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

PetroRecôncavo S.A.

Individual and Consolidated Financial Statements for the Year Ended December 31, 2021 and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Management and Shareholders of
PetroRecôncavo S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of PetroRecôncavo S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2021, and the related statements of profit and loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of PetroRecôncavo S.A. as at December 31, 2021, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements set out in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

As described in note 19 to the individual and consolidated financial statements, the Company's and its subsidiaries' net revenue derive mainly from the provision of oil and natural gas production services and sale of oil and natural gas. In the year ended December 31, 2021, the Company and its subsidiaries accounted for consolidated net revenue of R$1,041 million.

The accounting for revenue involves processes implemented by the Company's Executive Board that support its recognition and that must address the following risks, among others: (a) revenue must be accounted for after the minimum criteria necessary for its recognition in the Company's normal course of business are met; and (b) the service or sales revenue amount must be determined based on the terms and conditions set forth in a contract. Due to these aspects, we considered revenue recognition as a key audit matter.

Accordingly, our audit procedures included, without limitation: (i) obtaining an understanding of the flow of revenue recognition, considering the nature of the Company's main revenue lines, the aspects set forth in a contract, among others; (ii) assessing the design, implementation and effectiveness of the relevant internal controls determined by the Executive Board on revenue recognition; (iii) obtaining an understanding of the main systems used in the revenue recognition and review process; (iv) testing, on a sampling basis, the occurrence, integrity and accuracy of the revenue recognized by the Company, as well as whether they were accounted for in the proper accrual period; and (v) assessing the disclosures made by the Executive Board in the individual and consolidated financial statements.

In the course of our audit, we identified a deficiency in the control to check the entries related to revenue recognition, which was remediated by the Company within the year, which led us to change our audit approach and expand the extent of our substantive procedures planned to obtain sufficient and appropriate audit evidence.

Based on the audit procedures described above and the audit evidence obtained, we consider that revenue recognition and the related disclosures are acceptable in the context of the individual and consolidated financial statements taken as whole.

Emphasis of matter

Concentration of revenue in one single customer

Without modifying our opinion, we draw attention to notes 1 and 22.3 to the individual and consolidated financial statements, which state that, as a result of the characteristics of the Company's and its subsidiaries' transactions, their revenues derive from one single customer (Petróleo Brasileiro S.A. – Petrobras). Consequently, any interpretation or analysis of the individual and consolidated financial statements must take these circumstances into consideration.

Restatement of comparative financial information

On March 21, 2022, we issued an unmodified independent auditor's report on the Company's individual and consolidated financial statements for the year ended December 31, 2021, which are now being restated, to adjust the disclosure of basic and diluted loss per share of the comparative period, as described in note 2.8 to the individual and consolidated financial statements. This audit report, issued on this date, considers the restatement and replaces the audit report previously issued on the abovementioned date. Our opinion is not modified in respect of this matter.

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Other matter

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2021, prepared under the responsibility of the Company's Executive Board and disclosed as supplemental information for purposes of the IFRS, were subject to audit procedures performed together with the audit of the Company's individual and consolidated financial statements. In forming our opinion, we evaluated whether these individual and consolidated statements of value added are reconciled with the individual and consolidated financial statements and the accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and the independent auditor's report

The Executive Board is responsible for the other information. The other information comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Executive Board' responsibilities and those charged with governance for the individual and consolidated financial statements

The Executive Board is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and the IFRS, issued by the IASB, and for such internal control as the Executive Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, the Executive Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Executive Board either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process individual and consolidated.

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Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements individual and consolidated.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.

- Conclude on the appropriateness of the Executive Board use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as going concerns.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Salvador, May 31, 2022

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.

BALANCE SHEET AS AT DECEMBER 31, 2021
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
ASSETS	Notes	12/31/2021	12/31/2020	12/31/2021	12/31/2020
CURRENT					
Cash and cash equivalents	4	172,288	11,663	217,159	30,861
Short-term investments	4	531,863	9,993	585,655	66,414
Trade receivables	5	34,398	52,578	169,847	108,733
Inventories		5,709	127	6,552	1,211
Dividends receivable	7	4,015	304	-	-
Recoverable taxes	6	20,221	13,457	41,825	22,433
Derivative financial instruments	15	-	-	-	80,506
Other assets		12,906	11,161	11,769	12,826
Total current assets		781,400	99,283	1,032,807	322,984
NONCURRENT					
Short-term investments	4	-	-	69,989	68,597
Related parties	17	120	20,460	-	-
Recoverable taxes	6	479	14	13,374	562
Derivative financial instruments	15	-	-	-	56,576
Escrow deposits		2,445	2,237	2,445	2,311
Other assets		274	475	483	475
Deferred income tax and social contribution	11	20,692	2,482	222,941	3,070
Investments	7	740,117	560,003	-	-
Property, plant and equipment and intangible assets	8	523,790	390,699	3,360,865	1,604,918
Lease right-of-use assets		9,448	10,528	12,489	20,680
Total noncurrent assets		1,297,365	986,898	3,682,586	1,757,189
TOTAL DO ATIVO		2,078,765	1,086,181	4,715,393	2,080,173

		Company		Consolidated	
LIABILITIES AND NET EQUITY	Notes	12/31/2021	12/31/2020	12/31/2021	12/31/2020
CURRENT					
Suppliers	9	58,200	49,022	98,708	80,089
Payroll and related charges		22,526	12,002	30,563	16,065
Taxes payable		5,671	14,083	66,995	22,762
Loans and financing	10	1,211	1,355	281,762	212,931
Leases payable		7,063	5,995	10,486	15,241
Derivative financial instruments	15	-	-	231,125	-
Dividends payable	16	40,566	2	40,566	2
Payables for acquisitions	12	27,903	-	453,318	-
Provision for well abandonment	14	-	-	419	6,301
Other payables		2,220	1,168	30,588	1,170
Total current liabilities		165,360	83,627	1,244,530	354,561
NONCURRENT					
Loans and financing	10	300	1,379	459,529	681,109
Leases payable		1,929	5,100	2,421	7,646
Derivative financial instruments	15	-	-	233,559	17,886
Deferred income tax and social contribution	11	-	-	5,672	-
Payables for acquisitions	12	-	-	809,731	-
Provision for tax, civil and labor contingency risks	13	3,443	4,965	3,443	4,965
Provision for well abandonment	14	35,920	10,914	84,695	33,810
Total noncurrent assets		41,592	22,358	1,599,050	745,416
NET EQUITY					
Share capital	16	1,813,936	674,941	1,813,936	674,941
Treasury shares		(2,292)	-	(2,292)	-
Capital reserve		35,176	31,158	35,176	31,158
Profit reserve		297,202	160,945	297,202	160,945
Equity variation adjustment		(306,690)	78,671	(306,690)	78,671
Capital transactions		34,481	34,481	34,481	34,481
Net equity		1,871,813	980,196	1,871,813	980,196
TOTAL LIABILITIES AND NET EQUITY		2,078,765	1,086,181	4,715,393	2,080,173

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

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

PETRORECÔNCAVO S.A.

STATEMENTS OF PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
	Notes	12/31/2021	12/31/2020	12/31/2021	12/31/2020
NET REVENUE	19	327,415	264,291	1,040,604	787,841
COSTS OF SERVICES AND SALES	20	(241,040)	(214,636)	(667,850)	(510,600)
GROSS PROFIT		86,375	49,655	372,754	277,241
INCOME (EXPENSES)					
General and administrative	20	(50,136)	(37,428)	(62,844)	(47,486)
Other income (expenses), net	20	(8,859)	6,794	(25,304)	2,065
Equity in investments	7, 20	111,758	(78,500)	-	-
Total		52,763	(109,134)	(88,148)	(45,421)
OPERATING INCOME (LOSS)		139,138	(59,479)	284,606	231,820
FINANCIAL INCOME					
Financial income	21	76,304	5,819	107,511	7,525
Financial expenses	21	(8,373)	(16,142)	(158,500)	(356,982)
		67,931	(10,323)	(50,989)	(349,457)
INCOME (EXPENSES) BEFORE TAXES		207,069	(69,802)	233,617	(117,637)
INCOME TAX AND SOCIAL CONTRIBUTION					
Current		(28,429)	(15,279)	(74,173)	(15,281)
Deferred		(7,538)	4,183	(10,065)	51,159
Tax relief - incentive		5,797	-	27,520	-
	11	(30,170)	(11,096)	(56,718)	35,878
NET INCOME (LOSS) FOR THE YEAR		176,899	(80,898)	176,899	(81,759)
Net earnings (loss) per common and preferred share - R$ (Restated)	2.8, 16.5	0.8028	(0.4829)		
Diluted earnings (loss) per common and preferred share - R$ (Restated)	2.8, 16.5	0.7986	(0.4794)		

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PETRORECÔNCAVO S.A.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
(In thousands of Brazilian reais - R$)

	Company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
NET INCOME (LOSS) FOR THE YEAR	176,899	(80,899)	176,899	(81,759)
Hedging instruments	-	-	(583,880)	124,336
Effect of taxes on financial instruments	-	-	198,519	(42,274)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	176,899	(80,899)	(208,462)	303

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

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PETRORECÔNCAVO S.A.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021
(In thousands of Brazilian reais - R$)

			Capital reserve		Profit reserve			Other comprehensive income						
	Notes	Share capital	Income tax relief incentive	Shares and share purchase options granted	Legal reserve	Tax incentives	Reinvestment reserve	Cash flow hedge accounting	Capital transaction	Advance for future capital increase	Retained earnings	Total net equity of the Company	Reconciliation	Total consolidated net 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		5,342	-	-	-	-	-	-	-	-	-	5,342	-	5,342
Advance for future capital increase		304	-	-	-	-	-	-	-	(304)	-	-	-	-
Adjustment of equity in investments		-	-	-	-	-	-	82,062	-	-	-	82,062	-	82,062
Loss for the period		-	-	-	-	-	-	-	-	-	(80,899)	(80,899)	(860)	(81,759)
Share repurchase		-	-	-	-	-	-	-	-	-	(140)	(140)	-	(140)
Cancellation of dividens		-	-	-	-	-	-	-	-	-	12,894	12,894	-	12,894
Loss absorption		-	-	-	-	-	(68,145)	-	-	-	68,145	-	-	-
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	16	1,187,375	-	-	-	-	-	-	-	-	-	1,187,375	-	1,187,375
Share purchase option	16	1,600	-	-	-	-	-	-	-		-	1,600	-	1,600
Share issue cost	16	(49,980)	-	-	-	-	-	-	-	-	-	(49,980)	-	(49,980)
Repurchase of shares	16	(5,527)	-	-	-	-	-	-	-	-	-	(5,527)	-	(5,527)
Sale of treasury shares	16	3,235	-	-	-	-	-	-	-	-	(78)	3,157	-	3,157
Share-based payment	16	-	-	4,018	-	-	-	-	-	-	-	4,018	-	4,018
Profit for the period		-	-	-	-	-	-	-	-	-	176,899	176,899	-	176,899
Legal reserve	16	-	-	-	8,845	-	-	-	-	-	(8,845)	-	-	-
Tax incentive reserve	16	-	-	-	-	5,797	-	-	-	-	(5,797)	-	-	-
Reinvestment reserve	16	-	-	-	-	-	121,615	-	-	-	(121,615)	-	-	-
Minimum mandatory dividends	16	-	-	-	-	-	-	-	-	-	(40,564)	(40,564)	-	(40,564)
Other comprehensive income of subsidiary	7	-	-	-	-	-	-	(385,361)	-	-	-	(385,361)	-	(385,361)
BALANCE AS AT DECEMBER 31, 2021		1,811,644	18,501	16,675	32,032	42,220	222,950	(306,690)	34,481	-	-	1,871,813	-	1,871,813

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

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

PETRORECÔNCAVO S.A.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
	Notes	12/31/2021	12/31/2020	12/31/2021	12/31/2020
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit (loss) before taxes on income		207,069	(69,803)	233,617	(117,637)
Adjustments to reconcile profit (loss) for the year to cash generated by operating activities:					
Interest and exchange differences, net		(52,950)	302	80,031	305,886
Exchange differences on translating cash and cash equivalents	4	-	-	596	(199)
Interest and foreign exchange differences on leases		1,752	6,991	3,161	8,871
Depreciation and depletion of property, plant and equipment and intangible assets	8	69,768	77,015	231,930	218,548
Depreciation of right-of-use assets		7,441	11,280	18,270	24,037
Amortization of borrowing costs	10	97	-	12,991	16,848
Vesting of share-based compensations		4,018	-	4,018	-
Reversal of estimated impairment of property, plant and equipment	8	-	(1,691)	-	(1,691)
Provision for inventory loss		-	-	-	5,342
Equity in investments		(111,758)	78,500	-	-
Fair value of settled hedge	19, 15	-	(43,025)	126,780	(196,994)
Net provision and reversal for tax, civil, labor and regulatory contingency risks	13	-	2,188	-	2,188
Share-based compensation and stock-option	16	11,763	5,342	16,153	-
Adjustment of provision for well abandonment		1,340	1,740	6,562	5,480
Reversal of provision for well abandonment	14	-	(1,408)	(6,994)	(1,975)
Derecognition of property, plant and equipment and commercial leases	14	54,112	39,904	162,240	81,277
Changes in assets:					
Trade receivables		8,233	(9,375)	(71,061)	(30,123)
Inventories		(5,582)	(127)	(5,341)	(731)
Recoverable taxes		(7,229)	173	(19,013)	(7,798)
Escrow deposits		(208)	(185)	(134)	(185)
Other assets		(1,544)	(6,472)	1,049	(11,451)
Changes in liabilities:					
Suppliers		9,178	24,584	18,619	37,574
Payroll and related charges		462	(1,059)	46	2,226
Taxes payable		(27,672)	(9,101)	20,407	(7,736)
Other payables		1,052	780	16,227	780
Payment of tax, civil, labor and regulatory contingencies	12	(1,522)	-	(1,522)	-
Collection (payment) of hedge contracts	15, 19	-	43,025	(126,780)	196,994
Interest paid	10	(1,194)	(308)	(58,405)	(67,929)
Commercial lease interest paid		(776)	(2,124)	(1,721)	(4,079)
Income tax and social contribution paid		(3,372)	(135)	(22,827)	(1,424)
CASH GENERATED BY OPERATING ACTIVITIES		162,478	147,011	638,899	456,099
CASH FLOWS FROM INVESTING ACTIVITIES					
Loans to related parties		(8,810)	(13,306)	-	-
Investments in short-term investments		(470,374)	(8,802)	(485,872)	(124,829)
Additions to property, plant and equipment		(195,455)	(118,848)	(832,281)	(227,555)
Advance for future capital increase in subsidiary	7	(16,500)	-	-	-
Capital increase in subsidiaries		(411,778)	-	-	-
CASH USED IN INVESTING ACTIVITIES		(1,102,917)	(140,956)	(1,318,153)	(352,384)
CASH FLOWS FROM FINANCING ACTIVITIES					
Financing raised	10	60,479	-	60,479	-
Payment of financing	10	(59,152)	(1,522)	(283,203)	(104,585)
Stock-option		1,600	-	1,600	-
Amortization of commercial lease - principal		(9,440)	(12,707)	(20,901)	(24,394)
Capital increase	16	1,187,375	-	1,187,375	-
Cost of share issue		(75,727)	-	(75,727)	-
Repurchase of shares	16	(5,527)	(140)	(5,527)	(140)
Sale of treasury shares		1,456	-	1,456	-
CASH GENERATED BY (USED IN) FINANCING ACTIVITIES		1,101,064	(14,369)	865,552	(129,119)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		160,625	(8,314)	186,298	(25,404)
Cash and cash equivalents at the beginning of the year	4	11,663	19,977	30,861	56,265
Cash and cash equivalents at the end of the year	4	172,288	11,663	217,159	30,861
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		160,625	(8,314)	186,298	(25,404)

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

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

PETRORECÔNCAVO S.A.

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED DECEMBER 31, 2021
(In thousands of Brazilian reais - R$)

		Company		Consolidated	
	Notes	12/31/2021	12/31/2020	12/31/2021	12/31/2020
WEALTH CREATION					
Revenue:					
Services	19	355,435	282,314	353,937	282,314
Products	19	215	-	982,994	633,599
Other		288	7,934	5,373	4,600
Total revenue		355,938	290,248	1,342,304	920,513
IMPUTS ACQUIRED FROM THIRD PARTIES					
Costs of products, goods and services sold		(27,500)	(24,869)	(54,150)	(64,812)
Materials, energy, outsourced services and other		(82,232)	(74,875)	(181,502)	(109,246)
Recovery (loss) of receivables		-	550	-	(28)
Total inputs acquired from third parties		(109,732)	(99,194)	(235,652)	(174,086)
GROSS VALUE ADDED		246,206	191,054	1,106,652	746,427
Depreciation, amortization and depletion	20	(77,209)	(88,295)	(250,200)	(242,585)
NET WEALTH PRODUCED BY THE ENTITY		168,997	102,759	856,452	503,842
WEALTH RECEIVED IN TRANSFER					
Wealth received in transfer		76,304	5,819	107,511	7,525
Equity in investments	7, 20	111,759	(78,500)	-	-
Total wealth received in transfer		188,063	(72,681)	107,511	7,525
Wealth for distribution		357,060	30,078	963,963	511,367
WEALTH DISTRIBUTED					
Personnel					
Direct compensation		69,792	41,350	97,263	57,324
Benefits		16,025	11,541	28,791	19,418
FGTS		2,616	1,855	4,636	3,004
Taxes, fees and contributions:					
Federal		56,157	27,872	187,242	25,185
State		209	73	168,268	65,741
Municipal		13,293	8,886	13,293	8,886
Third-party capital remuneration					
Rent	20	12,289	3,258	25,091	9,721
Royalties	20	1,407	-	103,980	46,865
Interest		8,373	16,142	158,500	356,982
Return on equity:					
Proposed minimum dividends		40,564	-	40,564	-
Retained earnings (loss)		136,335	(80,899)	136,335	(81,759)
WEALTH DISTRIBUTED		357,060	30,078	963,963	511,367

The accompanying notes are an integral part of the 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. In operation since February 2000, the Company operated until December 22, 2021 through an “incremental production contract”, with the purpose of executing the revitalization, reactivation and renovation of 12 mature oil and gas fields in the Recôncavo Basin in Brazil.

On December 23, 2020, the Company entered into an agreement to acquire the total equity interests held by Petrobras in the twelve onshore fields that are the subject matter of the “incremental production contract”, 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$21.0 million less the cash generation of the asset, since July 2020 up until the transaction closing date, which totaled US$ 7.6 million, equivalent to R$41.5 million, paid on December 22, 2021, the transaction closing date; and (iii) US$5.0 million payable in twelve months after the deal is closed and registered under current liabilities of the Company (see Note 12 to the financial statements).

With the conclusion of the transaction, the “incremental production contract” was terminated.

As at December 31, 2021, the Company believes there is satisfactory liquidity, despite presenting a negative consolidated net working capital, corresponding to the difference between current assets and current liabilities of R$ 211,723 (2020, R$31,577). Management judges that the Company does not have significant liquidity risk, considering its cash generating capacity in the EBITDA concept, and considering that this cash generation is sufficient for the payment of debts, maintenance of investments and to cover working capital requirements from its obligations.

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”), the activities of which are described below:

Recôncavo

Recôncavo E&P S.A. was established on March 22, 2004 and a concessionaire for the exploration and production of the Lagoa do Paulo, Lagoa do Paulo Norte, Lagoa do Paulo Sul, Acajá-Burizinho, and Juriti fields, which were acquired in the ANPs Bidding Rounds 4 and 6.

Reconcavo America

Reconcavo 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. Such equipment is primarily for use in operations of the Company and subsidiary, nevertheless in periods of reduced usage, may be leased to third parties. In December 2020, Reconcavo America sold its assets to its parent company PetroRecôncavo and its subsidiary Potiguar for R$ 18,156. In 2021, the subsidiary held only a cash balance and did not register any transaction. The Company is assessing the future of the subsidiary and expects to conclude the assessment in 2022.

Potiguar

Potiguar E&P S.A., headquartered in the city of Mossoró, State of Rio Grande do Norte, was established on June 15, 2018. The cluster, located in the state of Rio Grande do Norte, is comprised of 34 concessions, of which 30 are 100% owned and operated by Potiguar E&P, two in a partnership with Sonangol Hidrocarbonetos Brasil Ltda, which began to be operated by Potiguar E&P from June 2021, and two with and operated by Mandacaru Energia Ltda.

On April 25, 2019 the subsidiary Potiguar signed a Purchase and Sale Agreement for the acquisition of the equity interest of Petrobras in a set of 34 onshore oil and natural gas production fields, called “Riacho da Forquilha Cluster”, located in the Portiguar Basin, in the state of Rio Grande do Norte. The acquisition was concluded on December 9, 2019, after the approval of the regulatory authorities. The adjusted acquisition value was of US$351,453, with the cash generation of the asset and other price adjustment conditions having been deducted as of January 1, 2019 (effective date of the transaction). The contract provides for the payment of a residual value of approximately US$56,000 after the approval of the renewal of the concessions by the ANP. The residual values payable were register as disclosed under Note 12 to the financial statements.

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, was established on January 12, 2021. On February 24, 2021 SPE Miranga signed a contract for the acquisition of the total equity interest held by Petrobras in nine onshore fields Apraius, Biriba, Fazenda Onça, Jacuipe, Miranga, Miranga Norte, Rio Pipiri, Riacho de São Pedro and Sussuarana , which forms the Miranga Cluster, in the Recôncavo Basin, state of Bahia. The acquisition was concluded on December 6, 2021.

The acquisition price was of US$220.1 million, out of which (i) US$11.0 million (R$6-.548) was paid on the signing date, February 24, 2021; (ii) US$44.0 million (R$247,918) paid on the closing date of the transaction, December 6, 2021; (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, as disclosed under Note 12 to the financial statements.

Considering the operations of the Company and its subsidiaries SPE Miranga, Recôncavo and Potiguar, up until December 31, 2021 being 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. Major measures and impacts resulting from the Covid-19 pandemic

The Group remains operating in accordance with the rules defined by the committee set up to manage the health crisis. The main objectives of the committee are to preserve the health of its employees and contractors, maintain the activities of the Company without impact to the operational safety or environment and, at the same time, assess the implications of the crisis on the business plan.

The Group reviewed its revenue and operating cash flow projections for 2022 and did not ascertain the need to recognize 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 projected revenue and operational cash flows may be reviewed in accordance to any new events related to the pandemic.

2. BASIS FOR PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

2.1. Compliance statement and approval of the financial statements

The individual and consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with the accounting practices adopted in Brazil. The accounting practices adopted in Brazil comprise those included under the Brazilian Corporate Law and considering pronouncements, guidance and interpretations issued by the Brazilian Accounting Pronouncements Committee (“CPC”), approved by the Federal Accounting Council (“CFC”) and by the Brazilian Securities and Exchange Commission (“CVM”).

All significant information that is inherent to the individual and consolidated financial statements, and only such information, is being disclosed and is consistent with that used by the Group in its Management in accordance with OCPC-07.

Management has, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Management approved the issue of the present individual and consolidated financial statements on May 31st, 2022.

2.2. Basis for preparation

The financial statements have been prepared based on historical cost, unless otherwise stated, as described in the accounting practices.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based compensation transactions that are within the scope of IFRS 2 (CPC 10(R1), leasing transactions that are within the scope of IFRS 16 (CPC 06 (R2)) – Leases and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 (CPC 16 (R1)) – Inventories or value in use in IAS 36 (CPC 01(R1)) – Impairment of Assets.

2.3. Basis of consolidation and investments in subsidiaries

The Company consolidates all of the investees over which it has control, that is, when it is exposed, or has rights, to variable returns from its involvement with the investee, when it has the power over the investee and when it has the ability to use its power to affect its returns.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with the Group’s accounting policies. All intragroup transactions, balances, income and expenses are fully eliminated in the consolidated financial statements.

In the individual financial statements of the Company the financial information of the subsidiaries are recognized using the equity method of accounting. The same adjustments are made in the financial statements of the parent company to present the same net equity and profit or loss for the year in the consolidated financial statements.

<u>Reconciliation of net equity and profit (loss) between the Company and Consolidated</u>

As at December 31, 2019 the Company was a lessee of 21 assets of the subsidiary Reconcavo 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 Reconcavo 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 profit or loss for the year of the parent company and consolidated. As at December 31, 2020 Reconcavo América sold its leased assets to the Company and to its subsidiary Potiguar, ending the differences between net income and net equity.

2.4. Functional currency and foreign current translation

Company Management defined the Brazilian 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 financial statements.

Transactions in foreign currencies are initially recognized at the rates of exchange prevailing on the dates of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are retranslated at the reporting date and exchange differences are recognized in profit or loss.

2.5. Statement of value-added (“DVA”).

The Statement of Value-Added aims at evidencing the wealth created by the Group and its distribution during a determined period and is presented as required by the Brazilian Corporate Law, as part of the individual financial statements, and as a supplementary information to the consolidated financial statements, once it is a statement that is not foreseen or mandatory under the IFRS. The DVA was prepared based on information obtained from the accounting records that serve as a basis in the preparation of the financial statements as provisioned for under CPC 09 – Statement of Value-Added.

2.6. Financial Instruments

Financial assets and financial liabilities are recognized in the Group’s balance sheet when the Group becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

All financial liabilities are measured subsequently at amortized cost using the effective interest method or fair value through profit or loss.

As at December 31, 2021 and 2020 the Company held financial instruments classified as at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss - (see Note 14 to the financial statements).

2.7. Summary of significant accounting policies.

The accounting practices of the Company are consistent with those adopted and disclosed in the previous year. For a better understanding of the recognition and measurement bases applied in the preparation of the financial statements, such practices are presented in the respective Notes to the financial statements dealing with the matters.

Impact of initial adoption of new and amended IFRS Standards that are effective for the current year

O The Group does not adopt accounting standards in advance. Early adoption, despite being encouraged by the IASB, is not permitted in Brazil by the CPC. The following standards were amended or proposed by the IASB:

Standard	Description
IFRS 17 (including the June 2020 Amendments)	Insurance Contracts
Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 (amendments)	Sale or Contribution of assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of liabilities as current or noncurrent
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, plant and equipment – proceeds before intended use
Amendments to IAS 37	Onerous Contracts – Cost of fulfilling a contract
Annual improvements to IFRS Standards 2018–2020	Amendments to IFRS 1 -, IFRS 9 –, IFRS 16 and IAS 41 -
Amendments to IAS 1 and IFRS Practice Statement	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred tax related to assets and liabilities

Management does not expect that the adoption of amendments to the existing standards listed above will have material impact on the financial statements of the Group in future periods.

2.8. Restatement of the financial statements previously presented

The issued information regarding basic and diluted net loss per share, referring to the year ended December 31, 2020 was restated, in conformity with CPC 23/IAS 8 – Changes in Accounting Estimates and Errors. The basic and diluted loss per share was adjusted on the Statements of Profit and loss and on note nº 16.5 to reflect, retroactively, the effect of the share split occurred on April, 1st 2021, detailed on note nº 16.1, on the proportion of 1:2, as determined on CPC41/IAS33 – IAS 33 — Earnings Per Share.

The following table demonstrates the basic and diluted loss per share previously presented and restated on the statements of profit and loss.

	Company	
	12/31/2020	
	Originally Presented	Restated
Basic Loss per share - R$	(0.9657)	(0.4829)
Diluted Loss per share - R$	(0.9589)	(0.4794)

The following table demonstrates the basic and diluted loss per share previously presented and restated on note nº 16.5:

	Company	
	12/31/2020	
	Originally Presented	Restated
Net Loss	(80,899)	(80,899)
Weighted average number of common and preferred shares used to calculate basic and diluted earnings per share	83,768,949	167,537,898
Basic earnings per common share – R$	(0.9657)	(0.4829)
Weighted average number of common shares and common stock options issued	84,367,746	168,735,492
Diluted earnings (loss) per common share – R$	(0.9589)	(0.4794)

The restatement did not modify the consolidated financial statements, as well, on the parent's balance sheet, the statement of comprehensive income, the statement of cash flows, or statement of value added.

3. USE OF ESTIMATES

In applying the Group's accounting policies, Management is required to make judgements and make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods affected.

Information on uncertainties related to assumptions and estimates that may have a significant risk of causing material adjustment to the carrying amounts within the next financial year are related, substantially, to the following aspects: determining the volume of reserves of the wells for the measurement of depletion; discount rates at present value used in the measurement of the provision for well abandonment; useful life of property, plant and equipment; impairment loss; deferred income tax and social contribution; fair value of shares registered in the share-based compensation plans; fair value of derivative financial instruments and provisions for tax, civil and labor contingency risks, which, despite reflecting judgement of the best possible estimate by Management of the Company and its subsidiaries, related to the probability of future events, could eventually present variations in relation to the actual data and values.

Critical assumptions and estimates for the financial statements are listed below:

a) Deferred income tax and social contribution

The Company and its subsidiaries recognize deferred assets and liabilities based on the differences between the carrying value presented in the financial statements and the tax base of the assets and liabilities using the rates that are expected to be applicable in the period in which the asset is realized or the liability is settled. The Company and its subsidiaries review on an ongoing basis the deferred taxes in terms of possibility of recovery, considering the historical profit generated or projected future taxable income, in accordance with a technical feasibility study.

b) Determination of the volume of reserves of the wells for the measurement of depletion

Annually, the Company and its subsidiaries review the total volume oil and natural gas reserves. Estimates are certified by the independent appraiser *Netherland Sewell & Associates Inc.* (“NSAI”).

In 2021 the Group reviewed its proven reserves, which began to consider the volumes foreseen to be produced beyond the contractual concession term. The Groups is presently in the process of renewing some of these oil and natural gas exploration concessions with the “ANP’ - Brazilian Oil Agency - ANP (*Agência de Petróleo, Gás Natural e Biocombustíveis*). The reserves of the Group consider the extension period of up to 27 years, or economic production limit of the fields, whichever the lesser.

The existence of the following factors indicates that the Group is apt for renewal of contractual rights to the concessions: (a) the history of extension of concessions by ANP (of other concessionaires); (b) it is expected that all of the required conditions to obtain the extension shall be fulfilled; and (c) there are not significant costs for the extension, when compared to future economic benefits expected to flow to the Company from such renewal.

Depletion is calculated using the unit-of-production method which consists, in a simplified manner, of the application of the rate corresponding to the ratio between the volume of oil and gas produced and the volume of reserves at the residual cost of each group of oil and natural gas production fields. This methodology is applied to the items “Oil and gas production rights” and “investment for increase in production and drilling of wells” (see Note 8 to the financial statements), that are depleted based on the proven reserve and, proven developed in production, respectively.

c) Provision for well abandonment

Representative expenses of well closing due to the conclusion of activities are registered at present value as provision for well abandonment. The obligations consist mainly of costs associated to the closing of activities, decommissioning and recovery of degraded areas.

The main assumptions for registering/updating provisions 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, adjusted by the 2021 credit risk of the Company, 12.73% p.a. (2020, 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. The review of estimates occurred in the year are the result of the revision of the useful lives and a reduction of the abandonment cost of each well.

In 2021, with the review of the Reserve Reports, the Group began to consider the provision for decommissioning of all of the wells and assets. In 2020 this provision was limited to the concession term and wells and installations that would be abandoned after the term were not included in the provision. The change in the estimate was prospective and offset by property, plant and equipment of the Group.

The calculations of the mentioned estimates are complex and involve significant judgement, considering that: (i) obligations will occur on the long-term; (ii) contracts and regulations have subjective descriptions of the decommissioning and restoration practices and of the criteria to be fulfilled at the time of the effective decommissioning and restorations; and iii) technologies and costs for decommissioning assets suffer constant alterations, as well as environmental and safety regulations.

Based on the foregoing, Company Management understands that the amounts provisioned are sufficient to cover expected well abandonment costs.

d) Impairment

Management annually reviews the carrying values of long-term assets, especially property, plant and equipment and intangible assets of finite useful life to be maintained and used in the operations of the Company, with the purpose of determining and assessing whenever events or changes in circumstances indicate that the carrying value of an asset or group of assets is impaired.

Analyses are performed to identify circumstance that could require impairment assessment of long-term assets and measurement of potential deterioration rate. Assets are grouped and assessed according to possible deterioration, based on future projected cash flows discounted from each cash generating unit(group of oil and natural gas production fields), during the estimated remaining useful lives of the assets, in accordance with new events or new circumstances. In this case, impairment loss is recognized based on the amount in which the carrying value exceeds the probable recovery value of a long-term asset.

The probable recovery value is determined as being the greatest value between: (a) estimated sales price of the assets less estimated sales costs and (b) value in use, determined by the expected present value of future cash flows of the asset or cash generating unit.

e) Fair value of derivative financial instruments

Derivatives are initially recognized at the fair value on the date on which the derivative contracts are signed and are subsequently remeasured at their fair value at the end of each reporting period. Information related to this matter is presented under Note 15 to the financial statements.

f) Fair value of shares registered in the share-based compensation plans

PetroRecôncavo awarded to employees in key positions in the Company deferred shares and share-purchase options. The fair value of the share-based compensation is determined and registered on the date they are awarded using the straight-line method as expense during the term in which the right is acquired (service provisioned) based on estimates by the Group in relation to the quantity of equity instruments that will eventually be acquired or issued.

4. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash and cash equivalents

Accounting practice

Cash and cash equivalents are represented by bank deposits and short-term investments with high liquidity, and original maturity of three months or less, readily convertible into known amounts of cash with insignificant risk of change in value.

	Company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Bank checking account	2,372	289	14,176	9,045
Short-term investments and Bank		11,374		21,816
Deposit Certificates (CDB)	169,916		202,983	
Total	172,288	11,663	217,159	30,861

Short-term investments and CDBs refer to fixed-income transaction (CDB – Bank Deposit Certificates and repo operations), indexed between 70.0% and 102.50% of the Interbank Deposit Certificate rates (CDI) (70% to 100% in 2020) maintained by top tier banks, as per Note 22.3 to the financial statements, having ratings of between Aa1 (BR) and Ba3, based on the Moody rating and to investment funds with yields equivalent to 99.32% of the CDI rate (03.12% of the CDI in 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.

The subsidiary Reconcavo America LLC has, as at December 31, 2021 the amount of R$9,181 (2020, R$7,900) in cash and cash equivalents, held in U.S. dollars. In 2021 this subsidiary recorded a loss in the amount of R$596 (2020, gain of R$199) relating to exchange variation of the balances held in foreign currency.

Short-term investments

<u>Accounting practice</u>

Short-term investments are initially measured at fair value and subsequently at amortized cost.

Amortized cost: cash flows that constitute the receiving, on specific dates, of principal and interest over the principal outstanding amount and the business model has the purpose of maintain the asset with the purpose of receiving its contractual cash flows. Interest income is calculated using the effective interest method.

	Company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Short-term investments	531,863	9,993	655,644	135,011
Total	531,863	9,993	655,644	135,011
Current	531,863	9,993	585,655	66,414
Noncurrent	-	-	69,989	68,597

The short-term investments of the Company refer mainly to investments in Exchange Funds. Management opted to invest part of the funds from its IPO 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 denominated in U.S. dollars

The Consolidated financial statements include mainly short-term investments of the subsidiary Potiguar, which must keep short-term investments of at least R$117,937 as loan collateral as at December 31, 2021. This amount, as well as the major part of the resources obtained by the Company from the IPO, will be applied in an Exchange Fund (Itaú Cambial FICFI), recognized in the line item 'short-term investments" and with a yield equivalent to 8.88% per year.

5. TRADE RECEIVABLES

<u>Accounting practice</u>

Trade receivables are classified under the category of amortized cost. These are registered at nominal values plus, when applicable, contractual charges and interest rates, the appropriation of such income and expenses is recognized in profit or loss for the period.

	Company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Petrobras S.A.	34,398	52,578	169,847	108,733
Total	34,398	52,578	169,847	108,733

As at December 31, 2021 and 2020 the Company and its subsidiaries had not past-due balances of September 30, 2021 and December 31, 2020, the Company and its subsidiaries had no past-due expected credit losses. 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.

6. RECOVERABLE TAXES

	Company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Withholding income tax (IRRF)	9,209	89	11,221	169
Corporate income tax (IRPJ)	7,927	9,166	9,565	11,146
Social contribution (CSLL)	-	2,322	1,191	3,212
Tax on revenue (PIS)	489	207	2,660	776
Tax on revenue (COFINS)	1,375	824	11,375	3,717
State VAT (ICMS)	112	-	17,149	2,678
Other	1,588	863	2,038	1,297
Total	20,700	13,471	55,199	22,995
Total current	20,221	13,457	41,825	22,433
Total noncurrent	479	14	13,374	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.

7. INVESTMENTS

Information on investees

Investees	Base-date	Common shares held (thousand)	Share in paid-in capital %	Share capital	Total assets	Total liabilities	Net equity	Gross revenue	Net profit (loss)
Recôncavo E&P S.A.	12/31/21	6,561	100	6,561	20,418	4,142	16,276	14,286	5,311
Reconcavo America LLC	12/31/21	n/a	100	9,242	26,931	-	26,931	-	29
Potiguar E&P S.A.	12/31/21	525,183	100	622,009	2,049,900	1,700,933	348,967	951,753	102,065
SPE Miranga S.A.	12/31/21	60,550	100	344,101	1,327,310	971,031	356,279	15,242	12,692
Recôncavo E&P S.A.	12/31/20	6,561	100	6,561	15,145	3,483	11,662	7,050	(1,220)
Reconcavo 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.	Reconcavo 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
Net equity	(1,220)	16,269	(93,549)	-	(78,500)
Cancelation of dividends (i)	-	-	2,644	-	2,644
Equity valuation adjustment	-	-	82,062	-	82,062
Balance as at December 31, 2020	11,662	26,904	521,437	-	560,003
Equity in investments	5,311	(8,309)	102,064	12,692	111,758
Cancelation of dividends (i)	304	-	-	-	304
Minimum mandatory dividends	(1,001)	-	-	(3,014)	(4,015)
Equity valuation adjustment	-	-	(385,361)	-	(385,361)
Advance for future capital increase (iv)	-	-	14,000	2,500	16,500
Capital increase (ii)	-	-	96,827	344,101	440,928
Balance as at December 31, 2021	16,276	18,595	348,967	356,279	740,117

(i) As mentioned under Note 10 to the 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.

(ii) Potiguar:

During the year ended December 31, 2021 there were 96,826,947 (ninety-six million, eight hundred and twenty-six thousand, nine hundred and forty-seven) common nominal shares without par value issued, at a subscription price of R$1 (one Brazilian real) per share. All of the shares were subscribed and paid-in by the Company in cash.

Miranga:

During the year ended December 31, 2021 there were 344,101,587 (three hundred and forty-four million, one hundred and one thousand, five hundred and eighty-seven) common nominal shares of the investee SPE Miranga issued at a subscription price of R$1.00 (one Brazilian real) per share. 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 year ended December 31, 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 share capital in the next general Shareholders' Meeting of the subsidiaries.

8. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Accounting practice

Property, plant and equipment

Buildings, construction in progress, furniture and fixtures, equipment are stated at cost, less any accumulated depreciation and impairment loss. Borrowing costs, when applicable, are capitalized. Constructions in progress are classified under the adequate categories of property plant and equipment when concluded and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use on the same basis as other property, plant and equipment. Land is stated at cost value and is not depreciated.

Expenses with exploration and development of oil and gas production are registered in accordance with the successful efforts method and include estimates of well abandonment costs that are registered considering the present value of such obligations for future payments (see Note 14 to the financial statements). This method determines that the costs for incrementing production and the drilling costs of exploratory wells that are successful, linked to economically feasible reserves, be capitalized, while costs with geology and geophysics, incurred before determining the economic feasibility of the reserve, must be considered as expenses for the period in which they were incurred; and costs with dry exploratory wells and those linked to non-commercial reserves must be registered under profit or loss when identified as such.

The 'Oil and gas production rights' and 'investments for increase in production and well drilling' line items depleted based on the method of units produced, described under Note 3 to the financial statements. Depreciation and amortization of other assets are recognized based on the estimated useful life of each asset using the straight-line method, in such a manner that the cost value les the residual value after its useful life is fully written-off (with the exception of land, constructions in progress). The estimated useful lives, residual values and depreciation methods are reviewed at each balance sheet date and the effect of any changes in the estimates is accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets (software) with finite useful lives that are acquired separately are carried at cost less accumulated amortization and impairment losses, when applicable.

Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives and the amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment losses

The Company and its subsidiaries analyze on an annual basis any indication of possible impairment loss of investment to increase production and well drilling, pursuant to the assumptions described under Note 3 to the financial statements. The recoverable values of the Cash Generating Units (CGU) were determined based on the calculation of the value in use, based on estimates. As at December 31, 2021 and 2020 , the Company did not identify any indication of impairment of its assets.

Change in property, plant and equipment

	Company								
	Balance 12/31/2019	Additions	Derecognition	Transfer	Balance 12/31/2020	Additions	Derecognition (v)	Transfer	Balance 12/31/2021
Cost				(a)				(a)	
Land	80	-	-	-	80	-	-	-	80
Property and constructions	7,799	8	(2)	-	7,805	85	-	1,275	9,165
Machinery and equipment	15,780	16,425	(47)	1,017	33,175	2,541	(111)	4,524	40,129
Furniture and fixtures	10,543	669	-	65	11,277	1,174	-	437	12,888
Vehicles	3,274	113	-	-	3,387	-	(434)	151	3,104
Computers and peripherals	2,103	128	(4)	126	2,353	414	-	133	2,900
Investment for increase in production and well drilling (i)	846,512	33,361	(3,613)	7,419	883,679	62,509	(28)	12,128	958,288
Oil and gas production rights (ii)	-	-	-	-	-	79,880	-	20,629	100,509
Advance for the acquisition of oil and gas production rights (vi)	-	20,629	-	-	20,629	-	-	(20,629)	-
Capital asset inventories (iii)	36,250	36,082	(36,628)	(3,911)	31,793	76,327	(52,243)	12,142	43,735
Advance for acquisition of fixed assets (v)	447	6,050	(979)	(3,530)	1,988	16,930	(37)	-	18,881
Property, plant and equipment in progress (iv)	65	3,765	(3)	(1,591)	2,236	15,507	(1,645)	(7,529)	8,569
Total	922,853	117,230	(41,276)	(405)	998,402	255,367	(54,498)	(1,023)	1,198,248
Depreciation, amortization and depletion.									
Property and constructions	(3,919)	(541)	-	-	(4,460)	(579)	-	-	(5,039)
Machinery and equipment	(9,117)	(886)	8	-	(9,995)	(4,109)	103	-	(14,001)
Furniture and fixtures	(6,086)	(733)	-	-	(6,819)	(856)	-	-	(7,675)
Vehicles	(1,677)	(293)	-	-	(1,970)	(271)	283	-	(1,958)
Computers and peripherals	(941)	(220)	-	-	(1,161)	(282)	-	-	(1,443)
Investment for increase in production and well drilling (i)	(514,323)	(73,582)	-	-	(587,905)	(62,701)	-	-	(650,606)
Oil and gas production rights (Amortization	-	-	-	-	-	(75)	-	-	(75)
Total	(536,063)	(76,255)	8	-	(612,310)	(68,873)	386	-	(680,797)
Intangible assets									
Software	6,664	1,989	(4)	-	8,679	1,604	-	1,023	11,276
Amortization									
Software	(3,319)	(727)	4	-	(4,042)	(895)	-	-	(4,937)
Total	3,345	1,262	-	-	4,607	709	-	1,023	6,339
Total									
Impairment									
Estimated asset impairment loss	(1,691)	-	1,691	-	-	-	-	-	-
Total	(1,691)		1,691	-	-	-	-	-	-
Net balance	388,444	42,237	(39,577)	(405)	390,699	187,203	(54,112)	-	523,790

	Consolidated								
	Balance 31/12/2019	Additions	Derecognition	Transfer	Balance 12/31/2020	Addition	Derecognition (vii)	Transfer	Balance 12/31/2021
Cost				(a)				(a)	
Land	105	-	-	-	105	-	-	-	105
Property and constructions	12,808	315	(2)	-	13,121	953	-	1,275	15,349
Machinery and equipment	49,135	22,982	(27,822)	(792)	43,503	7,862	(11,089)	4,524	44,800
Furniture and fixtures	11,042	2,098	(100)	65	13,105	5,456	-	1,182	19,743
Vehicles	3,274	262	-	-	3,536	680	(434)	151	3,933
Computers and peripherals	2,218	720	(4)	126	3,060	2,020	-	(613)	4,467
Investment for increase in production and well drilling (i)	882,562	72,843	(4,012)	22,907	974,300	199,121	(279)	29,658	1,202,800
Oil and gas production rights (ii)	1,237,215	-	-	-	1,237,215	1,580,644	-	81,176	2,899,035
Advance for the acquisition of oil and gas production rights (vi)	-	20,628	-	-	20,628	60,548	-	(81,176)	-
Capital asset inventories (iii)	45,320	92,229	(68,531)	(13,605)	55,413	226,671	(122,879)	(29,672)	129,533
Advance for acquisition of fixed assets (v)	749	13,646	(979)	(7,730)	5,686	21,891	(325)	-	27,252
Property, plant and equipment in progress (iv)	1,705	6,897	(29)	(1,591)	6,982	24,640	(10,180)	(7,529)	13,913
Total	2,246,133	232,620	(101,479)	(620)	2,376,654	2,130,486	(145,186)	(1,024)	4,360,930
Depreciation, amortization and depletion									
Property and constructions	(5,400)	(705)	-	-	(6,105)	(742)	-	-	(6,847)
Machinery and equipment	(29,089)	(2,486)	19,442	-	(12,133)	(2,886)	502	-	(14,517)
Furniture and fixtures	(6,125)	(803)	-	-	(6,928)	(1,095)	-	-	(8,023)
Vehicles	(1,677)	(293)	-	-	(1,970)	(270)	283	-	(1,957)
Computers and peripherals	(3,351)	(816)	4	-	(4,164)	(1,004)	-	-	(5,168)
Investment for increase in production and well drilling	(526,470)	(86,782)	-	(10)	(613,262)	(92,993)	-	-	(706,255)
Oil and gas production rights	(9,202)	(126,485)	-	506	(135,181)	(132,560)	-	-	(267,741)
Total	(581,314)	(218,370)	19,446	496	(779,743)	(231,550)	785	-	(1,010,508)
Intangible assets									
Software	7,450	2,091	(346)	-	9,195	1,789	-	1,024	12,008
Amortization									
Software	(944)	(241)	-	-	(1,185)	(380)	-	-	(1,565)
Total	6,506	1,850	(346)	-	8,010	1,409	-	1,024	10,443
Impairment									
Estimated asset impairment loss	(1,691)	-	1,691	-	-	-	-	-	-
Total	(1,691)	-	1,691	-	-	-	-	-	-
Net balance	1,669,634	16,100	(80,688)	(124)	1,604,921	1,900,345	(144,401)	-	3,360,865

(a) Part of the balance was transferred because it referred to financial leases, transferred to right of use under leasing.

(i) The “investment for increase in production” corresponds to motors, transformers, equipment or sundry expenses used in wells or surface facilities with the aim of increasing production or recoverable reserves. Well drilling refers to the capitalization of expenses incurred in drilling new wells in fields with proven commerciality. The depreciation of these assets and the depletion of expenses are calculated using the present production percentage in relation to proven reserves developed in the production of each field. Total reserve assessment as at December 31, 2021 was performed by an independent *Netherland Sewell & Associates, Inc.*

(ii) The “oil and gas production right” represents the acquisition cost of concessions for the exploration of oil and natural gas fields.

a) PetroRecôncavo –Remanso Cluster

On December 23, 2020, the Company entered into an agreement to acquire the total equity interests held by Petrobras in the twelve onshore fields that are the subject matter of the “incremental production contract”, 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 less the cash generation of the asset, since July 2020 up until the transaction closing date, which totaled US$7.6 million, equivalent to R$41.5 million, paid on December 22, 2021, the transaction closing date; and (iii) US$5.0 million payable in twelve months after the deal is closed and registered under current liabilities of the Company (see Note 12 to the financial statements). The residual value payable was registered in the asset in the amount of R$28,455. The total value registered in relation to the acquisition of this asset was of R$100,509.

b) Recôncavo –Remanso Cluster

The onshore blocks BT-REC-10 and BT-REC-14 were acquired through the 4th, 6th and 9th ANP bidding rounds. The cost value of this asset is of R$1,248.

c) Potiguar –Potiguar Cluster

On April 25, 2019 the subsidiary Potiguar signed and Purchase and Sale Agreement for the acquisition of the equity interest of Petrobras in a set of 34 onshore oil and natural gas production fields, called “Riacho da Forquilha Cluster”, located in the Portiguar Basin, in the state of Rio Grande do Norte. Upon the closing of the transaction, the group registered the amount of R$1,235,967 as long-term asset. In 2021, the Group registered the amount of R$313,805 related to the remaining portion payable to Petrobras, see Note 12 to the financial statements. The total recognized value of the asset is of R$1,549,772.

d) SPE Miranga –Miranga Cluster

On February 24, 2021 SPE Miranga signed a contract for the acquisition of the total equity interest held by Petrobras in nine onshore fields Apraius, Biriba, Fazenda Onça, Jacuipe, Miranga, Miranga Norte, Rio Pipiri, Riacho de São Pedro ãnd Sussuarana , which forms the Miranga Cluster, in the Recôncavo Basin, state of Bahia. The acquisition was concluded on December 6, 2021.

The recognized amount of the asset was of R$1,247,506, of which: (i) R$60,548 (US$11.0 million was paid on the signing date; (ii) R$247,919 (US$44.0 million) paid on the closing of the transaction, December 6, 2021; (iii) R$939,039 refer to the portions payable, as described under Note 12 to the 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 for increase in production'

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

(v) Derecognition of amounts recognized in the item "capital asset inventories" represents, mainly, motors, production equipment and sundry materials used in repair and maintenance activities and recognized in the cost of services rendered and products sold.

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

Accounting practice

Suppliers are classified under the category of amortized cost. These are registered at nominal values plus, when applicable, contractual charges and interest, and the appropriation of the resulting income and expenses is recognized in profit and loss for the period. The amounts in foreign currency are translated to the Brazilian real at the rate on the reporting date.

	Company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
In local currency	32,464	31,107	88,206	73,681
In foreign currency	4,217	1,702	10,194	5,030
Related parties (Note 17)	21,519	16,213	308	1,378
Total	58,200	49,022	98,708	80,089

10. LOANS AND FINANCING

Accounting practice

Loans and financing are classified under the category of amortized cost. These are recorded at their nominal values plus contractual charges and interest, and the appropriation of the resulting income and expenses is recognized in profit and loss for the period. The amounts in foreign currency are translated to the Brazilian real at the rate on the reporting date.

Borrowings	Company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
FINEP	1,648	2,734	1,647	2,733
Bank loans	-	-	762,081	926,501
Costs to amortize	(137)	-	(22,437)	(35,194)
Total	1,511	2,734	741,291	894,040
Total current	1,211	1,355	281,762	212,931
Total noncurrent	302	1,379	459,529	681,109

	Company	Consolidated
Balance as at December 31, 2019	4,263	744,019
Payments of principal	(1,522)	(104,585)
Interest paid	(308)	(67,929)
Interest provisioned	301	72,881
Amortization of acquisition cost	-	16,848
Exchange variation	-	232,806
Balance as at December 31, 2020	2,734	894,040
Additions	60,479	60,479
Payments of principal	(59,145)	(283,210)
Interest paid	(1,194)	(58,399)
Interest provisioned	1,250	55,574
Amortization of acquisition cost	97	12,991
Exchange variation	(2,703)	59,816
Balance as at December 31, 2021	1,511	741,291

	Company		Consolidated	
	R$	US$	R$	US$
Analysis of borrowings per currency:				
December 31, 2020				
FINEP	2,374	-	2,374	-
Bank loans	-	-	-	171,514
December 31, 2021				
FINEP	1,512	-	1,512	-
Bank loans	-	-	-	132,541

The maturities of noncurrent loans are presented below:

	Company	Consolidated
2023	300	303,461
2024	-	156,068
Total	300	459,529

In the year ended December 31, 2016, the Company obtained a financing facility from Financiadora de Estudos e Projetos ('Finep'). There were no alterations to the financing conditions disclosed in the financial statements as at December 31, 2020.

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, Jacuipe, 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$11,000,000.0, the payments of which occurred between the months of June and October 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.

As collateral for the loan, as at December 31, 2021 Potiguar must maintain short-term investments as collateral for the loan with a carrying amount of at least R$117,937, 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 December 31, 2021 the subsidiary had the required balance and was adhering to the contractual rules. The loan will be paid in quarterly installments up until April 2024.

As part of the anticipated maturity clauses, the contract provisions for the maintenance of hedging contracts to protect the net volumes presented in the reserve report, 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, at least 60% of its 1P reserves, limited to 75% of its 1P reserves.

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

Additionally, the contract establishes conditions for dividend distribution, mainly:

- Distribution of dividends only after the grace period, which expired on July 25, 2020. Non-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.

- 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, 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, 2021, 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 year ended December 31, 2021 and 2020, the Group complied with the applicable covenants.

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

11. INCOME TAX AND SOCIAL CONTRIBUTION

Accounting practice

Income tax and social contribution:

The provision for income tax and social contribution is based on the taxable income for the reporting period. Taxable income differs from the profit presented in the statement of profit and loss, once it excludes taxable or deductible income or expenses in other reporting periods, as well as including non-taxable or non-deductible items in a permanent manner. The provision for income tax and social contribution is calculated individually by each company based on the rates prevailing at the end of the reporting period.

Provisions for income tax and social contribution were registered at the rate of 15% (fifteen percent), plus a surtax of 10% (ten percent) and 9% (nine percent), respectively, on the accounting profit adjusted by additions and exclusions admitted by the tax legislation, less the reduction incentives mentioned below.

Tax incentive:

Government subventions are not recognized until there is reasonable assurance that the Company will comply with the related conditions and that the subventions will be received.

The government subventions are systematically recognized under profit or loss during the periods in which the Company and its subsidiaries recognize as expenses the corresponding costs that the subventions intend to offset.

At the end of each reporting period the portion corresponding to the incentive in the year, which is not included in the calculation base of dividends, is transferred to the profit account of the year for profit reserve – tax incentives. This reserve may only be used for capital increase or to absorb losses, always when the Company fulfills all of its tax obligations.

Company

The Company benefits from 75% (seventy-five percent) tax incentive on income tax payable over profit or loss of its operations, limited to the oil production capacity of 369,984 m^3/year and natural gas production capacity of 37,594,224 m^3/year, up until the year 2028.

Subsidiaries

The subsidiary Recôncavo benefits from a 75% (seventy-five percent) tax incentive on income tax payable over profit or loss of its operations, limited to the oil production capacity of 96,000 barrels/year, up until the year 2024.

The subsidiary Potiguar benefits from a 75% (seventy-five percent) tax incentive on income tax payable over profit or loss of its operations, limited to the oil production capacity of 635,772 m^3/year and natural gas production capacity of 157,678,680 m^3/year, up until the year 2029.

Deferred income tax and social contribution:

Deferred income tax and social contribution (“deferred taxes”) are recognized over temporary differences at the end of each reporting period between the balance of assets and liabilities recognized in the financial statements and the corresponding tax bases used in the calculation of the taxable income, including the balance of tax losses, when applicable. Deferred tax liabilities are generally recognized over all taxable temporary differences and the deferred tax assets are recognized over all deductible temporary differences, only when it is probable that the Company will present future taxable income in sufficient amounts for the use of such deductible temporary differences.

Deferred tax assets and liabilities are recognized over taxable temporary differences associated to investments in subsidiaries, except when the Company and its subsidiaries are capable of controlling the reversal of the temporary differences and when it is probable that such reversal shall not occur in a foreseeable future. These are classified as noncurrent, independently of the perspective of realization of the balances.

The recovery of the balance of deferred taxes is reviewed at the end of each reporting period and, when it is no longer probable that future taxable income will be available to permit the complete recovery of the asset, or part of the asset, the balance of the asset is adjusted by the amount expected to be recovered.

Deferred taxes and liabilities are measured at the rates applicable in the year in which it is expected that the liability shall be settled or the asset realized, based on the rates provisioned in the tax legislation prevailing at the end of each reporting period, or when a new legislation is substantially approved.

The income tax and social contribution amounts affecting profit and loss for the reporting period are demonstrated below:

	Company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Net income before income tax and social contribution	207,069	(69,802)	233,617	(117,637)
Combined income tax and social contribution tax rate	34%	34%	34%	34%
Income tax and social contribution at rates according to the legislation	(70,403)	23,733	(79,430)	39,997
Equity in investments (a)	37,998	(32,221)	-	-
Other	(3,562)	(2,608)	(4,808)	(4,119)
Reduction – tax incentive	5,797	-	27,520	-
Income tax and social contribution	(30,170)	(11,096)	(56,718)	35,878

(a) According to Law 12973 of May 13, 2014 as of January 1, 2020 the profit of the subsidiary Reconcavo America began to be calculated in the determination of the taxable income and calculation base of the CSLL of the Company.

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

	Company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Assets				
Provision for well abandonment	4,052	3,711	6,217	5,243
Derivative financial instruments	-	-	157,992	-
Tax loss/tax loss carryforward (b)	13,267	-	46,088	39,220
Deferred tax on provisions and other	8,153	4,812	17,880	5,575
Total	25,472	8,523	228,177	50,038
Liabilities				
CPC adoption (property, plant and equipment) (a)	4,780	6,041	4,890	6,414
Derivative financial instruments	-	-	-	40,527
Unrealized foreign exchange variation	-	-	6,018	27
Total	4,780	6,041	10,908	46,968
Total deferred income tax and social contribution	20,692	2,482	217,269	3,070
Total deferred income tax and social contribution assets	21,090	2,482	222,941	3,070
Total deferred income tax and social contribution liabilities	-	-	5,672	-

(a) Refers to temporary differences between the accounting and tax bases, due to the IFRS adjustments of the financial statements of the Company.

(b) The Company and Potiguar assessed, in 2022, the income tax and social contribution on a quarterly basis. In the second quarter of 2022, the assessment of the Company resulted in a tax loss that was registered as deferred tax asset and was offset, within the limits of the law, in the subsequent quarters. In the consolidated financial statements, the balance refers basically to the tax loss and tax loss carryforward of Potiguar in 2021.

Management considers that the tax assets resulting from temporary provisions will be realized in the proportion in which the derivative contracts mature, 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
2022	8,614	137,838
2023	5,179	60,826
2024	2,927	18,606
2025	12	18
2026 onward	8,740	10,887
	25,472	228,177

12. AMOUNTS PAYABLE FOR ACQUISITIONS

Accounting practice

The amounts recognized under this item are registered at amortized cost or at fair value through profit or loss.

The amounts classified as amortized cost are registered at their nominal value plus contractual charges and interest rate, and the allocation of income and expenses is recognized in profit or loss for the period. All the amounts are payable in U.S. dollars and are translated to the Brazilian Real at the exchange rate of the reporting date.

The amounts classified as at fair value through profit or loss were measured based on the contractual values that define price ranges in accordance with the average Brent rate of the year of payment. The Group used the Brent Futures Curve to estimate the contractual values to be provisioned. On the reporting date the average Brent price for the years 2022, 2023 and 2024 would result in the complete payment of the contingent liability and, accordingly, the whole amount was provisioned. The Group reviews these estimates on a quarterly basis and any difference is recognized against profit or loss for the period.

	Company	Consolidated
	12/31/2021	12/31/2021
Current		
Polo Remanso		
Amortized cost	27,903	27,903
Polo Potiguar		
Amortized cost	-	313,805
Polo Miranga		
Amortized cost	-	111,610
Total current	27,903	453,318
Noncurrent		
Polo Miranga		
Amortized cost	-	335,388
Fair value through profit or loss	-	474,343
Total noncurrent	-	809,731
Total	27,903	1,263,049

Remanso Cluster

As described under Note 1 to the financial statements, on December 23, 2020 the Company signed a contract for the acquisition of the total participation of Petrobras in the 12 onshore fields, object of the “incremental production contract”, grouped in another set called the Remanso Cluster. The amount payable in this transaction is of US$ 5 million payable in December 2022. The amount will be adjusted using an annual interest rate (Libor plus 3%).

Potiguar Cluster

On April 25, 2019 the subsidiary Portiguar signed a purchase and sale agreement for the acquisition of the participation of Petrobras in a set of 34 onshore oil and natural gas production fields, called the “Riacho da Forquilha Cluster”, in the state of Rio Grande do Norte. The acquisition was concluded on December 9, 2019, after approval by the regulatory authorities.

The subsidiary will pay to Petrobras the remaining balance corresponding to 16% of the adjusted acquisition value, or, approximately US$56,000, conditioned to the extension of the concessions of eleven of the 34 fields acquired, as demonstrated 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 the extension of the concessions involves the presentation to ANP of Development Plans demonstrating an investment plan and feasible production beyond the present contractual period. On March 5, 2020, Potiguar presented to ANP the Development Plans for the eleven fields listed above. The assessment process of the extensions is managed by the ANP's Superintendence of Development and Production, which judges the development strategy presented, the physical-financial schedule of the production development projects, the increase in productive capacity of the installations, financial provisions for decommissioning and abandonment of the installations, among other matters.

As described under Note 3 to the financial statements, Management understands that the extensions shall be approved and, accordingly, registered in the year 2021 the amount of R$ 313,805 under current liabilities. This amounts refers to the total value of this portion. The Purchase and Sale contract for the acquisition signed with Petrobras does not provision for any adjustment to this amount.

<u>Miranga Cluster</u>

On February 24, 2021 SPE Miranga signed a contract for the acquisition of the total equity interest held by Petrobras in nine onshore fields, which forms the Miranga Cluster, in the Recôncavo Basin, state of Bahia. The acquisition was concluded on December 6, 2021.

The amounts payable for the acquisition were measured at amortized cost and at fair value through profit or loss:

Amortized cost:

(i) US$20.0 million payable in twelve months after the closing of the transaction;

(ii) US$20.0 million payable within 24 months after the closing of the transaction;

(iii) US$40.1 million, payable in 36 months after the closing of the transaction.

These amounts are adjusted at a fixed interest rate of 1.5% p.a.

Fair value through profit or loss:

As part of the contract, the subsidiary Miranga could pay up to US$ 85 million in contingent payments provisioned for in the contract. These are pegged to the average Brent price in the calendar years 2022, 2023 e 2024. As at December 31, 2021 the Subsidiary had registered the maximum liability possible.

These amounts are adjusted at a fixed interest rate of 1.5% p.a.

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

Accounting practice

Provisions are recognized for present obligations as a result of past events, and a reliable estimate can be made of the amount of the obligation and settlement is.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

13.1. Probable losses – labor and tax claims

Based on the individual analysis of the claims filed against the Company and its subsidiaries and supported by the opinion of its internal and external legal advisors, provisions were registered under noncurrent liabilities, for risks with losses considered as probable, as demonstrated below:

	Company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Labor claims	2,416	3,594	2,416	3,594
Tax claims	1,027	1,371	1,027	1,371
Total	3,443	4,965	3,443	4,965

Changes in provisions

	Company	Consolidated
Balance as at December 31, 2019	2,777	2,777
Registered provisions	2,604	2,604
Reversed provisions	(416)	(416)
Balance as at December 31, 2020	4,965	4,965
Payments made	(1,522)	(1,522)
Balance as at December 31, 2021	3,443	3,443

The Company is a party to 37 labor claims (48 as at December 31, 2020), of which 17 (21 as at December 31, 2020) are classified as of probable loss. Most of these labor claims are related to outsourced companies, where PetroRecôncavo appears as a jointly and severally liable party in the process.

13.2. Possible losses – labor, civil and social security claims

The Company had, as at December 31, 2021 and 2020 litigations with possible loss, based on the opinion of Management and its legal consultants, as demonstrated below:

	Company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Tax claims	24,792	25,608	26,469	25,608
Labor claims	764	1,041	764	1,041
Regulatory claims	500	-	869	-
Civil claims	365	1,365	365	1,375
Total	26,421	28,014	28,467	28,024

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.

14. PROVISION FOR WELL ABANDONMENT

Accounting practice

Represents estimated future expenses related to the legal obligation of recovering the environment, decommissioning and concluding the activities.

Whenever there is a legal obligation and its value can be reliably estimated, expenses with well abandonment are recognized as part of the asset that gave origin to its present value, obtained by means of a discount rate adjusted to the risk, offset by a liability provision.

	Company	Consolidated
Balance as at December 31, 2019	10,582	29,982
Adjustment	1,740	5,480
Recognized provision	-	6,624
Estimate review	(1,408)	(1,975)
Balance as at December 31, 2020	10,914	40,111
Recognized provision	23,667	44,480
Adjustment	1,339	6,563
Reversal	-	(6,040)
Balance as at December 31, 2021	35,920	85,114
Total current liabilities	-	419
Total noncurrent liabilities	35,920	84,695

15. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting practice

The Group enters into derivative financial instruments to manage its exposure to commodity price variations (hedge). Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

The method for recognizing resulting gain or loss depends on whether the derivative is designated or not as a hedge instrument, in the case of adopting hedge accounting.

The Group designates derivatives as hedge instruments when related to highly probable future operations (cash flow hedge) and documents, at the beginning of the operation, the relation between the hedge instruments and the hedged items, both at the beginning of the hedge, as well as on a continued basis, if the derivatives that are used in the hedge transactions are highly efficient in offsetting the cash flow variations of the hedged items.

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized as “adjustment to equity valuation of a subsidiary” (under other comprehensive income) in net equity, discounting deferred taxes. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Values accumulated in equity are reclassified to profit or loss when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The total fair value of the hedge derivative instruments is classified as noncurrent asset or liability when the remaining maturity of the protected hedge item is superior to 12 months.

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.

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

	Consolidated	
	12/31/2021	12/31/2020
Derivative financial assets		
Commodity forward contracts – current asset	-	80,506
Commodity forward contracts – noncurrent assets	-	56,576
Total	-	137,082

Derivative financial liabilities		
Commodity forward contracts – current liabilities	(231,125)	-
Commodity forward contracts – noncurrent liabilities	(233,559)	(17,886)
Total	(464,684)	(17,886)
Net commodity forward contracts	(464,684)	(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	196,994
Settlement of derivative contracts	(43,025)	(196,994)
Fair value of unrealized financial instruments	-	124,336
Balance as at December 31, 2020	-	119,196
Fair value of financial instruments before settlement	-	(126,780)
Settlement of derivative contracts	-	126,780
Fair value of unrealized financial instruments	-	(583,880)
Balance as at December 31, 2021	-	(464,684)

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.

16. NET EQUITY

16.1. Share capital

As at December 31, 2021 the subscribed and paid-in capital is of R$1,863,916 (R$ 674.941 as at December 31, 2020), represented by 248,517,120 (two hundred and forty-eight million, five hundred and seventeen thousand, one hundred and twenty) 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 outsourced 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 December 31, 2021 the share capital, net of the costs for issuing the shares, amount to R$1,813,936.

As at December 31, 2021 the shares were distributed as follows:

Shareholders	12/31/2021 Common	12/31/2021 Preferred	12/31/2020 Common	12/31/2020 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	12,539,404	-	6,261,652	-
Other shareholders	74,761,806	-	3,093,154	949,005
Total	248,517,120	-	82,962,761	949,005
Treasury shares	(143,009)	-	-	-
Total net of treasury shares	248,374,111	-	82,962,761	949,005

In 2021, the Company bought back a total of 327,822 common shares and awarded or sold 184,813 common shares to Company executives as part of the share-based compensation plan.

As at December 31, 2021, the Company held 143,009 treasury shares at the average price of R$ 15.03, totaling R$2,292.

Changes in share capital

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.

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 into 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.

On October 21, 2021 in a meeting of the Executive Committee, the capital increase of the Company was deliberated, from R$1,863,093,962.37 (one billion, eight hundred and sixty-three million, ninety-tree thousand, nine hundred and sixty-two Brazilian reais and thirty-seven cents), represented into 248,428,532 (two hundred and forty-eight million, four hundred and twenty-eight thousand, five hundred and thirty-two) non-par, book-entry common shares, to R$ 1,863,551,482.01 (one billion, eight hundred and sixty-three million, five hundred and fifty-one thousand, four hundred and eighty-two Brazilian reais and two cents), represented into 248,482,668 (two hundred and forty-eight million, four hundred and eighty-two thousand, six hundred and sixty eight) non-par, book-entry common shares.

This increase occurred due to the share call option, 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: (i) 19,136 (nineteen thousand, one hundred and thirty-six) new non-par, book-entry common shares, at an issue price of R$10.365 per share, fixed in accordance with the Company's First Stock-option Program; and (ii) 35,000 (thirty-five thousand) new non-par, book-entry common shares, at an issue price of R$7.405 per share, fixed in accordance with the Company's Third Stock-option Program.

On December 15, 2021 in a meeting of the Executive Committee, the capital increase of the Company was deliberated, from R$ 1,863,551,482.01 (one billion, eight hundred and sixty-three million, five hundred and fifty-one thousand, four hundred and eighty-two Brazilian reais and two cents), represented into 248,482,532 (two hundred and forty-eight million, four hundred and eighty-two thousand, five hundred and thirty-two) non- par, registered, book-entry common shares, into R$1,863,916,056.99 (one billion, eight hundred and sixty-three million, nine hundred and sixteen thousand, fifty six Brazilian reais and ninety-nine cents), represented into 248,517,120 (two hundred and forty-eight million, five hundred and seventeen thousand, one hundred and twenty) non-par, registered, book-entry common shares.

As a result of the share purchase option plan, 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: (i) 12,452 (twelve thousand four hundred and fifty-two) new non-par, registered, book-entry common shares, at an issue price of R$ 10.365 per share, stipulated in accordance with the First; and (ii) 22,000 (twenty-two thousand) new non-par, registered, book-entry common shares, at the issue price of R$10.705 per share, fixed in accordance with the Second Share Purchase Option Program of the Company.

Durante the year ended December 31, 2020, the Company issued 271,320 (two hundred and seventy-one thousand, three hundred and twenty) new non-par, book-entry common shares, at an issue price of R$13.560498, totaling R$3.379 and 142,916 (one hundred and forty-two thousand nine hundred and sixteen) new preferred shares, without voting right, at the issue price of $13.767723 totaling R$1,967. The new shares issued in this act were subscribed and paid in by Management and key employees of the Company and fully registered as expenses related to the share-based compensation, within 2020, in the share-based compensation accounts. The total effect in the year ended December 31, 2020, net of amounts paid-in by executives as part of the program, refers to part to be registered as Advance for future capital increase, in the amount of R$304 and the total paid-in by the executives was of R$5,646.

The Company acquired, during the year 2020, 11,869 preferred shares, at an average price of R$11.85, exercising its preference right in the case of dismissal of shareholding employees of the Company, as provisioned for in the share subscription contract. The shares were acquired at their estimated fair values, which was calculated using the market multiples method of comparable companies. All of the shares were cancelled by the Company at the time of repurchase.

16.2. Capital reserve and profit 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 (see Note 11 to the financial statements).

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.

16.3. 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 profit that exceeds the amount of the share capital.

In 2021, the Company registered reinvestment reserve in the amount of R$ 121,615.

16.4. 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.

In 2021, the Company registered legal reserve in the amount of R$ 8,845.

16.5. Earnings (loss) per share

The basic calculation of earnings per share is performed through the division of the net profit of the period attributable to the holders of common and preferred shares of the Company, by the weighted average quantity of outstanding shares during the period.

Diluted earnings per share is calculated through the division of the net profit of the period attributable to the holders of common and preferred shares of the Company by the weighted average quantity of outstanding common and preferred shares in the year, plus the weighted average of common shares to be issued in the assumption of the call option of the shares.

	Company	
	2021	2020
		(Restated)
Net profit (loss)	176,899	(80,899)
Weighted average number of common and preferred shares used to calculate basic and diluted earnings per share	220,361,969	167,537,898
Basic earnings per common share – R$	0.8028	(0.4829)
Weighted average number of common shares and common stock options issued	221,500,920	168,735,492
Diluted earnings (loss) per common share – R$	0.7986	(0.4794)

To reflect the share split occurred on April 1st, 2021, as detailed on note nº 16.1, we adjusted 2020's denominator of the profit (loss) per share calculation to reflect effect of the share split.

16.6. Proposed minimum 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 reserves, tax incentives and contingency reserves, if any.

	2021	2020
Net profit (loss)	176,899	(80,899)
Legal reserve	(8,845)	-
Tax incentive reserve	(5,797)	-
Calculation basis	162,257	-
Percentage	25%	25%
Minimum mandatory dividends	40,564	-

Balance as at December 31, 2019	12,896
Minimum mandatory dividends cancelled	(12,894)
Balance as at December 31, 2020	2
Proposed minimum mandatory dividends	40,564
Balance as at December 31, 2021	40,566

16.7. 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 December 31, 2021 the following stock option agreements were in effect:

Stock option series	Quantity	Grant date	Validity date	Fair value on grant date R$	Vesting recognized
Extraordinary bonus – 2nd installment	201,462	06/25/2021	06/25/2022	19.59	1,888
Extraordinary bonus – 3rd installment	201,462	06/25/2021	06/25/2023	19.59	901
Extraordinary bonus – 4th installment	201,462	06/25/2021	25/06/2024	19.59	572
Benefit annual goals – 2020	231,488	06/25/2021	25/06/2024	19.59	657
Total	835,874				4,018

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

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$ 1,725, net of taxes, related to such matching as expenses in the year.

c) Stock options

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 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	10/09/2023	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	05/13/2016	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 now 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 year ended December 31, 2021 there were 140,000 shares exercised related to the options issued on May 13, 2016, 31,588 shares related to the option issued on October 10, 2013 and 22,000 shares relating to the options issued on August 20, 2014, all after the stock split. The Company received R$ 1,600 with reference to the stock options exercised.

16.8. Equity valuation adjustment

In the year ended December 31, 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$385,361 (R$82,062 as at December 31, 2020).

17. RELATED PARTIES

	Company		Consolidated	
	2021	2020	2021	2020
Balance				
Other receivables:				
Recôncavo E&P	386	256	-	-
Perbras	5	-	5	-
Potiguar (e)	6,534	2,847	-	-
Total	6,925	3,103	5	-

	Company		Consolidated	
	2021	2020	2021	2020
Dividends receivable:				
Dividends Recôncavo E&P	1,020	304	-	-
Dividends Miranga	1,651	-	-	-
Total dividends receivable	2,671	304	-	-
Related parties:				
Loan agreement – Potiguar E&P (d)	-	15,983	-	-
Other credits – Potiguar (e)	-	4,477	-	-
Total related parties	-	20,460	-	-

	Company		Consolidated	
	2021	2020	2021	2020
Suppliers				
PERBRAS – Empresa Brasileira de Perfurações Ltda	47	527	308	1,126
Recôncavo E&P	1,588	-	-	-
Recôncavo América (a)	14,566	15,229	-	-
Potiguar	5,318	205	-	-
PetroSantander USA	-	252	-	252
Total	21,519	16,213	308	1,378

	Company		Consolidated	
	2021	2020	2021	2020
Transactions:				
Revenue				
PEBRAS – Empresa Brasileira de Perfurações Ltda. (b).	-	6	-	6
Recôncavo E&P (e)	2,577	825	-	-
Potiguar (e)	22,317	-	-	-
Miranga (e)	983	-	-	-
Cost of services/materials:				
Recôncavo América LLC (f)	-	(6,256)	-	-
Recôncavo E&P	(303)	-	-	-
PERBRAS – Empresa Brasileira de Perfurações Ltda. (b).	(3,460)	(3,648)	(7,428)	(6,043)
PetroSantander Management Inc. (c)	-	-	-	-
PetroSantander Holdings GMBH (g)	-	(261)	-	(261)
PetroSantander Colombia (g)	-	(441)	-	(441)
Potiguar (e)	(10,072)	-	-	-
Apportionment (g)	7,361	1,141	-	-
General and administrative expenses:				
PetroSantander Holdings GMBH (c)	(80)	(297)	(139)	(297)
PetroSantander Management Inc. (c)	(2,293)	(573)	(2,293)	(573)
Total	17,029	(9,504)	(9,860)	(7,609)

(a) Refers to the amount due by PetroRecôncavo to Recôncavo America for 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 financial charges.

(d) Refers to loan agreements with subsidiary Potiguar for working capital, bearing interest equivalent to the SELIC (Central Bank's policy) rate. During 2021 the Company paid in these amounts as capital increase of its investee.

(e) Refers to the sale of materials and provision of services between companies of the Group.

(f) Refers to operating leases of rigs and other equipment. 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. No interest incurs over these values.

Key-management compensation

	Company		Consolidated	
	12/31/2021	31/12/2020	12/31/2021	12/31/2020
Short-term benefits – Board of Directors (a)	4,336	3,532	4,362	3,557
Short-term benefits – Executive Committee (a)	2,462	360	2,462	360
Other benefits (b)	253	163	253	163
Profit sharing	3,141	1,894	2,299	1,894
Performance bonus (c)	2,868	1,510	2,868	2,373
Share-based compensation (d)	5,502	3,776	5,502	3,776
Total	18,562	11,235	17,746	12,123

(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 16.7.

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.

18. RIGHTS AND COMMITMENTS WITH ANP

The Group is a concessionaire of 59 oil fields subdivided among the Remanso Cluster, Potiguar Cluster and Miranga Cluster, and has the rights to exploratory blocks in the Potiguar Cluster, as described under Note 1 to the financial statements. Under the mentioned concession contracts, in the case of the discovery and evidence of commercially explorable deposits, the Company is guaranteed the right to develop and produce, for a period of 27 years, oil and natural gas in the commercial fields ringfences within the boundaries of these blocks. There are no price restrictions for the commercialization of the 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:

Participation	Details
Royalties	From 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 (2021, R$103,980 – 2020, R$46,866).
Special participation	In the amount defined in the Participation Decree 2705/98 and ANP Administrative Rule 10/99.
Payment for occupying and retaining the Concession Area	An amount in R$ 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.
Payment to landowners	Equivalent to one percent (1%) of oil and natural gas production, in accordance with applicable Brazilian law (2021, R$9421; 2019, R$4,224).

On December 10, 2021 ANP approved in the Meeting of the Executive Board 074/2021 a reduction in royalties for the concessions of Potiguar E&P S.A. ("Potiguar E&P") to 7.5%. The reduction of the rate will have effect over the production of the month subsequent to the signature of the addendum to the concession contracts of Potiguar E&P.

19. SALES REVENUE, NET

Accounting practice

Revenue is measured at fair value of the compensation received or receivable, less any estimates of return, trade discounts and other similar deductions, as demonstrated below.

Services provisioned:

- The fees for oil and gas exploration are recognized when the volume of the products is transferred to the client, through approval of the measurement.

Sale of products:

- Revenue from the sale of products is recognized when products are delivered and the legal ownership is transferred.

	Company		Consolidated	
	2021	2020	2021	2020
Gross revenue:				
Revenue from services	355,435	239,289	353,937	239,289
Revenue from products sold	215	-	1,109,774	479,630
Derivative financial instruments	-	43,025	(126,780)	196,994
Total	355,650	282,314	1,336,931	915,913
Taxes on sales and services:				
Tax on revenue (PIS)	(2,624)	(1,628)	(20,468)	(9,543)
Tax on revenue (COFINS)	(12,109)	(7,509)	(94,299)	(43,973)
Service tax (ISS)	(13,293)	(8,886)	(13,293)	(8,886)
State VAT (ICMS)	(209)	-	(168,267)	(65,670)
Total	(28,235)	(18,023)	(296,327)	(128,072)
Net revenue	327,415	264,291	1,040,604	787,841

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 of industrial use by Petrobras to the distributor of the state of Bahia.

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

	Company		Consolidated	
	2021	2020	2021	2020
Personnel	(83,918)	(53,061)	(128,268)	(82,137)
Services	(21,539)	(29,212)	(42,859)	(38,297)
Consultancy, audits and fees	(15,905)	(7,936)	(18,926)	(12,592)
Materials	(40,725)	(28,014)	(74,956)	(55,355)
Rent	(12,289)	(3,255)	(25,091)	(9,723)
Electricity	(36,169)	(29,690)	(56,868)	(45,832)
Depletion, depreciation and amortization	(69,768)	(77,015)	(231,930)	(218,548)
Depreciation of right-of-use assets	(7,441)	(11,280)	(18,270)	(24,037)
Provision for well abandonment	-	1,408	2,176	1,975

	Company		Consolidated	
	2021	2020	2021	2020
Consortium expenses	-	-	(16,255)	(24,442)
Royalties	(1,407)	-	(103,980)	(46,866)
Share-based compensation and associated costs	(14,080)	(7,503)	(14,452)	(7,503)
Gain (loss) on equity interests	111,758	(78,500)	-	-
Environmental licensing	(3)	-	(13,207)	(9,795)
Other	3,209	288	(13,112)	17,131
Total	(188,277)	(323,770)	(755,998)	(556,021)
Cost of services rendered and products sold	(241,040)	(214,636)	(667,850)	(510,600)
General and administrative	(50,136)	(37,428)	(62,844)	(47,486)
Other income, net	(8,859)	6,794	(25,304)	2,065
Gain (loss) on equity interests	111,758	(78,500)	-	-
Total	(188,277)	(323,770)	(755,998)	(556,021)

21. FINANCIAL INCOME

	Company		Consolidated	
	2021	2020	2021	2020
Financial income				
Interest, net	21,083	230	31,243	3,574
Interest on loan agreements	97	41	-	-
Other	86	-	109	-
Foreign exchange variations:				
Exchange variation asset	959	2,764	20,461	3,951
Foreign exchange variation on exchange funds	51,376	-	52,995	-
Foreign exchange variation on financing	2,703	-	2,703	-
Total	76,304	3,035	107,511	7,525
Financial expenses:				
Interest on well abandonment	(1,340)	-	(6,563)	(5,480)
Income tax on foreign transactions	(1,472)	-	(11,740)	(12,155)
Amortization on borrowing costs	-	-	(12,893)	(16,848)
Interest on loans	(2,341)	(301)	(57,312)	(72,881)
Interest on lease operations	(776)	(2,124)	(2,088)	(4,079)
Other	(1,446)	(3,080)	(3,351)	(6,639)
Foreign exchange variation:				
Foreign exchange variation liability	(998)	(7,853)	(2,035)	(1,534)
Foreign exchange variation on exchange funds	-	-	-	(4,560)
Foreign exchange variation on financing	-	-	(62,518)	(232,806)
Total	(8,373)	(13,358)	(158,500)	(356,982)
Total	67,931	(10,323)	(50,989)	(349,457)

22. FINANCIAL INSTRUMENTS

22.1. 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 2021, the Company went public to raise resources. The debt instruments currently in effect refer to a finance lease, a financing facility aimed at funding innovation with Finep, bank loans of the subsidiary Potiguar.

The Company's capital structure consists of its equity (which includes capital, reserves, and earnings reserve, as disclosed in note 16 to the financial statements) 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.

22.2. 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.

		Company		Consolidated	
	Note	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Financial assets					
Amortized cost:					
Cash and cash equivalents	3	172,288	11,663	217,159	30,861
Short-term investments	3	531,863	9,993	655,644	135,011
Trade receivables	4	34,398	52,578	169,847	108,733
Related parties	17	-	20,460	-	-
Dividends receivable	7	4,015	304	-	-
Escrow deposits		2,445	2,237	2,519	2,311
Fair value through other comprehensive income:					
Derivative financial instruments (ii)	14	-	-	-	137,082
Financial liabilities					
Amortized cost:					
Suppliers	9	58,200	49,022	98,188	80,089
Loans and financing	10	1,511	2,734	741,291	894,040
Dividends payable	16	40,566	2	40,566	2
Payables for acquisitions	12	27,903	-	808,706	-

		Company		Consolidated	
	Note	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Fair value through profit or loss					
Payables for acquisitions (ii)	12	-	-	474,343	-
Fair value through other comprehensive income					
Derivative financial instruments (ii)	14	-	-	464,684	17,886

(i) 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.

(ii) 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.

22.3. 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 financial statements and also in this Note to the financial statements.

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., Caixa Econômica Federal, Banco Safra, Banco XP 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 5 to the financial statements.

As of 2022, the Company and its subsidiaries Recôncavo E&P S.A., Potiguar E&P S.A. and SPE Miranga will be capable of aggregating new players to their client base. The *Novo Mercado do Gás* (New Gas Market) will enable access of producers to the Gas Treatment Units (UPGN's) and, consequently, the possibility of selling natural gas and its byproducts to a broader pool of companies.

As for the sale of oil, the Company continues to be tied exclusively to Petrobras S.A.

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.

As at December 31, 2021, the Company believes there is satisfactory liquidity, despite presenting a negative consolidated net working capital, corresponding to the difference between current assets and current liabilities of R$ 211,723 (2020, R$31,577). Management judges that the Company does not have significant liquidity risk, considering its cash generating capacity in the EBITDA concept, and considering that this cash generation is sufficient for the payment of debts, maintenance of investments and to cover working capital requirements from its obligations.

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

Maturity	2022	2023	2024	2025	Total
Loans and financing a)	328,824	334,442	160,740	-	824,006
Derivative financial instruments	231,407	179,547	54,997	-	465,951
Payables for acquisitions	113,284	269,050	382,900	169,926	935,161

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 year ended December 31, 2021, 97% (2020, 96%) 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.

In December 2021, the company began to register in its balance sheets deferred/contingent portions of the acquisitions of assets that are pegged to the U.S. dollar. In the Company, US$5,000 was recognized, payable in December 2022, which in Potiguar and its SPE Miranga the amounts of US$56.232 and US$165.100 were recognized, respectively.

Presently the Company is not covered against foreign exchange variations. However, the Company holds financial investments in exchange funds in order to reduce exposure to liabilities in U.S. dollars.

Sensitivity analysis – foreign currency

	Company					
As at 12/31/2021- Balance	Risk	Rate (a)	Foreign currency exposure R$	Probable	Scenario A 25% (b)	Scenario B 50% (b)
Assets						
Short-term investments	US$ depreciation	5.5943	521,524	522,815	392,111	261,407
Payables for acquisitions	US$ depreciation	5.5943	27,903	27,972	20,979	13,986
Effect on profit or loss				(1,222)	(122,489)	(246,199)

			Consolidated			
As at 12/31/2021 – Balance	Risk	Rate (a)	Foreign currency exposure R$	Probable	Scenario A 25% (b)	Scenario B 50% (b)
Assets						
Cash and cash equivalents	US$ appreciation	5.5943	573,155	574,573	718,216	861,860
Loans and financing	US$ appreciation	5.5943	762,081	763,965	954,956	1,145,947
Payable for acquisitions	US$ appreciation	5.5943	1,263,049	1,266,173	1,582,716	1,899,260
Effect on profit and loss				(3,590)	(367,481)	(731,372)

(a) The translation rate (R$5.5943 to US$1;00) 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 for December 2022. As at December 31, 2021 the exchange rate was R$5.5805.

(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 December 31, 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.

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

Commodity price risks

During the year ended December 31, 2021, 97% of gross operating revenues of the Company were directly linked to the Brent type oil price, the quotations of which are freely negotiated in the foreign markets (2020, 96%).

It should be observed that within this percentage there are also contracts for the sale of natural gas, as demonstrated in the sensitivity analysis below.

During 2021, as a manner of protecting the volatility of the oil market, the Company entered into hedge contracts, having protected, during this period, the volume of almost 2,051 thousand barrels (62% of annual net oil production) at an average price of US$58.60/bbl (2020, U$63.29/bbl).

Sensitivity analysis – commodity prices

	Risk of price reduction of:	Price (a)	Probable	Scenario A 25% (b)	Scenario B 50% (b)
Gross operating income - Oil	Brent	477.95	1,743,474	1,000,176	629,912
Gross operating income - Gas	Natural gas	387.05	66,464	39,819	26,546
Financial instruments - hedge			(326,578)	60,156	252,801
Total			1,483,360	1,100,150	909,259
Probable effect on profit or loss			193,509	(189,701)	(380,592)

(a) The prices of the commodities used in the sensitivity analysis as probable scenario, in U.S. dollars, were obtained from the commodities pricing agency *S&P Global Platts* e da ICE and translated to Brazilian Real at the average rate for 2021.

(b) Scenarios A and B consider a devaluation of the indexer in 25% and 50%, respectively, over the average Brent price of 2021.

The policy of the Company and its subsidiaries is to contract future trading of commodities to manage the price risk of commodities associated to future transactions of up to 36 months. In the present year, the subsidiary Potiguar designated certain future commodity contracts as sales cash flow hedges with high probability. Once the critical terms (i.e.: quantity, maturity and subjacent factor) of the commodity futures contracts and corresponding items object of hedge are the same, the Company carries out a qualitive assessment of effectiveness and expects that the fair value of the futures contract of commodity and the value of the corresponding items object of hedge change systematically in the opposite direction in response to the changes in the price of subjacent the commodity.

The table below describes the outstanding commodity futures contracts as at December 31, 2020, as well as information related to its corresponding items object of hedge. The contracts are presented under "derivative financial instruments" in the balance sheet (for further information, see Note 15 to the financial statements):

Cash flow hedges

	Consolidated		
Hedge instruments outstanding contracts	Average price 12/31/2021	Quantity 12/31/2021	Fair value of hedge instruments 12/31/2021
	US$/barrel	*In barrels*	*R$ thousand*
Under 3 months	56.61	510,520	(61,145)
From 3 to 6 months	55.56	482,680	(55,997)
From 6 to 12 months	53.71	1,004,217	(113,983)
From 1 to 2 years	52.66	1,796,100	(178,883)
From 2 to 3 years	58.18	1,012,250	(54,676)
Total		4,805,767	(464,684)

	Consolidated		
Hedge instruments" outstanding contracts	Average price 12/31/2020	Quantity 12/312020	Fair value of hedge instrument 12/31/2020
	US$/barrel	*In barrels*	*R$ thousand*
Under 3 months	59.31	497,600	22,304
From 3 to 6 months	58.86	504,240	17,300
From 6 to 12 months	58.03	1,069,910	40,902
From 1 to 2 years	54.66	1,943,477	48,998
From 2 to 3 years	47.62	1,075,100	(10,308)
Total		5,090,327	119,196

23. INSURANCE COVERAGE

The company maintains a monitoring policy of the risks inherent to its business. As at December 31, 2021, the Company had insurance contracts in place to cover operational, environmental, civil liability and other risks.

		Risk value		Maximum indemnifiable amount	
Modality	Currency	Company	Consolidated	Company	Consolidated
(*)	(*)	(*)	(*)	(*)	(*)
Environmental risks	US$	6,050	12,100	6,050	12,100
Material damage	US$	59,943	160,470	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 the 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

During the year ended December 31, 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	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Additions of new lease contracts	6,626	22,026	11,679	34,024
Conversion of loan agreements to advance for future capital in subsidiaries	29,150	-	-	-
Cancelled dividends	-	12,894	304	-
Dividends receivable not paid	2,671	-	-	-
Dividends proposed, not paid	40,564	-	-	-
Additions to property, plant and equipment:				
Register of provision for well abandonment	23,666	-	45,435	6,624
Amounts payable for acquisitions	27,903	-	1,318,431	-
Settlement of receivables	9,947	-	9,947	-
Total	140,527	34,920	1,385,796	40,648

26. SUBSEQUENT EVENTS

Gas sales contracts and swap contracts - Bahia.

PetroRecôncavo and its subsidiary SPE Miranga S.A., began on January 1, 2022 the supply of natural gas to Companhia de Gás da Bahia – Bahiagás from the fields of the Miranga and Remanso cluster, of the Bahia Asset.

The contract provides for the delivery of an initial volume of 400,000 m³/day of natural gas and an increase in the daily contracted quantity to support the production curve foreseen for the assets. The contract is valid as of the signature date and concluded in a 5 (five) year period as of the initial date of supply.

Potiguar Asset

The subsidiary Potiguar E&P began in January 2022, the purchase and sale contract for the supply of natural gas to Companhia Paraibana de Gás – PBGÁS. The contract has a two-year validity and foresees the delivery of 80 thousand m³/day of natural gas as of January 2022 and 100 thousand m³/day of natural gas as of January 2023.

The subsidiary Potiguar E&P began, in January 2022, the supply of gas, in accordance with the purchase and sale contract of natural gas, to Companhia Potiguar de Gás, Potigás. The contract foresees the delivery of 236 thousand m³/day of natural gas as of January 1, 2022, with a two-year duration.

Loans and financing

The subsidiary Potiguar E&P obtained, from the financial institutions creditors of the financing agreement, a waiver not to enter into additional oil hedge agreements for the period starting on January 1, 2022 and ending on June 30, 2022.

Extension of the concession contract and reduction in the rate of royalties for the surplus production in the Pajeú Field

On April 19, 2022 the subsidiary Potiguar E&P signed with ANP two addenda to the Concession Contract 48000.003813/97-01 (Pajeú Field), that provision for:

(i) Extension of the Production Phase to 12/31/2035;

The extension of the production phase follows the guideline of Resolution 2/2016 of the CNPE (Brazilian National Energy Policy Council), that authorizes ANP to extend concession contracts signed during Round Zero. Originally these contracts would end in 2025. Apart from the payments foreseen for Petrobras, as disclosed under Note 10, there were no additional costs for renewal of the concession.

(ii) Reduction in the royalty rates applied on surplus production:

The reduction of the royalty rates will be based only on surplus production resulting from the implementation of development projects approved in the Development Plan. For production levels up to the reference curve, the royalty rates practiced will be maintained.

Bahia Terra Cluster – Selected Biding Offeror

Petrobras informed, in relation to the process for divestment of the Bahia Terra Cluster, that the Company is the *"Selected Binding Offeror"*. The negotiation phase of the terms and conditions for the potential acquisition of the total equity interest of Petrobras will be started in a set of E&P onshore production fields and associated installations (Bahia Terra Cluster), located in the Recôncavo and Tucano Basins, in the state of Bahia, Brazil.

The Company states that it presented a joint offer with Eneva S.A. ("Eneva"), as a consortium, with 60% (sixty percent) participation of PetroReconcavo and 40% (forty percent) participation of Eneva, with PetroReconcavo being the operator of the assets.

The effective realization of the potential acquisition, as well as its term and conditions and amounts involved, are subject to the acceptance of the offer by Petrobras, to the negotiation and signing of purchase and sale contract and other instruments related to the acquisition, related legal and regulatory approvals, as well as the fulfillment of certain conditions precedent which are typical for operations of this nature, notably the approval of the Administrative Council of Economic Defense (CADE) and the ANP, among other factors.
