probable cash flows from oil sales. The existence of an economic relationship was determined at the time of designation and prospectively by comparing the critical terms of the hedging instrument and the hedged item. The Group entered into derivatives for its hedging strategy to hedge a percentage of the estimated production volume, as mentioned above.

Regarding the hedge effectiveness requirements, Management concluded that:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not significantly affect the fair value changes that result from such economic relationship of the hedging instruments.

The hedge ratio of the hedge relationship is 1:1 and is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge the quantity of the hedged item.

15. NET EQUITY

15.1. Share capital

As at September 30, 2021 the subscribed and paid-in capital is of R$1,863,094 (R$674,941 as at December 31, 2020), represented by 248.428.532 (two hundred and forty-eight million, four hundred and twenty-eight thousand, five hundred and thirty-two) common shares (82,962,761 as at December 31, 2020) and no preferred shares (949,005 as at December 31, 2020), all registered, book-entry and without par value.

Of the subscribed and paid-in capital, costs with the issue of the shares were deducted, relating to expenses with the preparation of prospectus and reports, fess related to third-party professional services (lawyers, auditors, consultants, investment bank professionals, brokers, etc.), expenses with publicity, fees and commissions, transfer and registration costs. These costs totaled R$75,728 and were recorded net of tax effects (R$25,748) in the net amount of R$49,980. As at September 30, 2021 the share capital, net of the costs for issuing the shares, amount to R$1,813,114.

As at September 30, 2021 the shares were distributed as follows:

	09/30/2021		12/31/2020	
Shareholders	Common	Preferred	Common	Preferred
		-		
PetroSantander Luxembourg Holdings S.a.r.l.	82,536,716	-	41,268,358	-
Funds managed by Opportunity	63,930,089	-	29,303,769	-
Eduardo Cintra Santos	14,749,105	-	3,035,828	-
Perbras - Empresa Brasileira de Perfurações Ltda	12,529,804	-	6,261,652	-
Other shareholders	74,682,818	-	3,093,154	949,005
Total	248,428,532	-	82,962,761	949,005
Treasury shares	(52,488)	-	-	-
Total	248,376,044	-	82,962,761	949,005

As at September 30, 2021 the Company held 52,488 common treasury shares at the average price of R$17.56.

On February 24, 2021, in a General Shareholders' Meeting, the shareholders of the Company effected certain deliberations, such as:

- Approval of the conversion of the total amount of the 949,005 (nine hundred and forty-nine thousand and five) registered and non-par preferred shares, issued by the Company, into an equal amount of non-par, registered, book-entry common shares, at the rate of 1 (one) common share for every converted preferred share.

- Approval of authorized capital increase, from R$300,000,000.00 (three hundred million Brazilian reais) to R$2,750,000,000.00 (two billion, seven hundred and fifty million Brazilian reais).

- Approval of the initial public offer (IPO) of the Company and authorization for submission, by the Company, for the application for registering as a publicly-held company, as category "A", at the CVM, under the terms of CVM Instruction 480/2009, including conducting a public offering of primary distribution of common shares issued by the Company in Brazil and including placement efforts of common shares abroad, as well as adhesion to the New B3 Market for negotiating its shares.

On April 1, 2021, in an Extraordinary Shareholders' Meeting, the shareholders of the Company made certain resolutions, among which are included the approval of the split of the total amount of the non-par, registered, book-entry common shares issued by the Company, at the reason of 1:2, without alteration to the share capital value of the Company, in such a manner that for each 1 (one) common share issued by the Company, a new one is created and attributed to the respective shareholder, with the same rights and advantages of the presently existing common shares. Accordingly, the share capital, previously divided into 83,911,766 (eighty-three million, nine hundred and eleven thousand, seven hundred and sixty) shares, is now divided into 167,823,532 (one hundred and sixty-seven million, eight hundred and twenty-three thousand, five hundred and thirty-two) common shares.

On May 3, 2021, in a meeting of the Executive Committee, the following was approved:

- The fixation of the price of R$14.75 (fourteen Brazilian reais and seventy-five cents) per common share issued by the Company, object of the public offering for primary distribution of common shares issued by the Company in Brazil and with placement efforts of common shares abroad.

- The capital increase of the Company, within the limits of its authorized capital, in the amount of R$1,032,500,000.00 (one billion, thirty-two million, five hundred Brazilian reais), from R$674,941,437.37 (six hundred and seventy-four million, nine hundred and forty-one thousand, four hundred and thirty-seven Brazilian reais and thirty-seven cents) to R$1,707,441,437.37 (one billion, seven hundred and seven million, four hundred and forty-one thousand, four hundred and thirty-seven Brazilian reais and thirty-seven cents), through the issue of 70,000,000 (seventy million) new common shares, with an issue price of R$14.75 (fourteen Brazilian reais and seventy- five cents) each, all non-par, registered, book-entry common shares, which will be the object of the above mentioned public offering, with the exclusion of the preference right of the present shareholders of the Company in the subscription, in compliance with the provision of art. 172, item I, of the Brazilian Corporate Law and with the Bylaws of the Company, with the share capital of the Company being divided into 237,823,532 (two hundred and thirty-seven million, eight hundred and twenty-three thousand, five hundred and thirty-two) common shares.

On June 2, 2021, in a meeting of the Executive Committee, the following was approved:

- Capital increase of the Company, within the limits of its authorized capital, in the amount of R$154,875,000 (one hundred and fifty-four million, eight hundred and seventy-five thousand Brazilian reais), from R$1,707,441,437.37 (one billion, seven hundred and seven million, four hundred and thirty-seven thousand Brazilian reais and thirty-seven cents) to R$1,862,316,437.37 (one billion, eight hundred and sixty-two million, three hundred and sixteen thousand, four hundred and thirty-seven Brazilian reais and thirty-seven cents), through the issue of 10,500,000 (ten million, five hundred thousand) new common shares, with an issue price of R$14.75 (fourteen Brazilian reais and seventy-five cents) each, all non-par, registered, book-entry common shares, that will be the object of the Offer, with the exclusion of the right of preference to the present shareholders of the Company in the subscription, in compliance with the provision of art. 172, item I of the Brazilian Corporate Law, and with art. 6, paragraph four of the bylaws of the Company, with the share capital of the Company being represented by 248,323,532 (two hundred and forty-eight million, three hundred and twenty-three thousand, five hundred and thirty-two) common shares.

During the year ended December 31, 2020, the Company issued 271,320 (two hundred and seventy-one thousand) new nonvoting preferred shares, at an issue price of R$13.560498 totaling R$3,679, and 142,916 new nonvoting preferred shares, at an issue price of R$13.767723 totaling R$1,967. The new shares issued in this occasion were subscribed and paid in by the Company's officers and strategic employees and fully accounted for as share-based payment expenses within 2020, in line items "Share-based compensation". The total effect in the year ended December 31, 2020, net of the amounts paid in by the executives as part of the program refers to the payment of an Advance for Future Capital Increase (AFAC), amounting to R$304 and the total amount paid-in by the executives was of R$5,646.

In 2020, the Company bought back 11,869 preferred shares at an average price of R$11.85, exercising its preemptive right in the case of severance of employees who are Company shareholders, as provided for by the share subscription agreement. The shares were bought back at their estimated fair value, which was calculated using market value multiples of comparable companies. All shares were cancelled by the Company upon repurchase.

On July 22, 2021, in a meeting of the Executive Committee, the following was resolved:

- Approval, under the terms of article 30, first paragraph, items "b" and "c" of Law 6404/1976, CVM Instruction 567/2015 and article 17 (q) of the Company's Bylaws, the acquisition by the Company of non- par, registered, book-entry common shares, issued by the Company ("Shares"), respecting the legal limits, and based on available resources ("repurchase program"), for (i) holding in treasury and subsequent divestiture or cancelation, and (ii) to address commitments undertaken by the Company in the scope of the Consolidated Incentive Program approved by the Executive Committee and by the General Shareholders' Meeting on April 1, 2021 ("Incentive Program"), through the divestiture and delivery of shares to the statutory directors and employees of the Company and its subsidiaries, participants of the Incentive Program.

- As a result of the share purchase option plan, detailed under Note 15 g), approval of the capital increase of the Company within the limit of the authorized capital and with the exclusion of the subscription preference right, under the terms of art. 171, paragraph 3 of Law 6404/76 and article 6, paragraph 4 of the Company's bylaws, through the issue of 105,000 (one hundred and five thousand) new non- par, registered, book-entry common shares, at an issue price of R$7.405 per share, stipulated in accordance with the Third Share Purchase Option Program of the Company, according to the subscription forms.

- Register that the share capital of the Company goes from the present R$1,862,316,437.37 (one billion, eight hundred and sixty-two million, three hundred and sixteen thousand, four hundred and thirty-seven Brazilian reais and thirty-seven cents), represented into 248,323,532 (two hundred and forty-eight million, three hundred and twenty-three thousand, five hundred and thirty-two) non-par, registered, book-entry common shares, to R$1,863,093,962.37 (one billion, eight hundred and sixty-three million, ninety-tree thousand, nine hundred and sixty-two Brazilian reais and thirty-seven cents), represented by 248,428,532 (two hundred and forty-eight million, four hundred and twenty-eight thousand, five hundred and thirty-two) non- par, registered, book-entry common shares.

15.2. Capital reserve and earnings reserve - Income Tax relief

The Company and its subsidiaries Recôncavo and Potiguar are entitled to a tax benefit consisting of a 75% relief of income tax on their profits from operations.

The corresponding tax incentive calculated in the period is recognized in profit or loss for the period and, after calculating profit for the period, it is transferred to the tax incentive reserve (earnings reserve). The legal reserve can only be used in capital increases or to offset losses. This capital reserve was used until 2007.

15.3. Reinvestment reserve

Recognizes the earnings retained for reinvestment; retained earnings are subject to the approval of shareholders at the Annual Shareholders' Meeting. It will also be up to the Annual Shareholders' Meeting to allocate the portion of earnings reserves that exceeds the amount of the share capital.

15.4. Legal reserve

The legal reserve is established based on 5% of profit for each year, and must not exceed 20% of share capital. The purpose of the legal reserve is to ensure the integrity of capital and can only be used to offset losses or capital increase. No legal reserve was recognized as at December 31, 2020.

15.5. Earnings per share

	07/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020
Profit (loss)	22,926	6,202
Weighted average number of common and preferred shares used to calculate basic and diluted earnings per share	248,423,861	167,823,532
Basic earnings per common and preferred share - R$	0.0923	0.0369
Weighted average number of common shares and common stock options issued	249,539,788	169,021,126
Diluted earnings (loss) per common and preferred share - R$	0.0919	0.0366

	01/01/2021 to 09/30/2021	01/01/2020 to 09/30/2020
Profit (loss)	104,602	(149,084)
Weighted average number of common and preferred shares used to calculate basic and diluted earnings per share	210,927,378	167,823,532
Basic earnings per common and preferred share - R$	0.4959	(0.8883)
Weighted average number of common shares and common stock options issued	212,098,049	169,021,126
Diluted earnings (loss) per common and preferred share - R$	0.4932	(0.8820)

In order to reflect the share-split and options occurred on April 1, 2021, as detailed in Note 15 a), the denominator of the calculation of earnings per share for the nine-month period ended September 30, 2020 was adjusted to reflect the effect of the share-split.

15.6. Proposed dividends

According to the Company's bylaws, the mandatory minimum dividends correspond to 25% of net income for the year, less any accumulated losses, adjusted by the legal, tax incentive, and contingency reserves, if any.

	Company and Consolidated
Balance as at December 31, 2020 and September 30, 2021	2

As mentioned in note 10, the financing agreement entered into to finance part of the acquisition of the Riacho da Forquilha cluster restricts the payment by the Company and its subsidiaries of dividends based on their profit for the year or other cash balances obtained during fiscal year 2020.

As at December 31, 2019, PetroRecôncavo, Potiguar and Recôncavo recognized minimum mandatory dividends totaling R$12,894, R$2,644, and R$304, respectively. These dividends were cancelled at the respective Annual Shareholders' Meetings held on June 30, 2020, except for Recôncavo, whose Annual Shareholders' Meeting has not yet been held. The Company's Management will recommend that at the next Annual Shareholders' Meeting, the shareholders of Recôncavo E&P S.A. vote to cancel the minimum mandatory dividends mentioned above.

15.7. Share-based compensation

a) Deferred shares

On June 25, 2021, in a meeting of the Executive Committee, the concession of extraordinary benefits to the participants of the Consolidated Incentive Program was approved, due to the conclusion of the initial public offering of shares issued by the Company, in the total amount of R$16,395, of which: (a) 25% (twenty-five percent) were paid in cash in July 2021, and (b) the remaining 75% (seventy-five percent) will be paid in shares or cash, at the criterion of the Company, based on the amount of R$14.75 (fourteen Brazilian reais and seventy-five cents), convertible into shares issued by the Company in 3 (three) equal lots, in respectively 12 (twelve), 24 (twenty-four) and 36 (thirty-six) months, as of the date of the meeting.

In the above mentioned meeting the concession of annual benefits to the participants of the Consolidated Incentive Program was also approved in relation to the year ended December 31, 2020, in view of the respective Annual Targets having been achieved. The annual benefit was granted in the form of Deferred Shares to be delivered after three years. The payments will be, at the criterion of the Company, made in shares or cash.

As at September 30, 2021 the following stock option agreements were in effect:

Stock option series	Quantity	Grant date	Expiry date	Fair value on grant date R$	Vesting recognized
Extraordinary benefits - 2nd installment	201,462	25/06/2021	25/06/2022	19.59	944
Extraordinary benefits - 3rd installment	201,462	25/06/2021	25/06/2023	19.59	450
Extraordinary benefits - 4th installment	201,462	25/06/2021	25/06/2024	19.59	286
Current benefits - 2020's goals	231,488	25/06/2021	25/06/2024	19.59	329
Total	835,874				2,009

In accordance with CPC 10 (R1) the Company recognized expenses related to the granting of extraordinary benefits and the Deferred Share Plan offset against capital reserve. Additionally, labor charges are recognized as a provision under liabilities.

For both plans, the fair value corresponds to the closing price of the share on the grant date, June 25, 2021.

b) Additional acquisition of shares and matching share program

Still in relation to the meeting of the Executive Committee of June 25, 2021, also regarding the achievement of the respective annual targets, the participants of the incentive program had the right to the acquisition of additional shares that were complemented, in equal quantity of the acquisition, by the Company ("matching"). The shares acquired by the executives and the matching shares were delivered in July 2021. Despite the executives being in possession of these shares, they have transfer restrictions ("lock up") for a three-year period. The Company registered the amount of R$1,701, net of taxes, related to such matching as expenses in the year.

c) Share-based compensation

In the years ended December 31, 2013, 2014 and 2016, the Company granted employees holding strategic positions a stock option-based compensation plan. Each employee stock option may be converted into one Company common share upon exercise of the option. No amounts are paid or will be paid by the beneficiary upon receiving a stock option. The stock options have a vesting period, where one third the stock options become vested each year after the grant date. After the vesting period, the stock options can be exercised at any time up to their expiry date.

The following stock option agreements became effective during the year ended December 31, 2020 and the nine-month period ended September 30, 2021:

Stock option series	*Quantity*	*Grant date*	*Expiry date*	*Strike price R$*	*Fair value on grant date – R$*
Issued on October 10, 2013	188,054	10/10/2013	09/10/2023	20.73	15.84
Issued on August 20, 2014	215,743	08/20/2014	08/19/2024	21.41	16.99
Issued on May 13, 2016	195,000	13/05/2016	05/12/2026	14.81	11.93

On April 1, 2021, in a General Shareholders' Meeting, the shareholders of the Company made certain resolutions, among which emphasis is given to the number of shares related to the shareholders of the Company, already granted under the Stock Option Plan of the Company and not yet exercised to date, will be adjusted proportionally, in order to reflect the approved split of shares issued by the Company.

On June 25, 2021, in a meeting of the Executive Committee, the waiver of the share transfer restrictions ("Lock-up") presently prevailing on existing shares of the Company at this date, subscribed and/or acquired by beneficiaries of the Stock Option Plan, that are not statutory directors of the Company.

There is no remaining balance of estimated fair value to be recognized in profit or loss in the coming years as the vesting periods expired during the year ended December 31, 2019.

In the nine-month period ended September 30, 2021 there were 105,000 shares were exercised related to the options issued on May 13, 2016. The Company received R$778 regarding these stock options.

15.8. Equity valuation adjustment

In the nine-month period ended September 30, 2021, the subsidiary Potiguar recognized the effective portion of the changes in the fair value of derivatives, net of taxes, which are designated and qualified as cash flow hedges, totaling R$374,667(R$82,062 as at December 31, 2020).

16. RELATED PARTIES

	Company		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Balance				
Other assets:				
Recôncavo E&P	133	256	-	-
Perbras	8	-	8	-
Potiguar (e)	3,550	2,854	-	-
Total	3,691	3,110	8	-
Dividends receivable:				
Recôncavo E&P	304	304	-	-
Total dividends receivable	304	304	-	-
Related parties:				
Loan agreements - Potiguar E&P (d)	-	15,983	-	-
Other credits - Potiguar (e)	-	4,477	-	-
Total related parties	-	20,460	-	-

	Company		Consolidated	
	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Suppliers:				
Potiguar S.A.	254	205	-	-
Recôncavo E&P	1,794	-	-	-
Recôncavo America LLC (a)	14,566	15,229	-	-
PERBRAS - Empresa Brasileira de Perfurações Ltda. (b)	268	527	323	1,126
PetroSantander Holdings GMBH (c)	2,375	-	2,375	-
PetroSantander USA	-	252	-	252
Total	19,257	16,213	2,698	1,378

	Company		Consolidated	
	09/30/2021	09/30/2020	09/30/2021	09/30/2020
Transactions				
Revenue:				
PERBRAS - Empresa Brasileira de Perfurações Ltda.	-	6	-	6
Recôncavo E&P	2,099	825	-	-
Potiguar	10,099	-	-	-
Cost of services/materials:				
Recôncavo América LLC (f)	-	(6,256)	-	-
Recôncavo E&P	(607)	-	-	-
PERBRAS -Empresa Brasileira de Perfurações Ltda. (b).	(3,064)	(3,648)	(5,819)	(6,043)
PetroSantander Management Inc. (c)	-	-	-	-
PetroSantander Holdings GMBH (c)	-	(261)	-	(261)
PetroSantander Colômbia (c)		(441)		(441)
Potiguar	(1,404)	-	-	-
Apportionment - Recôncavo E&P (g)	518	388	-	-
Apportionment - Potiguar (g)	1,641	753	-	-
Apportionment - SPE Miranga (h)	757	-	-	-
General and administrative expenses:		-		-
PetroSantander Holdings GMBH (c)	(2,398)	(297)	(2,398)	(297)
PetroSantander Management Inc. (c)	-	(573)	-	(573)
Total	7,641	(9,504)	(8,217)	(7,609)

(a) Refers to the amount that PetroRecôncavo owes Recôncavo America due to the acquisition of the equipment in December 2020. This transaction was carried out through REPETRO SPED, which is a special customs and tax regime for the Oil & Gas industry, which allows the production, purchase, and/or permanent or temporary import of goods used in the oil and natural gas exploration and production operations with total or partial tax exemption throughout the chain.

(b) The Company and its subsidiaries Recôncavo and Potiguar conduct transactions with shareholder PERBRAS - Empresa Brasileira de Perfuração Ltda., which performs services using onshore production rigs and other sundry production support services, under a unit price service agreement, annually adjusted using the General Market Price Index (IGP-M).

(c) The Company conducts transactions with PetroSantander Management Inc., PetroSantander Colombia, and PetroSantander Holdings GMBH which provide technical assistance and specialized consulting services on a “man-hour” basis related to the exploration and production of oil wells, under a service agreement that does not provide for finance charges.

(d) Refers to intragroup loan agreements with subsidiary Potiguar for working capital, bearing interest equivalent to the SELIC (Central Bank’s policy rate). During the nine-month period ended September 30, 2021 the Company converted its loan agreement in the amount of R$29,150, comprised of the outstanding balance in 2020 plus loan agreements granted in 2021 as future capital increase (“AFAC”) in the subsidiary Potiguar.

(e) Refers to the sale of materials to subsidiary Potiguar and the payment of pre-operational expenses of the subsidiary Potiguar made by the Company. During the nine-month period ended September 30, 2021 the Company converted this balance to advance for future capital increase (AFAC) in the subsidiary Potiguar, which forms the amount of R$29,150, comprising the outstanding balance in 2020 plus loan agreements granted in 2021.

(f) Refers to operating leases of rigs and other equipment as mentioned in note 22. These leases were in force throughout 2020, since the sale of the rigs and equipment was only made in December, as described in note (a).

(g) Apportionment of corporate administrative expenses to subsidiaries.

(h) Payment of initial expenses of the subsidiary SPE Miranga.

Key Management Compensation

	Company		Consolidated	
	09/30/2021	09/30/2020	09/30/2021	09/30/2020
Short-term benefits - Board of Directors (a)	3,056	2,384	3,076	2,403
Short-term benefits - Executive Committee (a)	1,485	270	1,485	270
Other benefits (b)	230	96	230	96
Profit sharing	2,299	1,894	2,299	1,894
Performance bonus (c)	2,868	1,510	2,868	2,373
Share-based compensation (d)	4,415	3,776	4,415	3,776
Total	14,353	9,930	14,373	10,812

(a) Refers to management fees paid to Company officers and directors.

(b) Refers to contributions made by the Company to a private pension plan.

(c) As described under Note 15 g), on June 25, 2021 an extraordinary bonus was approved in an Executive Committee Meeting, related to the successful outcome of the initial public offer of the shares of the Company.

(d) Refers to the payments and vesting of the programs described under Note 15.7.

The compensation of the Board of Directors is determined by the Executive Committee considering the performance of the Company and of the professionals, as well as market trends. The compensation of the Executive Committee is determined by the shareholders and is comprised of a fixed share. The maximum compensation set up for 2021 by the shareholders in an Ordinary General Meeting was of R$23,000. On February 24, 2021, in an Extraordinary Shareholders’ Meeting, the shareholders of the Company resolved to adjust the amount of the global remuneration paid to members of Executive Committee and Board of Directors in 2020 to R$11,235, from the amount of R$10,000 that was informed in the Minutes of the General Shareholders Meeting held on June 30, 2020.

17. RIGHTS AND COMMITMENTS WITH THE ANP

In 2002 the Company acquired the concession of the exploration and production rights for oil and natural gas in the BT-REC-10 block, with an original area of 312.9 km^2, which was transferred to subsidiary Recôncavo E&P S.A. in the form of a capital payment. In this block, the Company successfully reactivated the Lagoa do Paulo, Lagoa do Paulo Sul, Lagoa do Paulo Norte and Acajá-Burizinho fields, all in the Recôncavo basin. In 2004, the Company participated in the Sixth Bidding Round and acquired two blocks, BT-REC-14 and BT-REC-17, also located in the Recôncavo Basin. In BT-REC-14, the Company reactivated production from an abandoned well and declared the commercial feasibility of the Juriti field. BT-REC-17 was returned to the ANP after complying with the Minimum Exploratory Program.

In 2019, subsidiary Potiguar acquired Petrobras' interests in the Acauã, Asa Branca, Baixa do Algodão, Baixa do Juazeiro, Boa Esperança, Brejinho, Cachoeirinha, Cardeal, Colibri, Fazenda Curral, Fazenda Junco, Fazenda Malaquias, Jaçanã, Janduí, Juazeiro, Leste de Poço Xavier, Livramento, Lorena, Maçarico, Pajeú, Pardal, Patativa, Paturi, Poço Xavier, Riacho da Forquilha, Rio Mossoró, Sabiá, Sabiá Bico de Osso, Sabiá da Mata, Sibite, Três Marias, Trinca Ferro, Upanema and Varginha fields, whose operations began on December 10, 2019. Potiguar is the operator of all the concessions listed above, with the exception of the Cardeal and Colibri fields, currently operated by Partex.

Potiguar signed on June 28, 2021, a concession contract for the exploration and production of oil and natural gas, related to the POT-T-702 exploratory block, acquired in the 2nd Cycle of Permanent Offer realized by ANP.

Under the terms of the concession agreements referred to above, in the event of discovery and confirmation of a commercially viable field, the Company is guaranteed the rights to develop and produce, over 27-year period, oil and natural gas in the commercial fields that may be ringfenced within the boundaries of these blocks. There are no price restrictions on the sale of products resulting from the exploitation of these areas.

The following government and third-party participations are payable by the Company as a result of holding and conducting activities in these fields:

Participations	Details
Royalties	7.8% up to 10% applied on the gross production of oil and/or natural gas, from the date of the beginning of the commercial production of the Concession Area (R$64,211 as at September 30, 2021; R$29,383 as at September 30, 2020).
Special participation	In the amount defined in the Participation Decree 2705/98 and ANP Administrative Rule 10/99.
Payment for occupying and retaining the Concession Area	An amount in R$ per square kilometer in payable for each field there, which varies according to each field's concession agreement and the stage of operation, which can be: (i) exploration stage; (ii) development stage; and (iii) production stage. All fields are in the production stage.

Participations	Details
Payment to landowners	Equivalent to one percent (1%) of oil and natural gas production, in accordance with applicable Brazilian law (R$8,201 as at September 30, 2021; R$2,906 as at September 30, 2020).

18. SALES REVENUE, NET

	Company		Consolidated	
	07/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020	07/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020
Gross revenue:				
Service revenue	92,203	66,439	92,203	66,439
Sales revenue	-	-	244,266	168,470
Total	92,203	66,439	336,469	234,909
Taxes on sales and services:				
Tax on revenue (PIS)	(674)	(396)	(5,155)	(2,577)
Tax on revenue (COFINS)	(3,108)	(1,827)	(23,751)	(11,870)
Service tax (ISS)	(3,532)	(2,090)	(3,532)	(2,090)
State VAT (ICMS)	(76)	-	(43,687)	(18,195)
Total	(7,390)	(4,313)	(76,125)	(34,732)
Net revenue	84,813	62,126	260,344	200,177

	Company		Consolidated	
	01/01/2021 to 09/30/2021	01/01/2020 to 09/30/2020	01/01/2021 to 09/30/2021	01/01/2020 to 09/30/2020
Gross revenue:				
Service revenue	250,312	216,109	250,312	216,109
Sales revenue	-	-	710,263	455,032
Total	250,312	216,109	960,575	671,141
Taxes on sales and services:				
Tax on revenue (PIS)	(1,728)	(1,263)	(14,213)	(6,788)
Tax on revenue (COFINS)	(7,974)	(5,825)	(65,484)	(31,275)
Service tax (ISS)	(9,372)	(6,705)	(9,372)	(6,705)
State VAT (ICMS)	(76)	-	(116,264)	(45,160)
Total	(19,150)	(13,793)	(205,333)	(89,928)
Net revenue	231,162	202,316	755,242	581,213

Gross operating revenues are directly linked to the price of Brent oil, the quotations of which are freely negotiated in the foreign markets, and to the sale price of natural gas, a commodity to Petrobras.

As detailed under Note 14, part of the production of the subsidiary Potiguar is pegged to contracts hedged to the Brent oil price. The effect of the settled contracts is presented accompanying the protected line of net income (loss), sales revenue.

19. INFORMATION ON THE NATURE OF THE EXPENSES RECOGNIZED IN THE STATEMENT OF PROFIT AND LOSS

	Company		Consolidated	
	07/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020	07/01/2021 to 09/30/09/2021	07/01/2020 to 09/30/2020
Personnel	(21,343)	(11,335)	(29,444)	(18,260)
Services	(4,172)	(6,266)	(8,602)	(3,453)
Consultancy, audits and fees	(4,413)	(1,745)	(4,571)	(3,528)
Materials	(13,178)	(4,810)	(25,494)	(16,685)
Rent	(3,075)	(1,630)	(6,426)	(3,128)
Electricity	(9,216)	(6,321)	(14,188)	(10,098)
Other taxes	-	-	-	(430)
Depletion, depreciation and amortization	(21,142)	(17,208)	(73,421)	(47,139)
Depreciation of right-of-use assets	(1,950)	(2,736)	(4,239)	(4,722)
Costs of non-operated fields	-	-	(2,515)	(5,698)
Royalties	-	-	(27,649)	(13,519)
Share-based compensation and associated costs	(6,909)	(2,769)	(7,281)	(2,770)
Gain (loss) on equity interests	(13,157)	8,623	-	-
Environmental licenses	-	-	(3,075)	(1,741)
Other	2,439	(3,932)	3,500	(1,952)
Total	(96,116)	(50,129)	(203,405)	(133,123)
Cost of sales and services	(64,237)	(47,408)	(179,203)	(118,385)
General and administrative costs	(9,210)	(9,507)	(11,315)	(12,384)
Other income, net	(9,512)	(1,837)	(12,887)	(2,354)
Gain (loss) on equity interests	(13,157)	8,623	-	-
Total	(96,116)	(50,129)	(203,405)	(133,123)

	Company		Consolidated	
	01/01/2021 to 09/30/2021	01/01/2020 to 09/30/2020	01/01/2021 to 09/30/2021	01/01/2020 to 09/30/2020
Personnel	(58,299)	(37,787)	(85,995)	(58,338)
Services	(12,891)	(19,731)	(24,397)	(28,797)
Consultancy, audits and fees	(10,910)	(4,636)	(11,927)	(7,361)
Materials	(34,154)	(16,906)	(64,359)	(35,502)
Rent	(8,522)	(3,367)	(16,920)	(7,858)
Electricity	(25,140)	(22,613)	(39,072)	(34,495)
Other taxes	-	(73)	-	(995)
Depletion, depreciation and amortization	(57,844)	(53,995)	(193,096)	(144,880)
Depreciation of right-of-use assets	(5,295)	(8,199)	(13,998)	(13,358)
Costs with partnerships	-	-	(13,216)	(16,677)
Royalties	-	-	(72,412)	(32,289)
Share-based compensation and associated costs	(11,008)	(7,503)	(11,380)	(7,504)
Gain (loss) on equity interests	66,080	(148,439)	-	-
Environmental licenses	-	-	(10,535)	(7,218)
Other	4,037	(5,624)	(7,444)	(968)
Total	(153,946)	(328,873)	(564,751)	(396,240)
Cost of sales and services	(176,899)	(152,126)	(498,632)	(358,872)
General and administrative costs	(34,942)	(28,707)	(40,786)	(35,577)
Other income (expenses), net	(8,185)	399	(25,333)	(1,791)
Gain (loss) on equity interests	66,080	(148,439)	-	-
Total	(153,946)	(328,873)	(564,751)	(396,240)

20. FINANCIAL INCOME

	Company		Consolidated	
	07/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020	07/01/2021 to 09/30/2021	07/01/2020 to 09/30/2020
Financial income:				
Interest and yields, net	4,608	1,210	5,156	5,217
Other	67	48	72	113
Total	4,675	1,258	5,228	5,330
Financial expenses:				
Bank and other charges	(354)	(75)	(858)	(97)
Interest on well abandonment	(190)	(435)	(1,484)	(1,271)
Income tax on foreign transactions	(384)	60	(2,783)	(3,124)
Amortization of borrowing costs	-	-	(3,194)	-
Short-term investment loss, net	-	(486)	-	(5,637)
Interest on loans	(439)	(145)	(13,456)	(8,562)
Fines	-	(8)	-	(11)
Interest on leases	(169)	(404)	(373)	(14,879)
Other	-	63	-	63
Total	(1,536)	(1,430)	(22,148)	(33,518)
Foreign exchange variation, net:				
Foreign exchange variation asset	2,007	299	2,580	299
Foreign exchange variation liability	(2,168)	(2,309)	(2,045)	(4,867)
Foreign exchange variation on exchange funds, net	54,425	1,087	63,761	4,009
Foreign exchange variation on financing	(2,659)	-	(68,516)	(25,041)
Total	51,605	(923)	(4,220)	(25,600)
Total	54,744	(1,095)	(21,140)	(53,788)

	Company		Consolidated	
	01/01/2021 to 09/30/2021	01/01/2020 to 09/30/2020	01/01/2021 at 09/30/2021	01/01/2020 to 09/30/2020
Financial income:				
Interest and yield, net	15,738	1,681	26,006	9,346
Interest on loan agreements	97	22	-	-
Other	81	207	100	421
Total	15,916	1,910	26,106	9,767
Financial expenses:				
Bank and other charges	(1,087)	(174)	(2,576)	(580)
Interest on well abandonment	(1,005)	(1,305)	(4,923)	(3,815)
Interest on leases	-	(53)	-	(53)
Income tax on foreign transactions	(615)	-	(8,445)	(9,088)
Amortization of borrowing costs	(41)	-	(9,902)	-
Short-term investment loss, net	(119)	(700)	(4,254)	(7,754)
Interest on loans	(2,182)	(292)	(44,350)	(56,730)
Fines	-	(14)	-	(328)
Interest on lease operations	(590)	(1,906)	(1,721)	(16,822)
Other	-	61	-	61
Total	(5,639)	(4,383)	(76,171)	(95,109)

	Company		Consolidated	
	01/01/2021 to 09/30/2021	01/01/2020 to 09/30/2020	01/01/2021 at 09/30/2021	01/01/2020 to 09/30/2020
Foreign exchange variation, net:				
Foreign exchange variation asset	434	567	1,880	1,314
Foreign exchange variation liability	(697)	(8,889)	(1,595)	(9,016)
Foreign exchange variation on exchange funds, net	31,492	1,245	34,761	7,357
Foreign exchange variation on financing	2,962	-	(37,236)	(310,446)
Total	34,191	(7,077)	(2,190)	(310,791)
Total	44,468	(9,550)	(52,255)	(396,133)

21. FINANCIAL INSTRUMENTS

21.1. Capital risk management

The Company and its subsidiaries manage their capital to ensure that both the Company and its subsidiaries can continue as going concerns. It is the Management's policy to sustain a solid capital basis to ensure the confidence of investors, creditors and the market and to maintain the future development of the business.

Management monitors the return on capital employed taking into account the results of the economic activities of its operational segment. Historically the Company has financed its operations with its own capital and had low indebtedness to third parties, not related to the Company. In 2019, subsidiary Potiguar E&P S.A. contracted a loan for the purpose of financing part of the payment arising from the acquisition of 34 oil and natural gas producing fields, a transaction closed on December 9, 2019. The loan was contracted with financial institutions Itaú BBA, Morgan Stanley and Deutsche Bank. In the nine-month period ended September 30, 2021, the Parent Company obtained a loan in the amount of US$11,000 with the purpose of financing the payment of the installment for the signing of the acquisition of 9 oil and gas production fields in the Recôncavo basin. The debt instruments currently in effect refer to a finance lease, a financing facility aimed at funding innovation with Finep, bank loans rained by subsidiary Potiguar.

The Company's capital structure consists of its equity (which includes capital, reserves, and earnings reserve, as disclosed in note 15) and the bank and Finep debts.

The Company is not subject to any external requirement on capital.

Management reviews its capital structure annually. As part of this review, Management assesses possible financing requirement (or not) for its operations and investment programs, as well as the cost of capital and the risks associated to each class of capital.

21.2. Category of financial instruments and fair value hierarchy

Fair value hierarchy awards greater weight to available market information (i.e., observable inputs) and less weight to information related to opaque data (i.e., unobservable inputs). Additionally, the relevant standard requires that the Company takes into consideration all aspects of the nonperformance risk, including the Company's own credit, when measuring the fair value of a liability.

CPC 40/IFRS 7 establishes a three-level fair value hierarchy to measure and disclose the fair value. A categorization instrument in the fair value hierarchy is based on the lowest level of input significant to its measurement. A description of the three-level hierarchy is shown below:

- Level 1 - inputs are determined based on prices quoted in active markets for identical assets and liabilities on measurement date. Additionally, the Company should be authorized to conduct transactions in such active market and the price cannot be adjusted by the Company.

- Level 2 - inputs other than the quoted prices as determined in Level 1, which are observable for an asset or liability, either directly or indirectly. Level 2 inputs include prices quoted in an active market for similar assets or liabilities, prices quoted in an inactive market for identical assets or liabilities; or inputs that are observable or can corroborate a market data by means of correlation or other methods for substantially all the asset or liability.

- Level 3 - unobservable inputs are those arising from few or no market activity. These inputs correspond to the Company's Management best estimate of how market players can determine a value/price for these assets or liabilities. Level 3 assets and liabilities are usually measured using pricing models, discounted cash flows, or similar methodologies that require significant judgment or estimate. The Company has no financial instruments measured as Level 3 in these interim financial statements.

		Company		Consolidated	
	Notes	09/30/2021	12/31/2020	09/30/2021	12/31/2020
Financial assets					
Amortized cost:					
Cash and cash equivalents	3	336,786	11,663	392,406	30,861
Trade receivables	4	49,426	52,578	165,001	108,733
Short-term investments	3	712,709	9,993	832,691	135,011
Related parties	16	-	20,460	-	-
Dividends receivable	16	304	304	-	-
Judicial deposits	6	2,514	2,237	2,588	2,311
Fair value through profit or loss, but in a cash flow hedge strategy, accounted for under "Other comprehensive income":					
Derivative financial instruments (i)	14	-	-	-	137,082
Financial liabilities					
Amortized cost:					
Trade payable	9	44,378	49,022	65,658	80,089
Loans and financing	10	13,790	2,734	787,959	894,040
Dividends payable	15	2	2	2	2
Leases payable	22	9,858	11,095	14,598	22,887
Fair value through profit or loss, but in a cash flow hedge strategy, accounted for under "Other comprehensive income":					
Derivative financial instruments (i)	14	-	-	448.479	17.886

(i) Level 2 - financial instruments that are not traded in active markets (e.g., over-the-counter derivatives) using valuation techniques that, in addition to the prices quoted in active markets for identical assets or liabilities, use other information adopted by the market for the asset or liability directly (such as prices) or indirectly (derived from prices).

21.3. Financial risk management

The Company and its subsidiaries are exposed to the following risks arising from the use of financial instruments: credit risk, liquidity risk, and market risk.

This Note provides information on the Company's exposure to each one of the risks above, including the Company's goals, policies and processes designed to measure and manage risks, and manage the Company's capital. Additional quantitative disclosures are included in these interim financial statements and also in this Note.

Risk management framework

The Company's risk management policies are set out to identify and analyze the risks faced by the Company, set limits and appropriate risk controls, and monitor risks and compliance with limits. Risk and system management policies are frequently reviewed in order to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims at developing a regulated and constructive control environment, where all employees understand their roles and obligations.

The Company does not operate derivative financial instruments for speculative purposes; all contracted derivatives are aimed at mitigating the risks arising from the Company's exposures arising in its operations.

The main market risks to which the Company is exposed in conducting its business are:

Credit risk

Credit risk refers to the risk of a counterparty not complying with its contractual obligations, which would result in financial losses for the Company.

Cash and cash equivalents

Bank deposits and investments are made in top tier financial institutions.

The Company maintains bank accounts and short-term investments in financial institutions, according to strategies previously approved by Management. These transactions are carried out with Banco do Brasil S.A., Banco Itaú S.A., Banco Opportunity, Banco Santander S.A., Banco Safra S.A, Caixa Econômica Federal and Banco Bradesco S.A.

Trade receivables

The risk arises from the possibility of the Company and its subsidiaries incurring losses due to the difficulty of receiving the amounts invoiced to its customer, as detailed in Note 4.

Since the operations of the Company and its subsidiaries Recôncavo and Potiguar are exclusively linked to Petrobras S.A., the results of the operations of the Company and its subsidiary are exposed to the adverse position of being dependent on only a single customer.

Liquidity risk

The liquidity risk represents the possibility of a mismatch between maturities of assets and liabilities, which could result in an inability to meet obligations by the established due dates.

It is the Company's policy to maintain adequate liquidity levels that can ensure that present and future liabilities are met, while seizing any commercial opportunities that may arise.

Management believes that the Company has low liquidity risk, considering its cash generation capacity and its capital structure with moderate participation of third-party capital. The Company manages the liquidity risk by maintaining reserves it considers adequate, based on the continuous monitoring of projected and actual cash flows, and the combination of the maturity profiles of assets and liabilities.

The nominal (undiscounted) flow of principal and interest on financing and financial instruments, by maturity, is shown below:

Maturity	2021	2022	2023	2024	2025	Total
Loans and financing (a)	82,437	323,943	327,769	156,974	-	891,123
Derivative financial instruments	61,188	200,130	151,179	37,259	-	449,756
Leases payable	6,111	7,338	1,915	927	696	16,987

(a) Projected flow based on the contract's future benchmark rate according to the futures traded on B3.

Market risk

Foreign exchange risk

This risk is tied to a possible change in exchange rates that would affect the expense (or income) and the liability (or asset) balance of contracts indexed to a foreign currency.

The Company carries out foreign currency-denominated transactions, which generates exposure to the fluctuations of foreign exchange rates.

In the nine-month period ended September 30, 2021, 97.20% (97% in 2020) of the gross operating revenues of the Company and its subsidiaries were indexed to the U.S. dollar exchange rate at the time of billing, as they refer to the sale of oil that is indexed to the price of Brent oil, which in turn is quoted in US dollars. On the other hand, most of the Company's costs were denominated in Brazilian reais. In addition, the Company's subsidiary located in the United States, Recôncavo America LLC, has some financial assets in US dollars (bank deposits and short-term investments) that are translated into Brazilian reais at the end of the reporting period. On April 25, 2019, subsidiary Potiguar contracted a loan in US dollars for the purpose of financing part of the payment arising from the acquisition of the 34 oil and natural gas producing fields, a transaction closed on December 9, 2019. The loan was contracted with financial institutions Itaú BBA, Morgan Stanley and Deutsche Bank. The total amount contracted was of US$232,000, at an interest rate of 6.3% above the three-month LIBOR, and the amount released up until December 31, 2019 totaled US$195,428.

Sensitivity analysis - foreign currency

	Company					
As at 09/30/2021 - Balance	Risk	Rate (a)	Foreign currency exposure - R$	Probable	Scenario A 25% (b)	Scenario B 50% (b)
Assets						
Short-term investments	US$ depreciation	5.9179	702,561	764,368	526,923	351,282
Liabilities						
Loans and financing	US$ depreciation	5.1979	11,977	13,030	8,983	5,989
Net effect on profit or loss				60,753	(172,645)	(345,291)

As at 09/30/2021 - Balance	Risk	Rate (a)	Foreign currency exposure - R$	Probable	Scenario A 25% (b)	Scenario B 50% (b)
	Consolidated					
Assets						
Cash and cash equivalents	US$ depreciation	5.9179	8,952	9,741	6,715	4,477
Short-term investments	US$ depreciation	5.9179	807,993	879,068	605,993	403,995
Liabilities						
Loans and financing	US$ depreciation	5.9179	811,392	882,769	608,544	405,696
Net effect on profit or loss				488	(1,389)	(2,777)

(a) The translation rate (R$ to US$) used in the sensitivity tables as the probable scenario were obtained from the Central Bank of Brazil and correspond to the US dollar exchange rate as at September 30, 2022. As at September 30, 2021 the exchange rate was R$5.4394.

(b) Scenario A considers a depreciation of the U.S. dollar against the Brazilian real at 25% and scenario B a depreciation of 50% of the US dollar effective as at September 30, 2021.

Interest rate risk

This risk arises from the possibility of the Company and its subsidiaries incurring losses due to fluctuations in the interest rates that are applied to their assets (investments) or liabilities (loans) in the market.

In relation to assets, the Company has short-term investments exposed to floating interest rates, mostly linked to the CDI variation, as well as intragroup loans exposed to floating interest rates, mostly linked to the LIBOR variation. These intragroup loans, however, have no impact on the consolidated interim financial statements.

Regarding liabilities, interest is recognized at a spread of 6.3% plus 3-month LIBOR.

Sensitivity analysis - interest rates

On the closing date of the six-month period ended September 30, 2021, Management estimates a probable scenario for changes in DI rates based on rates implied in the closing quotations of the DI futures contract referring to September 2022.

The LIBOR rate used was the latest release made by the ICE on September 30, 2021.

In addition to the probable scenario, the Company presented two additional scenarios, with stresses of 25% and 50% in the risk variable.

	Risk	Rate (a)	Probable	Scenario A 25% (b)	Scenario B 50% (b)
	Company				
Assets					
Cash and cash equivalents	CDI decrease	9.050%	10,132	2,527	1,685
Short-term investments	CDI decrease	9.050%	918	229	153
Net effect on profit or loss			7,375	(919)	(1,838)

	Consolidated				
	Risk	Rate (a)	Probable	Scenario A 25% (b)	Scenario B 50% (b)
<u>Assets</u>					
Cash and cash equivalents	CDI decrease	9.050%	10,132	2,527	1,685
Short-term investments	CDI decrease	9.050%	918	229	153
Net effect on profit or loss			7,375	(919)	(1,838)
<u>Liabilities</u>					
Loans and financing	Libor increase		863	1,038	1,246
Net effect on profit or loss			(32)	(208)	(415)

(a) The rates used in the sensitivity table as the probable scenario were obtained from B3 and the ICE and refer to the estimated rates for 2021.

(b) Scenarios A and B consider a decrease of the indices by 25% and 50%, respectively, on the impact of CDI and Libor as at September 30, 2021.

<u>Commodity price risk</u>

During the nine-month period ended September 30, 2021, 97.2% of the Company's gross operating revenue was directly linked to the price of Brent oil, the quotations of which are freely traded in foreign markets (95% in 2020).

During the nine-month period ended September30, 2021, 2.8% of the Company's gross operating revenue was directly linked to the sales price of the commodity natural gas (2020, 3%).

In the first quarter of 2021, as a way of hedging against the volatilities of the oil market, the Company entered into several hedge contracts, and hedged, during this period, a volume of almost 966 thousand barrels (65% of net oil production for the period) at an average price of US$62.40/bbl (U$64.64/bbl in 2020). These volumes correspond to the "hedge" contracts settled during the mentioned periods.

<u>Sensitivity analysis - commodity prices</u>

	Company				
	Risk	Price (a)	Probable	Scenario A 25% (b)	Scenario B 50% (b)
Gross operating income - Oil	*Brent decrease*	75.71	245,012	164,556	109,161
Total			245,012	164,556	109,161
Probable effect on profit or loss			27,818	(52,638)	(108,033)

	Consolidated				
	Risk	Price (a)	Probable	Scenario A 25% (b)	Scenario B 50% (b)
Gross operating income - oil	*Brent decrease*	75.71	1,065,878	763,964	482,296
Gross operating income - gas	*Brent decrease*	75.71	45,992	30,989	20,660
Financial instruments - hedge			(133,349)	62,498	197,342
Total			978,521	857,451	700,298
Probable effect on profit or loss			51,058	(70,011)	(227,165)

(a) The commodity prices used in the sensitivity table as the probable scenario, in US dollars, were obtained from the commodity pricing agency S&P Global Platts and translated into Brazilian reais.

(b) Scenarios A and B consider an index decrease of 25% and 50%, respectively over the Brent prices shown in the actual scenario.

The policy of the Company and its subsidiaries is to contract commodity forwards to manage the commodity price risk associated with future transactions of up to 36 months. In the current year, subsidiary Potiguar designated certain commodity forwards as cash flow hedges for high probability sales. Since the critical terms (i.e., volume, maturity, and underlying factor) of the commodity forwards and their corresponding hedged items are the same, the Company conducts an effectiveness qualitative assessment and the fair value of the commodity forwards and the amount of the corresponding hedged items are expected to systematically change in the opposite direction in response to movements in the underlying commodity price.

The following table describes the commodity forwards outstanding for the nine-month period ended September 30, 2021 as well as information related to their corresponding hedged items. The commodity forwards are stated in line item "Derivative financial instruments" in the balance sheet (see note 14 for further information):

Cash flow hedge

	Company		
Hedge instruments	Average Strike price	Quantity	Fair value of hedge instruments
	09/30/2021 US$/barrel	09/30/2021 Barrels	09/30/2021 R$ thousand
Outstanding contracts:			
Under 3 months	57.82	557,240	(61,171)
3 to 6 months	56.61	510,520	(53,784)
6 to 12 months	54.60	967,408	(96,904)
1 to 2 years	51.92	1,832,839	(173,731)
2 to 3 years	56.23	1,280,000	(62,889)
Total	54.60	5,148,007	(448,479)

Hedge instruments	Consolidated		
	Average Strike price 09/30/2020 US$/barrel	Quantity 09/30/2020 Barrels	Fair value of hedge instruments 09/30/2020 R$ thousand
Outstanding contracts:			
Under 3 months	61.24	465,080	49,689
3 to 6 months	59.29	512,410	46,123
6 to 12 months	58.68	981,200	77,869
1 to 2 years	56.82	1,811,168	108,821
2 to 3 years	50.00	1,412,839	16,910
Total	55.95	5,182,697	299,412

22. LEASE CONTRACTS

Lease Right-of-use assets

Cost	Company				
	Properties	Machinery and equipment	Computers & peripherals	Vehicles	Total
Assets and right-of-use					
As at December 31, 2019	847	29,285	292	7,408	37,832
(+) Additions for new contracts	111	18,495	207	3,213	22,026
(-) Write-off of contracts	(126)	(37,872)	-	(4,731)	(42,729)
As at December 31, 2020	832	9,908	499	5,890	17,129
(+) Additions for new contract	3,630	458	694	247	5,029
(-) Write-off of contracts	(343)	(3)	-	(2,619)	(2,965)
As at September 30, 2021	4,119	10,363	1,193	3,518	19,193
Accumulated depreciation					
As at December 31, 2019	(224)	(8,276)	(33)	(2,410)	(10,943)
Depreciation	(231)	(9,035)	(143)	(1,871)	11,280)
Write-off of contracts	87	14,182	-	1,353	15,622
As at December 31, 2020	(368)	(3,129)	(176)	(2,928)	(6,601)
Depreciation	(451)	(3,388)	(228)	(1,228)	(5,295)
Write-off of contracts	81	-	-	2,620	2,701
As at September 30, 2021	(738)	(6,517)	(404)	(1,536)	(9,195)
Balance as at September 30, 2021	3,381	3,846	789	1,982	9,998

Cost	Consolidated				
	Properties	Machinery and equipment	Computers & peripherals	Vehicles	Total
Assets and right-of-use					
As at December 31, 2019	1,015	25,139	292	7,408	33,854
(+) Additions for new contracts	111	27,704	710	5,499	34,024
(-) Write-off of contracts	(154)	(23,799)	(93)	(4,730)	(28,776)
As at December 31, 2020	972	29,044	909	8,177	39,102
(+)Additions for new contracts	3,923	1,099	1,097	2,664	8,783
(-) Write-off of contracts	(345)	(8,236)	-	(2,526)	(11,107)
As at September 30, 2021	4,550	21,907	2,006	8,315	36,778

	Consolidated				
Cost	Properties	Machinery and equipment	Computers & peripherals	Vehicles	Total
Accumulated depreciation					
As at December 31, 2019	(233)	(3,581)	(33)	(2,411)	(6,258)
Depreciation	(309)	(19,633)	(231)	(3,864)	(24,037)
Write-off of contracts	193	10,327	-	1,353	11,873
As at December 31, 2020	(349)	(12,887)	(264)	(4,922)	(18,422)
Depreciation	(606)	(9,906)	(390)	(3,096)	(13,998)
Write-off of contracts	81	6,804	-	2,622	9,507
As at September 30, 2021	(874)	(15,989)	(654)	(5,396)	(22,913)
Balance as at September 30, 2021	3,676	5,918	1,352	2,919	13,865

The Company and its subsidiaries lease several assets, including properties, machinery and equipment, computers and peripherals, and vehicles. The average lease term is 5 years.

Leases payable

The variations in lease liabilities during the nine-month period ended September 30, 2021 are demonstrated below:

	Company				
	Properties	Machinery and equipment	Computers & peripherals	Vehicles	Total
Balance as at December 31, 2019	597	19,498	274	5,011	25,380
Additions	111	18,542	207	3,166	22,026
Write-off	(45)	(24,736)	(490)	(3,201)	(28,472)
Payment	(244)	(10,571)	(87)	(1,805)	(12,707)
Interest paid	(64)	(1,532)	(76)	(452)	(2,124)
Interest	64	1,532	76	452	2,124
Foreign exchange variation	-	4,868	-	-	4,868
Balance as at December 31, 2020	419	7,601	(96)	3,171	11,095
Additions	3,630	458	694	247	5,029
Write-off	(265)	-	-	-	(265)
Payment	(1,125)	(3,999)	(178)	(1,400)	(6,702)
Interest paid	(76)	(379)	(34)	(101)	(590)
Interest	76	379	34	101	590
Foreign exchange variation	18	179	449	55	701
Balance as at September 30, 2021	2,677	4,239	869	2,073	9,858
Current					7,503
Noncurrent					2,355

	Consolidated				
	Properties	Machinery and equipment	Computers & peripherals	Vehicles	Total
Balance as at December 31, 2019	765	20,435	274	4,654	26,128
Additions	111	27,997	464	5,452	34,024
Write-off	(202)	(14,626)	(328)	(2,507)	(17,663)
Payment	(182)	(20,221)	(165)	(3,826)	(24,394)
Interest paid	(213)	(3,192)	(89)	(585)	(4,079)
Interest	213	3,192	89	585	4,079
Foreign exchange variation	-	4,792	-	-	4,792
Balance as at December 31, 2020	492	18,377	245	3,773	22,887

	Consolidated				
	Properties	Machinery and equipment	Computers & peripherals	Vehicles	Total
Additions	3,927	1,099	1,002	2,755	8,783
Write-off	(265)	(1,810)	-	(123)	(2,198)
Payment	(1,192)	(11,416)	(233)	(3,473)	(16,314)
Interest paid	(86)	(1,369)	(50)	(216)	(1,721)
Interest	86	1,369	50	216	1,721
Foreign exchange variation	24	840	456	120	1,440
Balance as at September 30, 2021	2,986	7,090	1,470	3,052	14,598
Current					11,782
Noncurrent					2,816

	Company	Consolidated
	09/30/2021	09/30/2021
Leases payable		
Up to 1 year	7,503	11,782
2-3 years	1,873	2,334
3-4 years	338	338
4-5 years	144	144
Total	9,858	14,598
Current liabilities	7,503	11,782
Noncurrent liabilities	2,355	2,816

Other information

Lease term	% rate p.a.
Up to 1 year	8.51
2-3 years	7.74
3-4 years	9.7
4-5 years	11.05

23. INSURANCE

The company and its subsidiaries maintain a monitoring policy of the risks inherent to its business. As at September 30, 2021, the Company had insurance contracts in place to cover operational, environmental, civil liability and other risks.

		Insured amounts		Maximum indemnifiable amount	
Category (*)	Currency(*)	Company (*)	Consolidated (*)	Company (*)	Consolidated (*)
Environmental risks	US$	6,050	12,100	6,050	12,100
Material damage	US$	55,793	99,820	25,100	50,200
Civil responsibility	US$	3,000	6,000	3,000	6,000
Corporate D&O	R$	80,000	80,000	80,000	80,000

(*) According to insurance policies.

24. SEGMENT INFORMATION

The Group operates exclusively in the exploration and production (E&P) of Oil and Natural Gas, whether by providing services or selling products, which accounts for 100% of the Company's net revenue.

The information reported to the Company's management (chief operating decision maker) for the purposes of resource allocation and assessment of segment performance is reviewed monthly using managerial results reports that present expenses by cost center. Company's Management evaluates investments, expenses, production, and other operating indicators and makes its decisions based on the consolidated information from all the Group companies.

25. NON-CASH TRANSACTIONS

In the nine-month period ended September 30, 2021 and 2020, the Company carried out the following transactions not involving cash; therefore, these are not reflected in the statements of cash flows.

	Company		Consolidated	
Description	09/30/2021	09/30/2020	09/30/2021	09/30/2020
Conversion of loan agreements to advance for future capital increase in subsidiaries	29,150	-	-	-
Proposed dividends not paid	5,029	17,536	8,783	17,808
Additions for new contracts IFRS 16	-	2,644	-	2,644
Total	34,179	20,180	8,783	20,452

26. SUBSEQUENT EVENTS

On October 13, 2021, the Company received the communication that it was the winner of a Public Call for the Acquisition of Natural Gas for 2022 and 2023 from Companhia Paraibana de Gás - PBGÁS.

The next phase of the process will be to sign the natural gas purchase and sale contract with PBGÁS that should have a duration of two years, for the delivery of de 50 thousand m³/day of natural gas as of January 2022 and 150 thousand m³/day of natural gas as of January 2023. The Company may designate the signature of the contract to its subsidiary Potiguar E&P, which will be responsible for the production and for the contracting of the processing and outflow of the contracted volumes. Among the precedent conditions for the finalizing the negotiation, emphasis is given to the signing of the following additional contracts by Potiguar E&P: (i) contract for access to the Petrobras flow infrastructure interconnecting the production installations of Potiguar E&P up to the Petrobras Natural Gas Processing Unit of Guamaré (“UPGN Guamaré”); (ii) contract for the Processing of Natural Gas at UPGN Guamaré; and (iii) contract for natural gas transport with TAG, permitting the transport of natural gas from UPGN Guamaré to the delivery points (city gates) determined by PBGás. Such contracts are presently in the final phases of negotiation.