

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

PetroRecôncavo S.A.

Report on Review of Interim
Financial Information for the
Six-month Period
Ended June 30, 2022

Deloitte Touche Tohmatsu Auditores Independentes Ltda.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders and Management of
PetroRecôncavo S.A.

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of PetroRecôncavo S.A. ("Company"), included in the Interim Financial Information Form - ITR, for the quarter ended June 30, 2022, which comprises the balance sheet as at June 30, 2022 and the related statements of profit and loss and of comprehensive income for the three and six-month periods then ended, and of changes in equity and of cash flows for the six-month period then ended, including the explanatory notes.

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

Scope of review

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

Conclusion on the individual and consolidated interim financial information

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

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Emphasis of matter

Without modifying our conclusion, we draw attention to note 20.3 to the individual and consolidated interim financial information, which states that the Company's and its subsidiaries' petroleum sales revenue derives from one single customer, Petróleo Brasileiro S.A. - Petrobras. Consequently, any interpretation or analysis of this individual and consolidated interim financial information must take these circumstances into consideration.

Other matters

Statement of value added


The interim financial information referred to above includes the individual and consolidated statements of value added ("DVA") for the six-month period ended June 30, 2022, prepared under the responsibility of the Company's Management and presented as supplemental information for international standard IAS 34 purposes. These statements were subject to the review procedures performed together with the review of the ITR to reach a conclusion on whether they are reconciled with the interim financial information and the accounting records, as applicable, and if their form and content are consistent with the criteria set forth in technical pronouncement CPC 09 - Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that they were not prepared, in all material respects, in accordance with such standard and consistently with the individual and consolidated interim financial information taken as a whole.

Convenience translation

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

Salvador, August 10, 2022


DELOITTE TOUCHE TOHMATSU
Auditores Independentes Ltda.


Jônatas José Medeiros de Barcelos
Engagement Partner



BALANCE SHEET AS AT JUNE 30, 2022
(In thousand of Brazilian reais - R\$)

Company						Consolidated					
ASSETS	Notes	06/30/2022	12/31/2021	06/30/2022	12/31/2021	LIABILITIES AND NET EQUITY	Notes	06/30/2022	12/31/2021	06/30/2022	12/31/2021
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	3	154.187	172.288	244.999	217.159	Suppliers	7	83.505	58.200	190.036	98.708
Short-term investments	3	1.331.207	531.863	1.399.969	585.655	Payroll and related charges		23.656	22.526	38.412	30.563
Trade receivables	4	68.871	34.398	442.584	169.847	Taxes payable		8.799	5.671	123.668	66.995
Inventories		6.140	5.709	8.125	6.552	Loans and financing	8	909	1.211	282.996	281.762
Dividends receivable	15	4.015	4.015	-	-	Lease amounts payable		3.133	7.063	11.945	10.486
Recoverable taxes		20.313	20.221	55.957	41.825	Derivative financial instruments	13	-	-	461.229	231.125
Other assets		69.667	12.906	23.657	11.769	Dividends payable	14	880	40.566	880	40.566
Total current assets		1.654.400	781.400	2.175.291	1.032.807	Amounts payable for acquisitions	10	27.207	27.903	539.173	453.318
NONCURRENT ASSETS						Provision for well abandonment	12	-	-	419	419
Short-term investments	3	-	-	81.912	69.989	Other accounts payable		3.258	2.220	43.417	30.588
Recoverable taxes		479	479	15.202	13.374	Total current liabilities		151.347	165.360	1.692.175	1.244.530
Judicial deposits		2.475	2.445	2.475	2.445	NONCURRENT LIABILITIES					
Other assets		712	394	2.011	483	Loans and financing	8	-	300	290.474	459.529
Deferred taxes	9	17.270	20.692	285.326	222.941	Lease amounts payable		2.281	1.929	4.861	2.421
Investments	5	1.134.320	740.117	-	-	Taxes payable		2.116	-	2.116	-
PP&E and intangible assets	6	602.272	523.790	3.671.762	3.360.865	Derivative financial instruments	13	-	-	302.214	233.559
Lease right-of-use assets		6.161	9.448	16.971	12.489	Deferred taxes	9	-	-	23.952	5.672
Total noncurrent assets		1.763.689	1.297.365	4.075.659	3.682.586	Amounts payable for acquisitions	10	-	-	620.592	809.731
						Provision for tax, civil and labor contingency risks	11	3.015	3.443	3.350	3.443
						Provision for well abandonment	12	38.206	35.920	90.092	84.695
						Total noncurrent liabilities		45.618	41.592	1.337.651	1.599.050
						NET EQUITY					
						Share capital	14	2.823.766	1.813.936	2.823.766	1.813.936
						Treasury shares		(43)	(2.292)	(43)	(2.292)
						Capital reserve		36.406	35.176	36.406	35.176
						Profit reserve		297.202	297.202	297.202	297.202
						Retained earnings		533.184	-	533.184	-
						Equity valuation adjustment		(503.872)	(306.690)	(503.872)	(306.690)
						Capital transactions		34.481	34.481	34.481	34.481
						Total net equity		3.221.124	1.871.813	3.221.124	1.871.813
TOTAL ASSETS		3.418.089	2.078.765	6.250.950	4.715.393	TOTAL LIABILITIES AND NET EQUITY		3.418.089	2.078.765	6.250.950	4.715.393

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



STATEMENT OF PROFIT AND LOSS FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2022

(In thousands of Brazilian reais - R\$, except earnings per share)

	Notes	Company		Consolidated		Company		Consolidated	
		04/01/2022	04/01/2021	04/01/2022	04/01/2021	01/01/2022	01/01/2021	01/01/2022	01/01/2021
		to 06/30/2022	to 06/30/2021	to 06/30/2022	to 06/30/2021	to 06/30/2022	to 06/30/2021	to 06/30/2022	to 06/30/2021
NET REVENUE	17	160.264	72.585	691.009	249.110	314.721	146.349	1.394.485	494.898
COST OF SALES AND SERVICES	18	(97.515)	(59.073)	(367.690)	(166.331)	(195.836)	(112.662)	(701.555)	(319.429)
GROSS PROFIT		62.749	13.512	323.319	82.779	118.885	33.687	692.930	175.469
INCOME (EXPENSES)									
General and administrative	18	(4.403)	(16.166)	(23.913)	(18.188)	(11.723)	(25.732)	(45.701)	(29.471)
Other income (expenses), net	18	1.379	637	(4.643)	(1.618)	9.828	1.327	(7.659)	(12.445)
Equity in subsidiaries	5	45.308	105.928	-	-	455.138	79.237	-	-
Total		42.284	90.399	(28.556)	(19.806)	453.243	54.832	(53.360)	(41.916)
OPERATING INCOME		105.033	103.911	294.763	62.973	572.128	88.519	639.570	133.553
FINANCIAL INCOME									
Financial income	19	55.420	13.746	70.708	123.665	9.265	17.375	133.902	53.805
Financial expenses	19	(5.162)	(25.344)	(197.561)	(59.995)	(27.116)	(27.651)	(74.900)	(84.920)
Total		50.258	(11.598)	(126.853)	63.670	(17.851)	(10.276)	59.002	(31.115)
INCOME BEFORE TAXES		155.291	92.313	167.910	126.643	554.277	78.243	698.572	102.438
INCOME TAX AND SOCIAL CONTRIBUTION									
Current		(7.704)	788	(71.837)	(32.958)	(19.865)	(3.535)	(159.949)	(37.417)
Deferred		(22.017)	1.262	7.543	(14.091)	(16.142)	4.537	(70.194)	(613)
Reduction - tax incentive		5.461	203	27.415	14.972	14.599	2.431	64.440	17.268
Total	9	(24.260)	2.253	(36.879)	(32.077)	(21.408)	3.433	(165.703)	(20.762)
NET INCOME (LOSS) IN THE PERIOD		131.031	94.566	131.031	94.566	532.869	81.676	532.869	81.676
Earnings per share - R\$	14	0,511	0,438			2,112	0,426		
Diluted earnings per share - R\$	14	0,510	0,436			2,104	0,423		

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



STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2022
(In thousands of Brazilian reais - R\$)

2IFS	Company		Consolidated	
	04/01/2022 to 06/30/2022	04/01/2021 to 06/30/2021	04/01/2022 to 06/30/2022	04/01/2021 to 06/30/2021
NET INCOME (LOSS) IN THE PERIOD	131.031	94.566	131.031	94.566
Hedging instruments	-	-	(10.121)	(226.002)
Deferred taxes on financial instruments	-	-	3.441	76.840
COMPREHENSIVE INCOME IN THE PERIOD	<u>131.031</u>	<u>94.566</u>	<u>124.351</u>	<u>(54.596)</u>

Accrued	Company		Consolidated	
	01/01/2022 to 06/06/2022	01/01/2021 to 06/30/2021	01/01/2022 to 06/06/2022	01/01/2021 to 06/30/2021
NET INCOME (LOSS) IN THE PERIOD	532.869	81.676	532.869	81.676
Hedging instruments	-	-	(298.761)	(467.526)
Deferred taxes on financial instruments	-	-	101.579	158.957
COMPREHENSIVE INCOME IN THE PERIOD	<u>532.869</u>	<u>81.676</u>	<u>335.687</u>	<u>(226.893)</u>

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



STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(In thousands of Brazilian reais - R\$)

	Notes	Share capital	Treasury shares	Capital reserve		Profit reserves			Other comprehensive income	Capital transaction	Accrued profit (loss)	Net equity
				Income tax relief incentive	Shares and stock options granted	Legal reserve	Tax incentives	Reinvestment reserve	Cash flow hedge accounting			
BALANCE AS AT DECEMBER 31, 2020		674.941	-	18.501	12.657	23.187	36.423	101.335	78.671	34.481	-	980.196
Capital increase		1.187.375	-	-	-	-	-	-	-	-	-	1.187.375
Cost for issue of shares		(49.980)	-	-	-	-	-	-	-	-	-	(49.980)
Other comprehensive income of subsidiary		-	-	-	-	-	-	-	(308.569)	-	-	(308.569)
Profit in the period		-	-	-	-	-	-	-	-	-	81.676	81.676
BALANCE AS AT JUNE 30, 2021		<u>1.812.336</u>	<u>-</u>	<u>18.501</u>	<u>12.657</u>	<u>23.187</u>	<u>36.423</u>	<u>101.335</u>	<u>(229.898)</u>	<u>34.481</u>	<u>81.676</u>	<u>1.890.698</u>
BALANCE AS AT DECEMBER 31, 2021		1.813.936	(2.292)	18.501	16.675	32.032	42.220	222.950	(306.690)	34.481	-	1.871.813
Capital increase	14	1.034.000	-	-	-	-	-	-	-	-	-	1.034.000
Stock option exercise	14	522	-	-	-	-	-	-	-	-	-	522
Cost for issue of shares		(24.692)	-	-	-	-	-	-	-	-	-	(24.692)
Repurchase of shares		-	(1.653)	-	-	-	-	-	-	-	-	(1.653)
Sale of treasury shares		-	3.902	-	-	-	-	-	-	-	315	4.217
Share-based payment		-	-	-	1.230	-	-	-	-	-	-	1.230
Other comprehensive income of subsidiary	5	-	-	-	-	-	-	-	(197.182)	-	-	(197.182)
Profit in the period		-	-	-	-	-	-	-	-	-	532.869	532.869
BALANCE AS AT JUNE 30, 2022		<u>2.823.766</u>	<u>(43)</u>	<u>18.501</u>	<u>17.905</u>	<u>32.032</u>	<u>42.220</u>	<u>222.950</u>	<u>(503.872)</u>	<u>34.481</u>	<u>533.184</u>	<u>3.221.124</u>

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



STATEMENT OF VALUE-ADDED
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(In thousands of Brazilian reais - R\$)

	Note	Company		Consolidated	
		06/30/2022	30/06/2021	30/06/2022	30/06/2021
WEALTH CREATION					
Revenue:					
Services	17	-	158.109	-	158.109
Products	17	352.180	-	1.774.284	465.997
Other		36.083	2.498	1.741	972
Total revenue		388.263	160.607	1.776.025	625.078
INPUTS AND SERVICES ACQUIRED FROM THIRD PARTIES					
Cost of products, goods and services sold		(13.447)	(12.995)	(32.384)	(27.764)
Materials, energy, outsourced services and other		(63.810)	(39.797)	(293.616)	(89.664)
Recovery (loss) of receivables		-	-	-	431
Total inputs acquired from third parties		(77.257)	(52.792)	(326.000)	(116.997)
GROSS VALUE-ADDED		311.006	107.815	1.450.025	508.081
Depreciation, amortization and depletion	18	(35.610)	(40.047)	(155.040)	(129.433)
NET VALUE-ADDED		275.396	67.768	1.294.985	378.648
VALUE-ADDED RECEIVED IN TRANSFER					
Financial income		9.265	17.375	133.902	53.805
Equity in investments	5	455.138	79.237	-	-
Total value-added received in transfer		464.403	96.612	133.902	53.805
Total value-added to distribute		739.799	164.380	1.428.887	432.453
DISTRIBUTION OF VALUE-ADDED					
Personnel:					
Direct remuneration		54.048	27.098	80.636	37.379
Benefits		12.288	6.829	23.737	12.703
FGTS		2.175	1.167	4.148	1.920
Taxes, duties and contributions:					
Federal		63.740	8.672	337.377	80.183
State		6.556	-	226.379	72.576
Municipal		880	5.840	880	5.840
Third-party capital remuneration:					
Rent	18	9.641	5.447	20.027	10.494
Royalties	18	30.486	-	127.934	44.763
Interest		27.116	27.651	74.900	84.920
Own capital remuneration:					
Net income (loss) in the period		532.869	81.676	532.869	81.675
WEALTH DISTRIBUTED		739.799	164.380	1.428.887	432.453

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



STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(In thousands of Brazilian reais - R\$)

	Notes	Company		Consolidated	
		06/30/2022	06/30/2021	06/30/2022	06/30/2021
CASH FLOWS FROM OPERATING ACTIVITIES					
Income (loss) before taxes on income		554.277	78.243	698.572	102.438
Adjustment to reconcile income (loss) before taxes in the period with cash from operating activities					
Net interest and foreign exchange variations		19.861	(4.777)	(72.241)	(1.565)
Interest and foreign exchange variations on lease operations		408	999	697	2.437
Depreciation and depletion of PP&E and intangible assets	6	31.792	36.702	146.470	119.674
Depreciation of right-of-use assets		3.818	3.345	8.570	9.759
Amortization of borrowing costs	8	55	41	5.249	6.796
Vesting of share-based payments	14	1.230	-	1.230	-
Equity in investments	5	(455.138)	(79.237)	-	-
Fair value of the settled hedge	13	-	-	215.591	-
Share-based payment		2.525	-	2.525	-
Provision and net reversal for tax, civil, labor and regulatory contingency risks	11	(393)	215	(58)	215
Adjustment of provision for well abandonment	12	2.286	815	5.397	3.438
Write-off of PP&E and leases		42.570	23.801	72.963	56.740
Changes in assets:					
Trade receivables		(34.473)	15.748	(272.737)	(24.334)
Inventories		(431)	127	(1.573)	342
Recoverable taxes		(92)	(1.370)	(15.960)	(10.398)
Judicial deposits		(30)	(277)	(30)	(277)
Other assets		(57.079)	6.270	(13.416)	6.730
Changes in liabilities:					
Suppliers		25.305	2.153	91.328	1.719
Payroll and related charges		1.130	5.577	7.849	6.963
Taxes payable		5.130	(12.180)	55.423	11.857
Other accounts payable		1.038	(1.117)	12.829	(1.094)
Payment of tax, civil, labor and regulatory contingencies	11	(35)	-	(35)	-
Payment of hedge contract	13	-	-	(215.591)	-
Interest paid	8	(53)	(767)	(21.699)	(31.331)
Lease interest paid		(364)	(421)	(654)	(1.348)
Income tax and social contribution paid		(5.153)	(268)	(92.143)	(515)
Net cash from operating activities		138.184	73.622	618.556	258.246
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Loans to related parties		-	(13.167)	-	-
Advance for future capital increase in subsidiaries	5	(136.247)	(13.200)	-	-
(Application) redemption of financial investments		(819.848)	(884.679)	(848.428)	(870.548)
Additions to PP&E	6	(152.495)	(52.271)	(530.584)	(186.952)
Additions to intangible assets	6	(1.282)	(93)	(1.340)	(126)
Capital increase in subsidiaries	5	-	(60.550)	-	-
Cash used in investment activities		(1.109.872)	(1.023.960)	(1.380.352)	(1.057.626)
CASH FLOWS FROM FINANCING ACTIVITIES					
Financing raised	8	-	60.479	-	60.479
Repayment of financing	8	(657)	(11.554)	(120.305)	(123.437)
Payment of amounts payable for acquisitions	10	-	-	(40.483)	-
Stock options exercised	14	522	-	522	-
Capital increase	14	1.034.000	1.187.375	1.034.000	1.187.375
Dividends paid		(39.686)	-	(39.686)	-
Cost of issue of shares		(37.413)	(75.727)	(37.413)	(75.727)
Repurchase of shares		-	-	-	-
Amortization of lease operations - principal		(3.218)	(3.988)	(7.602)	(11.216)
Sale of treasury shares		39	-	39	-
Cash from financing activities		953.587	1.156.585	789.072	1.037.474
Exchange variations on cash and cash equivalents		-	-	564	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(18.101)	206.247	27.840	238.094
Cash and cash equivalents at the beginning of the period	3	172.288	11.663	217.159	30.861
Cash and cash equivalents at the end of the period	3	154.187	217.910	244.999	268.955
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(18.101)	206.247	27.840	238.094

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



1. GENERAL INFORMATION

PetroRecôncavo S.A. (“Company”, “PetroRecôncavo” or “Parent Company”) is engaged in the operation and production of mature oil and natural gas fields in Brazil. In operation since February 2000, the Company operated until December 22, 2021 through a “risk production agreement”, with the purpose of restoring, reactivating and renewing 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 interest held by Petrobras in the 12 onshore fields, subject matter of the “risk production agreement”, which were grouped in another set called the Remanso Cluster, which include the fields of Brejinho, Canabrava, Cassarongongo, Gomo, Fazenda Belém, Mata de São João, Norte Fazenda Caruaçu, Remanso, Rio dos Ovos, Rio Subaúma, São Pedro and Sesmaria, in the Recôncavo Basin, state of Bahia. With the closing of the transaction, the “risk production agreement” was terminated.

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

Recôncavo

Recôncavo E&P S.A. was established on March 22, 2004 and currently holds concessions for the exploration and production of the fields Lagoa do Paulo, Lagoa do Paulo Norte, Lagoa do Paulo Sul, Acajá-Burizinho and Juriti, which were acquired in ANP’s (the Brazilian National Agency of Petroleum, Natural Gas and Biofuels) 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 onshore drilling rigs, and leasing them in Brazil, under the special customs regime for export and import of goods intended for use in oil and natural gas prospection and extraction activities, called REPETRO. In December 2020, Reconcavo America sold its assets to its parent company Petrorecôncavo S.A. In the six-month period ended June 30, 2022, the subsidiary held only a cash balance and did not register any transaction. Management is assessing the future of the subsidiary and expects to conclude this assessment during 2022.

Potiguar

A Potiguar E&P S.A., headquartered in the municipality of Mossoró, state of Rio Grande do Norte, was established on June 15, 2018 and is a concessionaire of a group comprised of 34 concessions, all located in the state of Rio Grande do Norte, 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 as of June 2021, and two with Mandacaru Energia Ltda and operated by them.

Potiguar signed, on June 28, 2021, in Rio de Janeiro, a concession contract for the exploration and production of oil and natural gas of the POT-T-702 block, acquired in the 2nd Cycle of the Permanent Offer carried out by ANP. The concession contract comprises

an area of 17,178 km² and a Minimum Exploratory Program (PEM) composed of 1,000 work units, corresponding to R\$6,000,000.00 (six million Brazilian reais), with a five-year term for its execution, in one single period. The PEM value was guaranteed, in compliance with the 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 S.A., was established on January 12, 2021. On February 24 of the same year, SPE Miranga signed a contract for acquiring the total equity interest of Petrobras in the nine onshore fields Apraius, Biriba, Fazenda Onça, Jacuipe, Miranga, Miranga Norte, Rio Pipiri, Riacho de São Pedro and Sussuarana which form the Miranga Cluster, in the Recôncavo Basin, in Bahia. The acquisition was concluded on December 6, 2021.

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

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

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

- The individual and consolidated interim financial statements were prepared and are presented in accordance with technical pronouncement CPC 21 (R1) – issued by the Accounting Pronouncements Committee (“CPC”); with the IAS 34 – issued by the International Accounting Standards Board (“IASB”); and with the standards and guidance issued by the Brazilian Securities and Exchange Committee (CVM).
- The individual and consolidated interim financial statements should be read in conjunction with the individual and consolidated financial statements of the Company as at December 31, 2021.
- In preparing these interim financial statements Management is required to use certain critical accounting estimates and to make judgments in the process of applying its accounting practices.
- There were no significant changes to the assumptions and judgments made by Management in the use of the estimates for the preparation of these interim financial statements in relation to those used for the financial statements as at December 31, 2021.
- These interim financial statements were authorized for issue by Company Management on August 10, 2022.

2.2. Significant accounting policies

All relevant information specifically related to these interim financial statements, and only in relation to these, are being evidenced and correspond to the information used by the Company in its management. The significant accounting policies and estimates adopted by the Company and its subsidiaries are in accordance with CPC 21 and IAS 34 and were

disclosed in the individual and consolidated financial statements as at December 31, 2021. There were no alterations between the policies disclosed in the financial statements as at December 31, 2021 and these interim financial statements.

New accounting pronouncements (effective in 2022), listed in the financial statements as at December 31, 2021, did not have any effect, or were not applicable to the accounting policies used in the preparation of these interim financial statements.

2.3. Basis of consolidation and investments in subsidiaries

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

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

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

2.4. Functional currency and foreign currency translation

The Company's Management defined the Brazilian currency, 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 interim financial statements.

3. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

3.1 Cash and cash equivalents

	Company		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Bank checking accounts	1,577	2,372	13,606	14,176
Short-term investments and Bank Deposit Certificates (CDB)	152,610	169,916	231,393	202,983
Total	154,187	172,288	244,999	217,159

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 102.59% in 2021) maintained by top tier banks, as per Note 20.3 to the interim financial statements, having ratings of between Aa1 (BR) and Ba3, based on the Moody rating and to investment funds with yields equivalent to 100% of the CDI rate (99.32% in 2021). 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 the accounting registers.

3.2 Short-term investments

	Company		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Short-term investments	1,331,207	531,863	1,481,881	655,644
Total	1,331,207	531,863	1,481,881	655,644
Current	1,331,207	531,863	1,399,969	585,655
Noncurrent	-	-	81,912	69,989

Short-term investments of the Company refer mainly to investments in Exchange Funds, linked to the U.S. dollar exchange rate. Management opted to invest part of the funds from its IPO and its follow-on offering in this type of investments as a manner of protection from exchange variations due to the fact that its bank debts (and those of the subsidiaries) and remaining payments to Petrobras for the acquisition of assets are in U.S. dollars.

Most of these funds are invested in an Exchange Fund (Fundo Itaú Cambial FICFI), with an average yield of -6.17%, a little over the foreign exchange variation (-6.14%) during the same period.

Subsidiary Potiguar must keep short-term investments as loan collateral. Minimum values and specificities of the restriction are disclosed under Note 8 to the financial statements.

4. TRADE RECEIVABLES

	Company		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Petrobras S.A.	62,461	34,398	354,673	169,847
Companhia de Gás da Bahia - Bahiagás	6,410	-	55,770	-
PBGÁS – Companhia Paraibana de Gás	-	-	6,526	-
Potigás – Companhia Potiguar de Gás	-	-	13,083	-
Nacional Gás Butano Distribuidora Ltda.	-	-	5,462	-
Companhia Ultragaz S.A.	-	-	7,070	-
Trade receivables	68,871	34,398	442,584	169,847

Trade receivables mentioned above are classified as financial assets, assessed at amortized cost. Invoices are issued to the customers with an average due date from 30 to 50 days. The Company and its subsidiaries have no history of material losses or delays of receivables, and expect no future loss on such receivables.

5. INVESTMENTS

Information on investees		Participation in paid-in		Total assets	Total liabilities	Net equity	Gross revenue	Net income (loss)
Investees	Base-date	capital %	Share capital					
Recôncavo E&P S.A.	06/30/2022	100	6,561	23,296	3,972	19,324	8,305	3,048
Recôncavo America LLC	06/30/2022	100	9,242	26,361	-	26,361	-	(571)
Potiguar E&P S.A.	06/30/2022	100	622,009	2,444,948	1,902,281	542,667	924,118	285,570
SPE Miranga S.A.	06/30/2022	100	344,101	1,579,214	1,025,952	553,262	508,886	166,048
Recôncavo E&P S.A.	12/31/2021	100	6,561	20,418	4,142	16,276	14,286	5,311
Recôncavo America LLC	12/31/2021	100	9,242	26,931	-	26,931	-	29
Potiguar E&P S.A.	12/31/2021	100	622,009	2,049,900	1,700,933	348,967	951,753	102,065
SPE Miranga S.A.	12/31/2021	100	344,101	1,327,310	971,031	356,279	15,242	12,692

Changes in investments	Recôncavo	Recôncavo América (iii)	Potiguar	SPE Miranga	Total
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
Cancellation 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
Equity in investments	3,048	472	285,570	166,048	455,138
Equity valuation adjustment	-	-	(197,182)	-	(197,182)
Advance for future capital increase (iv)	-	-	105,312	30,935	136,247
Balance as at June 30, 2022	19,324	19,067	542,667	553,262	1,134,320

(i) As mentioned under Note 10 to the interim financial statements as at 12/31/2021, 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, Management of the Company recommended to the shareholders to vote for the cancellation of the minimum mandatory dividends mentioned above. As at December 31, 2020 the subsidiary Recôncavo had minimum mandatory dividends in the amount of R\$ 304. Such dividends were cancelled during the General Shareholders' Meeting held in 2021.

(ii) Potiguar

During the year ended December 31, 2021 the issue of 96,826,947 (ninety-six million, eight hundred and twenty-six thousand, nine hundred and forty-seven) nominative common shares with no par-value occurred, at the issue price of R\$ 1.00 (one Brazilian real) per share. All of the shares were subscribed and paid-in by the Company in legal tender.

Miranga

During the year ended December 31, 2021 the issue of 344,101,587 (three hundred and forty-four million, one hundred and one thousand, five hundred and eighty-seven) common shares of the investee SPE Miranga occurred, at a subscription price of R\$1.00 (one Brazilian real). All of the shares were subscribed and paid-in by the Company in legal tender.

(iii) Equity in investments of the subsidiary Reconcavo America in the nine-month year ended December 31, 2021 and for the period ended June 30, 2022 includes the elimination of a balance related to unrealized profits between related parties

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

6. PROPERTY, PLANT AND EQUIPMENT (PP&E) AND INTANGIBLE ASSETS

Company	Balance 12/31/2020	Additions	Write-off	Transfer	Balance 12/31/2021	Additions	Write-off	Transfer	Balance 06/30/2022
<u>Cost - PP&E</u>			(vi)				(vi)		
Land	80	-	-	-	80	-	-	-	80
Properties and constructions	7,805	85	-	1,275	9,165	4	-	-	9,169
Machinery and equipment	33,175	2,541	(111)	4,524	40,129	3,536	-	14,845	58,510
Furniture and fixtures	11,277	1,174	-	437	12,888	1,245	-	8	14,141
Vehicles	3,387	-	(434)	151	3,104	136	-	-	3,240
Computers and peripherals	2,353	414	-	133	2,900	335	-	-	3,235
Investments for increasing production and well drilling (i)	883,679	62,509	(28)	12,128	958,288	25,194	-	83	983,565
Oil and gas production rights (ii)	-	79,880	-	20,629	100,509	-	(4,880)	-	95,629
Advance to acquire oil and gas production rights (iii)	20,629	-	-	(20,629)	-	30,431	-	-	30,431
Capital asset inventories (iv)	31,793	76,327	(52,243)	(12,142)	43,735	58,692	(28,102)	(124)	74,201
Advance for acquisition of fixed assets	1,988	16,930	(37)	-	18,881	8,223	(10,522)	-	16,582
PP&E in progress (v)	2,236	15,507	(1,645)	(7,529)	8,569	24,699	-	(14,812)	18,456
Total	998,402	255,367	(54,498)	(1,023)	1,198,248	152,495	(43,504)	-	1,307,239
<u>Depreciation, amortization and depletion</u>									
Properties and constructions	(4,460)	(579)	-	-	(5,039)	(352)	-	-	(5,391)
Machinery and equipment	(9,995)	(4,109)	103	-	(14,001)	(2,482)	-	-	(16,483)
Furniture and fixtures	(6,819)	(856)	-	-	(7,675)	(531)	-	-	(8,206)
Vehicles	(1,970)	(271)	283	-	(1,958)	(120)	-	-	(2,078)
Computers and peripherals	(1,161)	(282)	-	-	(1,443)	(156)	-	-	(1,599)
Investments for increasing production and well drilling	(587,905)	(62,701)	-	-	(650,606)	(25,891)	-	-	(676,497)
Oil and gas production rights - Amortization	-	(75)	-	-	(75)	(1,621)	-	-	(1,696)
Total	(612,310)	(68,873)	386	-	(680,797)	(31,153)	-	-	(711,950)
<u>Cost - Intangible assets</u>									
Software	8,649	1,604	-	1,023	11,276	1,282	-	-	12,558
<u>Amortization</u>									
Software	(4,042)	(895)	-	-	(4,937)	(638)	-	-	(5,575)
Total PP&E and intangible assets	390,699	187,203	(54,112)	-	523,790	121,986	(43,504)	-	602,272

Consolidated	Balance 12/31/2020	Additions	Write-off (vi)	Transfer	Balance 12/31/2021	Additions	Write-off (vi)	Transfer	Balance 06/30/2022
Cost - PP&E									
Land	105	-	-	-	105	-	-	-	105
Properties and constructions	13,121	953	-	1,275	15,349	125	(7)	3,413	18,880
Machinery and equipment	43,503	7,862	(11,089)	4,524	44,800	8,129	(727)	15,829	68,031
Furniture and fixtures	13,105	5,456	-	1,182	19,743	2,638	(35)	361	22,707
Vehicles	3,536	680	(434)	151	3,933	473	-	-	4,406
Computers and peripherals	3,060	2,020	-	(613)	4,467	451	-	(1)	4,917
Investments for increasing production and well drilling (i)	974,300	199,121	(279)	29,658	1,202,800	192,982	(110)	67,347	1,463,019
Oil and gas production rights (ii)	1,237,215	1,580,644	-	81,176	2,899,035	-	(4,880)	-	2,894,155
Advance to acquire oil and gas production rights (iii)	20,628	60,548	-	(81,176)	-	30,431	-	-	30,431
Capital asset inventories (iv)	55,413	226,671	(122,879)	(29,672)	129,533	239,735	(58,430)	(67,867)	242,971
Advance for acquisition of fixed assets	5,686	21,891	(325)	-	27,252	23,513	(11,109)	-	39,656
PP&E in progress (v)	6,982	24,640	(10,180)	(7,529)	13,913	32,108	-	(19,082)	26,939
Total	2,376,654	2,130,486	(145,186)	(1,024)	4,360,930	530,585	(75,298)	-	4,816,217
Depreciation, amortization and depletion									
Properties and constructions	(6,105)	(742)	-	-	(6,847)	(408)	-	-	(7,255)
Machinery and equipment	(12,133)	(2,886)	502	-	(14,517)	(2,074)	802	-	(15,789)
Furniture and fixtures	(6,928)	(1,095)	-	-	(8,023)	(937)	35	-	(8,925)
Vehicles	(1,970)	(270)	283	-	(1,957)	(209)	-	-	(2,166)
Computers and peripherals	(4,164)	(1,004)	-	-	(5,168)	(298)	-	-	(5,466)
Investments for increasing production and well drilling	(613,262)	(92,993)	-	-	(706,255)	(66,072)	-	-	(772,327)
Oil and gas production rights - Amortization	(135,181)	(132,560)	-	-	(267,741)	(75,748)	-	-	(343,489)
Total	(779,743)	(231,550)	785	-	(1,010,508)	(145,746)	837	-	(1,155,417)
Cost - Intangible assets									
Software	9,195	1,789	-	1,024	12,008	1,340	(172)	-	13,176
Amortization									
Software	(1,185)	(380)	-	-	(1,565)	(723)	74	-	(2,214)
Total PP&E and intangible assets	1,604,921	1,900,345	(144,401)	-	3,360,865	385,456	(74,559)	-	3,671,762

- (i) 'Investment to increase production' refers to motors, transformers, equipment or sundry expenses used in the wells or overground facilities aimed at increasing production or work in recoverable reserves. Well drilling refers to the capitalization of expenses incurred on the drilling of new wells in fields that have been proved commercially feasible. The depreciation of these assets and the depletion of expenses are made using the percentage of current production as a ratio of the developed proven reserve of each field. Assessment of the total reserve as at December 31, 2021 was performed by independent expert *Netherland Sewell & Associates, Inc.*
- (ii) The "oil and gas production rights" represents acquisition costs of concessions for the exploitation of oil and natural gas fields.

PetroRecôncavo – Remanso Cluster

On December 23, 2020 the Company entered into an agreement to acquire the total equity interest of Petrobras in 12 onshore fields that are the subject matter of the "risk production agreement", grouped in another set called the Remanso Cluster, which include the fields of Brejinho, Canabrava, Cassarongongo, Gomo, Fazenda Belém, Mata de São João, Norte Fazenda Caruaçu, Remanso, Rio dos Ovos, Rio Subaúma, São Pedro and Sesmária, 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 signature date, December 23, 2020; (ii) US\$21.0 million, less the cash generation of the asset from July 2020 to the closing date of the transaction, totaling US\$7.6 million, equivalent to R\$41.5 million, were paid on December 22, 2021, closing date of the transaction. As part of the price adjustment, the Company reclassified receivables from Petrobras in the of R\$9,947 with reference to contractual revenue not received between the date of signature of the contract and the conclusion of the transaction; and (iii) US\$5.0 million payable in twelve monthly installments after the closing of the transaction, registered under current liabilities of the Company (see Note 10 to the interim financial statements). The residual portion payable was registered under assets in the amount of R\$28,455. The total amount registered under assets in relation to the acquisition of this asset was of R\$95.629.

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.

Potiguar - Riacho da Forquilha Cluster

On April 25, 2019 the subsidiary Potiguar entered into a purchase and sale agreement for the acquisition of Petrobras' equity interests in a set of 34 onshore oil and natural gas production fields, called "Riacho da Forquilha Cluster", located in the Potiguar Basin, state of Rio Grande do Norte. Upon closing the transaction, the Group registered the amount of R\$1,235,967 under assets. In 2021, the Group registered the amount of R\$1,235,967 as asset. In 2021, the Group registered the amount of R\$313,805 related to the remaining portion payable to Petrobras, see Note 10 to the financial statements. The total registered value of the asset is of R\$1,549,772.

SPE Miranga – Miranga Cluster

On February 24, 2021 SPE Miranga signed a contract for the purchase of the total equity interest of Petrobras in nine onshore fields: Apraius, Biriba, Fazenda Onça, Jacuípe, Miranga, Miranga Norte, Rio Pipiri, Riacho de São Pedro and Sussuarana, which form the Miranga Cluster, in the Recôncavo basins, in Bahia. The transaction was concluded on December 6, 2021.

The registered amount of the asset is of R\$1,247,506, of which: (i) R\$60,548 (US\$11.0 million) was

paid on the date of the signature of the contract; (ii) R\$247,919 (US\$44.0 million) were paid on the closing date of the transaction, December 6, 2021; (iii) R\$939,039 refers to the installments payable as described in Note 10 to the financial statements.

- (iii) Refers to advance requested by Petróleo Brasileiro S.A. – Petrobras to begin the negotiation phase of the terms and conditions for the potential acquisition of total equity interest of Petrobras in the concession of a set of onshore E&P and associated facilities (Bahia Terra Cluster), located in the Recôncavo and Tucano Basins, state of Bahia, Brazil.
- (iv) Motors, production equipment and sundry materials that will be used in production are recognized in line item ‘capital asset inventories’. The depreciation of these assets is calculated using the method of units produced, which calculating the ratio of the annual volume produced to the total proven reserve of each field, limited to the expiration date of the concession agreements, as from the time they are transferred to line item ‘Investment to increase production’
- (v) PP&E in progress represents property, plant and equipment items under construction or transportation, not yet available for use.
- (vi) Write-offs recognized in line item ‘capital asset inventories’ refer basically to motors, production equipment, and sundry materials used in repair and maintenance activities and recognized in the cost of services rendered and products sold.

Property, plant and equipment impairment loss

The Company and its subsidiaries annually review indications of possible impairment of their investments to increase production and well drilling, pursuant to the accounting policy shown in Note 8 to the financial statements as at December 31, 2021. The recoverable values of the Cash-Generating Units (CGUs) were determined based on value-in-use calculations, made based on estimates (see Note 3 of the financial statements as at December 31, 2021). As at June 30, 2022 and December 31, 2021 the Company did not identify any indications of impairment of its assets.

Assets pledged as collateral

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

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

7. SUPPLIERS

	Company		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
In local currency	50,797	32,464	169,160	88,206
In foreign currency	12,101	4,217	19,673	10,194
Related parties (note 15)	20,607	21,519	1,203	308
Total	<u>83,505</u>	<u>58,200</u>	<u>190,036</u>	<u>98,708</u>

8. LOANS AND FINANCING

Loan position	Company		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
FINEP	991	1,648	991	1,647
Bank loans	-	-	589,666	762,081
Unamortized costs	(82)	(137)	(17,187)	(22,437)
Total	909	1,511	573,470	741,291
Total current	909	1,211	282,996	281,762
Total noncurrent	-	300	290,474	459,529

Changes in loans

Changes in loans	Company	Consolidated
Balance as at December 31, 2020	2,734	894,040
Additions	60,479	60,479
Payment of principal	(59,145)	(283,210)
Interest paid	(1,194)	(58,399)
Accrued interest	1,250	55,574
Amortization of borrowing costs	97	12,991
Foreign exchange variation	(2,703)	59,816
Balance as at December 31, 2021	1,511	741,291
Payment of principal	(657)	(120,305)
Interest paid	(53)	(21,699)
Accrued interest	53	20,982
Amortization of borrowing costs	55	5,249
Foreign exchange variation	-	(52,048)
Balance as at June 30, 2022	909	573,470

Loans per currency	Company		Consolidated	
	R\$	US\$	R\$	US\$
Loan analysis per currency:				
December 31, 2021:				
FINEP	1,511	-	1,511	-
Bank loans	-	-	-	132,541
June 30, 2022:				
FINEP	909	-	-	-
Bank loans	-	-	-	109,309

The maturities of noncurrent loans are demonstrated below:

Noncurrent loans	Consolidated
2023	144,088
2024	146,386
Total	<u>290,474</u>

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 to those disclosed in the financial statements as at December 31, 2021.

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. With the purpose of financing part of the payment, the Company signed an International Loan Contract, AGE1187904 with the financial institution Itaú Unibanco S.A. Nassau Branch, in the total amount of US\$11,000,000.00 (eleven million U.S. dollars), at a fixed interest rate of 3.7225%. The loan was fully paid in 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 was of US\$195,428.

Potiguar must maintain, as at June 30, 2022, short-term investments as collateral for the loan with a carrying amount of at least R\$138,067 (R\$117,937 as at December 31, 2021), this amount being comprised of 100% of the next installment for the amortization of principal and interest, plus two-thirds of the amount of the next installment. As at December 31, 2021 the subsidiary had the necessary balance and was adhering to the contractual rules. The loan will be repaid in quarterly installments until April 2024.

As part of the early maturity covenant clause, the contract provisions for hedge contracts to protect its net volumes presented in the reserve report as follows:

- For months 1 to 12, (i) at least 85% of its PDP (proven, developed, producing) 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 the distribution of dividends, the main ones being:

- Dividend distribution only after the grace period, which expired on July 25, 2020. Non-payment of dividends resulting from the net profit or other cash balances obtained during the year 2019.
- Average Brent Oil price in the prior year cannot be lower than US\$45/bbl.
- The average Brent Oil price on the final date of the last quarter may not be lower than US\$45 bbl. Potiguar must be non-defaulting in all of its contractual obligations.
- The Company and its subsidiaries must adhere to all of the early maturity covenant clause.

As at June 30, 2022 the Company had met all of the covenants set forth in its debt agreements, with emphasis to: (i) presentation of the annual financial statements of the subsidiary Potiguar within 90 days, audited by independent auditors; (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 June 30, 2022, the obligations are as follows:

- On the last day of each fiscal quarter, the Leverage Ratio (Net Debt-to-EBITDA) of subsidiary Potiguar must not be greater than:
 - 2.0 during the fiscal year 2022.
 - 1.5 during the fiscal year 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.

The subsidiary Potiguar E&P obtained from the financial creditor institutions of the financing contract waiver in order not to sign additional hedge contracts of oil for the period beginning January 1, 2022 and ending June 30, 2022.

In the six-month period ended June 30, 2022 and in the year 2021, the Group complied with the applicable covenants.

The assets pledged as collateral for the contract were disclosed in Note 6 to the financial statements.

9. INCOME TAX AND SOCIAL CONTRIBUTION

The income tax ("IR") and Social Contribution on Net Income ("CSLL") affecting results are demonstrated below:

	Company		Consolidated	
	04/01/2022 to 06/30/2022	04/01/2021 to 06/30/2021	04/01/2022 to 06/30/2022	04/01/2021 to 06/30/2021
Net income (loss) before IR and CSLL	155,291	92,313	167,910	126,643
Combined IR and CSLL rates	34%	34%	34%	34%
IR e CSLL rates according to the legislation	(52,799)	(31,386)	(57,089)	(43,059)
Equity in investments (a)	15,015	36,016	-	-
Rate difference in establishing deferred taxes (b)	10,961	-	(4,809)	-
Other	(2,898)	(2,580)	(2,396)	(3,990)
Reduction - tax incentive	5,461	203	27,415	14,972
Income tax and social contribution	(24,260)	2,253	(36,879)	(32,077)

	Company		Consolidated	
	01/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021	01/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021
Net income (loss) before IR and CSLL	554,277	78,243	698,572	102,438
Combined IR and CSLL rates	34%	34%	34%	34%
IR e CSLL rates according to the legislation	(188,454)	(26,603)	(237,514)	(34,829)
Equity in investments (a)	154,747	26,941	-	-
Rate difference in establishing deferred taxes (b)	(3,747)	-	5,416	-
Other	1,447	664	1,955	(3,201)
Reduction - tax incentive	14,599	2,431	64,440	17,268
Income tax and social contribution	(21,408)	3,433	(165,703)	(20,762)

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

(b) Refers to the difference between the nominal and the effective rate from the Sudene tax benefit over temporary differences of the foreign exchange variation which as of 2022 began to be taxed by the cash regime.

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

	Company		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
<u>Assets</u>				
Provision for well abandonment	4,830	4,052	8,052	6,217
Derivative financial instruments	-	-	259,570	157,992
Tax loss/tax loss carryforward	4,749	13,267	6,027	46,088
Unrealized foreign exchange variation	3,047	-	3,076	-
Deferred tax on provisions and other	9,189	8,153	21,849	17,880
Total	21,815	25,472	298,574	228,177
<u>Liabilities</u>				
CPC adoption (PP&E) (a)	4,545	4,780	4,624	4,890
Unrealized foreign exchange variation	-	-	32,576	6,018
Total	4,545	4,780	37,200	10,908
Total deferred IR and CSLL taxes	17,270	20,692	261,374	217,269
Total deferred tax asset	17,270	20,692	285,326	222,941
Total deferred tax liability	-	-	23,952	5,672

(a) Refers to temporary differences between the accounting and tax base, resulting from compliance of the financial statements of the Company to IFRS.

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

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

	Company	Consolidated
2022	10,895	114,890
2023	513	123,149
2024	521	47,440
2025	522	531
2026 onward	9,364	12,564
Total	21,815	298,574

10. AMOUNTS PAYABLE FOR ACQUISITIONS

	Company		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Current amounts				
<u>Remanso Cluster</u>				
Amortized cost	27,207	27,903	27,207	27,903
<u>Potiguar Cluster</u>				
Amortized cost	-	-	261,302	313,805
<u>Miranga Cluster</u>				
Amortized cost	-	-	105,543	111,610
Fair value through profit or loss	-	-	145,121	-
Total current	27,207	27,903	539,173	453,318
Noncurrent amounts				
<u>Miranga Cluster</u>				
Amortized cost	-	-	317,156	335,388
Fair value through profit or loss	-	-	303,436	474,343
Total noncurrent	-	-	620,592	809,731
Total	27,207	27,903	1,159,765	1,263,049
Total in US\$	5,194	5,000	227,111	228,344

Changes in amounts payable for acquisitions	Company	Consolidated
Balance as at December 31, 2020	-	-
Additions	28,455	1,281,300
Foreign exchange variation	(552)	(18,251)
Balance as at December 31, 2021	27,903	1,263,049
Payments	-	(40,483)
Interest	966	6,795
Foreign exchange variation	(1,662)	(69,596)
Balance as at June 30, 2022	27,207	1,159,765

Remanso Cluster

As described under Note 1 to the financial statements as at December 31, 2021, on December 23, 2020 the Company entered into an agreement to acquire the total equity interest of Petrobras in 12 onshore fields object of the “risk production agreement”, grouped in another set called the Remanso Cluster. The remaining amount payable for this transaction is of US\$ 5 million and shall be paid in December 2022. The amount is adjusted by an annual interest rate (Libor plus 3%).

Potiguar Cluster

On April 25, 2019 the subsidiary Potiguar signed a purchase and sale agreement for the acquisition of Petrobras’ equity interest in a set of 34 onshore oil and natural gas producing fields, called “Riacho da Forquilha Cluster”, located in the Potiguar Basin, in the state of Rio Grande do Norte. The acquisition was concluded on December 9, 2019, after approval of the regulatory bodies.

The subsidiary should pay Petrobras, on such date, a remaining balance corresponding to 16% of the adjusted acquisition value, or approximately US\$56,000, contingent to the extension of the concessions of eleven of the 34 fields acquired.

The process for extending concessions involves filing Development Plans with ANP showing a viable investment and production plan beyond the current contractual period. On March 5, 2020, Potiguar filed with the ANP the Development Plans for the eleven fields. The assessment process of the extension requests is managed by ANP’s Development and Production Authority, which judges the development strategy presented, the physical and financial calendar of the production development projects, the increase in production capacity of the facilities, financial provisions for decommissioning and abandonment of facilities, among other issues.

As described under Note 3 to the financial statements as at December 31, 2021 Management understands that such renewals will be approved and, accordingly, registered in 2021 the amount of R\$313,805 under current liabilities. This amount refers to the total amount of the installment. The Purchase and Sales Contract for the acquisition, signed with Petrobras, does not provide for any adjustment to this value.

In the second quarter of 2022, the Company disbursed approximately US\$8 million in relation to the extension of the concessions Baixa do Algodão, Boa Esperança, Fazenda Malaquias, Leste de Poço Xavier and Pajeú.

As at June 30, 2022 the remaining balance corresponds to 13.8% of the adjusted acquisition value, as demonstrated below:

Field	Percentage
Brejinho	1.5%
Cachoeirinha	1.0%
Fazenda Curral	0.2%
Livramento	1.8%
Lorena	2.8%
Riacho da Forquilha	6.5%
Total	13.8%

Miranga Cluster

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

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

Amortized cost:

- US\$20.0 million payable in twelve months after the closing of the transaction;
- US\$20.0 million payable in twenty-four months after the closing of the transaction;
- US\$40.1 million payable in thirty-six months after the closing of the transaction.

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

Fair value through profit or loss:

As part of the contract, the subsidiary Miranga may pay up to US\$ 85 million in contingent payments provisioned by contract. These are pegged to the average price of the Brent Oil in the last calendar years of 2022, 2023 and 2024. As at December 31, 2021 and June 30, 2022 the Subsidiary had registered the maximum possible amount of the liability.

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

11. PROVISION FOR TAX, LABOR AND REGULATORY CONTINGENCY RISKS

11.1 Probable loss – labor and tax claims

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

Probable loss prognosis	Company		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Labor claims	1,933	2,416	2,268	2,416
Tax claims	1,082	1,027	1,082	1,027
Total	3,015	3,443	3,350	3,443

Changes in the provision	Company	Consolidated
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
Recognized provisions	242	577
Reversed provisions	(635)	(635)
Payments made	(35)	(35)
Balance as at June 30, 2022	3,015	3,350

The Company is a party to 69 labor claims (44 as at December 31, 2021), of which 15 (19 as at December 31, 2021) are assessed as of probable loss. Most of these labor claims are filed against companies outsourced by the Company, in which PetroReconcavo appears as a jointly and severally liable party.

11.2 Possible loss – labor, civil and social security claims

As at June 30, 2022 and December 31, 2021 the Company was a party to claims with possible likelihood of loss, based on the opinion of Management and its legal counsel, as follows:

Possible loss prognosis	Company		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/12/2021
Tax claims	36,560	24,792	38,115	26,469
Labor claims	1,578	764	1,578	764
Regulatory claims	500	500	500	869
Civil claims	1,390	365	1,405	365
Total	40,028	26,421	41,598	28,467

Tax claims consist mainly 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.

12. PROVISION FOR WELL ABANDONMENT

Changes in provision	Company	Consolidated
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
Adjustment	2,286	5,397
Balance as at June 30, 2022	38,206	90,511
Total current liabilities	-	419
Total noncurrent liabilities	38,206	90,092

13. DERIVATIVE FINANCIAL INSTRUMENTS

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

Position of financial instruments	Consolidated	
	06/30/2022	12/31/2021
Derivative financial liabilities		
Commodity forward contracts - current liabilities	(461,229)	(231,125)
Commodity forwards contracts - noncurrent liabilities	(302,214)	(233,559)
Total	(763,443)	(464,684)

Changes in financial instruments	Consolidated
Balance as at December 31, 2020	119,196
Fair value of financial instruments reclassified to profit or loss	(126,780)
Settlement of derivative contracts	126,780
Fair value of financial instruments	(583,880)
Balance as at December 31, 2021	(464,684)
Fair value of financial instruments reclassified to profit or loss	(215,591)
Settlement of derivative contracts	215,591
Fair value of financial instruments	(298,759)
Balance as at June 30, 2022	(763,443)

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 items 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.

14. NET EQUITY

14.1 Share capital

As at June 30, 2022 the subscribed and paid-in capital is of R\$2,898.438 (R\$ 1,863,916 as at December 31, 2021), represented by 292,580,088 (two hundred and ninety-two million, five hundred and eighty thousand and eighty-eight) common shares (248,517,120 as at December 31, 2021), all non-par, registered and book-entry .

Of the subscribed and paid-in capital, costs with the issue of the shares of the IPO of May, 2021 and of its follow-on offering of June 2022 were deducted, relating to expenses with the preparation of prospectus and reports, fees related to third-party professional services (lawyers, auditors, consultants, investment bank professionals, brokers, etc.), expenses with publicity, fees and commissions, transfer and registration costs. These costs totaling R\$113,140 (R\$75,727 as at December 31, 2021) were recorded net of tax effects of R\$38,468 (R\$25,749 as at December 31, 2021), in the net amount of R\$74,672 (R\$49,980 as at December 31, 2021). As at June 30, 2022 the share capital, net of the costs for issuing the shares, amounted to R\$2,823,766 (R\$1,813,936 as at December 31, 2021).

As at June 30, 2022 and December 31, 2021 the common shares were distributed as follows:

Shareholders	PetroRecôncavo S.A.	
	06/30/2022	12/31/2021
PetroSantander Luxembourg Holdings S.a.r.l.	82,536,716	82,536,716
Funds managed by Opportunity	63,930,089	63,930,089
Eduardo Cintra Santos	14,749,105	14,749,105
Perbras - Empresa Brasileira de Perfurações Ltda	12,539,804	12,539,404
Other shareholders	118,824,374	74,761,806
Total	292,580,088	248,517,120
Treasury shares	(2,244)	(143,009)
Total net shares	292,577,844	248,374,111

In the six-month period ended June 30, 2022 the Company bought back 65,000 shares (in 2021 - 327,822 shares bought back) and delivered or sold 205,765 (2021, 184,813) common shares to executives of the Company as part of the share-based payment plan.

As at June 30, 2022 the Company held 2,244 common shares in treasury (143,009 as at December 31, 2021) at the average price of R\$ 19.04, totaling R\$43 (R\$2,292 as at December 31, 2021).

Changes in share capital

In the six-month period ended June 30, 2022 and during the year 2021 the following changes occurred:

Meeting	Date	Changes in share capital
Extraordinary Shareholders' Meeting	02/24/2021	<ul style="list-style-type: none"> • Conversion of the total of preferred shares, 949,005, into common shares; • Approval of authorized capital increase, from R\$300,000,000.00 to R\$2,750,000,000.00; and, • Approval of the IPO of the Company and authorization of the submission, by the Company, of the application for registering as a publicly-held company, as category "A"..
Extraordinary Shareholders' Meeting	04/01/2021	<ul style="list-style-type: none"> • Split of the total amount of common registered, book-entry shares and without par value issued by the Company at the ration of 1:2; • The share capital, previously divided into 83,911,766 common shares, now divided into 167,823,532 common shares without par value; • Approve the Consolidated Incentive Program approved by the Board of Directors and by the General Shareholders' Meeting of April 1, 2021 ("Incentive Program").
Executive Committee Meeting	05/03/2021	<ul style="list-style-type: none"> • Fixation of the price at R\$14.75 per common share issued by the Company object of the public offering for primary distribution of common shares; • Capital increase of the Company in the amount of R\$1,032,500,000.00, from R\$674,941,437.37 to R\$1,707,441,437.37, through the issue of 70,000,000 new common shares, with an issue price of R\$14.75 each, all registered, book-entry and without par value, the object of the above-mentioned IPO. Share capital of the Company is now divided into 237,823,532 common shares.
Executive Committee Meeting	06/02/2021	<ul style="list-style-type: none"> • Capital increase of the Company, within the limit of its authorized capital, in the amount of R\$ 154.9 million, going from R\$1,707 million to R\$ 1,862.3 million, through the issue of 10.5 million new common shares with issue price of R\$ 14.75 each, all non-par, registered, book-entry common shares
Executive Committee Meeting	07/22/2021	<ul style="list-style-type: none"> • Approve the acquisition by the Company of non-par, registered, book-entry common shares issued by the Company, respecting legal limits ("Buyback Program"), for (i) disposal or cancelation, and (ii) to address the commitments undertaken by the Company in the scope of the Consolidated Incentive Program approved by the Board of Directors and

		<p>General Shareholders' Meeting of April 1, 2021, through the disposal and delivery of shares to statutory directors and employees of the Company and its subsidiaries;</p> <ul style="list-style-type: none"> Capital increase of the Company from the current R\$1,862,316,437.37, divided into 248,323,532 non-par, registered, book-entry common shares, to R\$1,863,093,962.37, divided into 248,428,532 non-par, registered, book-entry common shares. This increase occurred due to the exercise of stock option, within the authorized capital limits.
Executive Committee Meeting	10/21/2021	<ul style="list-style-type: none"> Capital increase of the Company, from R\$1,863,093,962.37, divided into 248,428,532 non-par, registered, book-entry common shares, to R\$ 1.863,551,482.01, divided into 248,482,668 non-par, registered, book-entry common shares. Such increase was due to the exercise of stock option, within the authorized capital limits.
Executive Committee Meeting	12/15/2021	<ul style="list-style-type: none"> Capital increase, from R\$1,863,551,482.01, divided into 248,482,668 non-par, registered, book-entry common shares, to R\$1,863,916,056.99, divided into 248,517,120 non-par, registered, book-entry common shares. Such increase was due to the exercise of stock option, within the authorized capital limits.
Executive Committee Meeting	02/25/2022	<ul style="list-style-type: none"> Capital increase of the Company, from R\$1,863,916,056.99, divided into 248,517,120 non-par, registered, book-entry common shares, to R\$1,864,105,015.31 divided into 248,535,088 non-par, registered, book-entry common shares. Such increase was due to the exercise of stock option, within the authorized capital limits.
Executive Committee Meeting	03/21/2022	<ul style="list-style-type: none"> Approve, by majority votes, the proposal of Management for the net income of the period to be allocated as follows: (i) the amount of R\$8,844,889.40, corresponding to 5% of net income allocated to legal reserve; (ii) the amount of R\$5,797,007.01, allocated to tax incentive reserve; (iii) the amount of R\$40,563,972.90, corresponding to 25% of net income adjusted by legal reserve and tax incentive reserve, allocated for distribution to shareholders and mandatory dividends; and (iv) the remaining value, adjusted by the effect of the negative results of transactions with treasury shares in the amount of R\$77,543.84, corresponding to R\$121,614,373.51, to the reserve account for investment and expansion.
Executive Committee Meeting	04/06/2022	<ul style="list-style-type: none"> Capital increase of the Company, from R\$ 1,864,105,015.31 (one billion, eight hundred and sixty-four million, one hundred and five thousand, fifteen reais and thirty-one cents), divided into 248,535,088 (two hundred and forty eight million, five hundred and thirty-five thousand and eighty-eight) non-par, registered, book-entry common shares, to R\$ 1,864,438,240.31 (one billion, eight hundred and sixty-four million, four hundred and thirty-eight thousand, two hundred and forty reais and thirty-one cents), divided into 248,580,088 (two hundred and forty-eight million, five hundred and eighty thousand and eighty-eight) non-par, registered, book-entry common shares. Such increase was due to the exercise of stock option.
Extraordinary Shareholders' Meeting	04/27/2022	<ul style="list-style-type: none"> Approve the amendment to the <i>caput</i> of Article 5 of the By-laws of the Company to reflect the capital increase approved by the Executive Committee Meeting, within the authorized capital limits, in meetings held on 07/22/2021, 10/21/2021, 12/15/2021 and 02/25/2022.
Extraordinary Shareholders' Meeting	05/23/2022	<ul style="list-style-type: none"> Approve the amendment to the <i>caput</i> of Article 5 of the By-laws of the Company to reflect the capital increase approved by the Executive Committee Meeting, within the authorized capital limits, in meeting held on 04/06/2022, with the consequent consolidation of the Company by-laws, and Approve the amendment to the lead paragraph of Article 6 of the By-laws of the Company to increase the limit of authorization for capital increase through deliberation of the Executive Committee, independently of statutory amendment, to up to R\$ 5,000,000,000.00 (five billion reais), as detailed in the Proposal of the Committee, with the consequent consolidation of the Company by-laws.
Executive Committee Meeting	05/31/2022	<ul style="list-style-type: none"> Approve, within the context of the Long-Term Incentive Program ("PILP"), the granting of 699,661 (six hundred and ninety-nine thousand, six hundred and sixty-one) common to the participants of the PILP in relation to the year 2022, in accordance with the proposal of the People Management Committee.

Executive Committee Meeting	06/03/2022	<ul style="list-style-type: none"> • Approve the Restricted Offer of, initially, 44,000,000 (forty-four million) shares, observing that the quantity of shares initially offered may be increased due to the possibility of placing additional shares.
Executive Committee Meeting	06/14//2022	<ul style="list-style-type: none"> • Approve capital increase of the Company, within the limit of authorized capital, of R\$1,034,000,000.00 (one billion, thirty-four million reais), from R\$1,864,438,240.31 (one billion, eight hundred and sixty-four million, four hundred and thirty-eight thousand, two hundred and forty reais and thirty-one cents) to R\$2,898,438,240.31 (two billion, eight hundred and ninety-eight million, four hundred and thirty-eight thousand, two hundred and forty reais and thirty-one cents), through the issue of 44,000,000 (forty-four million) new non-par, registered, book-entry common shares, that will be object of the Offer, with the share capital of the Company going from 248,580,088 (two hundred and forty-eight million, five hundred and eighty thousand and eighty-eight) common shares to 292,580,088 (two hundred and ninety-two million, five hundred and eight thousand and eighty-eight) common shares.

14.2 Capital reserve and profit reserve – Income tax reduction

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 as at December 31, 2021).

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.

14.3 Reinvestment reserve

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

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

14.4 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 a legal reserve in the amount of R\$ 8,845.

14.5 Earnings per share

Earnings per share	PetroRecôncavo S.A.	
	04/01/2022 to 06/30/2022	04/01/2021 to 06/30/2021
Net income (loss)	131,031	94,566
Weighted average of shares issued	256,256,752	215,669,686
Basic earnings per share - R\$	0.511	0.438
Weighted average of shares and stock-options issued	257,161,757	216,867,280
Diluted earnings per share - R\$	0.510	0.436

Earnings per share	PetroRecôncavo S.A.	
	01/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021
Net income (loss)	532,869	81,676
Weighted average of shares issued	252,341,092	191,878,781
Basic earnings per share - R\$	2.112	0.426
Weighted average of shares and stock-options issued	253,272,557	193,076,375
Diluted earnings per share - R\$	2.104	0.423

14.6 Minimum proposed dividends

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

Earnings per share	Company and Consolidated
Balance as at December 31, 2020	2
Minimum proposed mandatory dividends	40,564
Balance as at December 31, 2021	40,566
Payment	(39,686)
Balance as at June 30, 2022	880

14.7 Share-based compensation

Deferred shares

Extraordinary benefits and annual target benefits (2020)

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, in 3 (three) equal lots, in respectively 12 (twelve), 24 (twenty-four) and 36 (thirty-six) months, as of the date of the settlement of the IPO.

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

Long-term incentive plan ("LTIP")

On May 31, 2022 the Company approved the LTIP for 2022. The 2022 LTIP assigned 699,661 (six hundred and ninety-nine thousand, six hundred and sixty-one) deferred shares to the eligible participants.

The LTIP awards restricted shares (during the vesting period) to the Participants in two separate tranches, the retention tranche and the Total Shareholder Return ("TSR") tranche, each representing 50% of the shares awarded.

a) Retention tranche

The retention tranche is subdivided into three portions. These shall have vesting period of 12, 24 and 36 months and deliveries of 20%, 30% and 50% of the shares relating to this tranche, respectively. The delivery of these shares is conditioned to the permanence of the participant in the Group until the end of the vesting period.

b) TSR tranche

The TSR tranche is subdivided into two portions, "TSR Real" and "TSR Dollar". Vesting of both lots has a 36 month term. The delivery of the shares is conditioned to the permanence of the participant up until the end of the vesting period and to the appreciation of the Company's share in comparison to benchmark indexes plus a spread. The final quantity of delivered shares may vary from zero to 200% of the TSR tranche, depending on the appreciation of the Company shares.

As at June 30, 2022 the following share-based payments were in effect:

	Quantity	Grant date	Validity	Fair value	Vested 06/30/2022	Vested 12/31/2021
Extraordinary benefit – 2 nd installment (a)	-	06/25/2021	06/25/2023	3,926	-	1,888
Extraordinary benefit – 3 rd installment	200,402	06/25/2021	06/25/2023	3,926	1,942	901
Extraordinary benefit – 4 th installment	200,402	06/25/2021	06/25/2024	3,926	1,233	572
Annual target benefit - 2020	231,488	06/25/2021	06/25/2024	4,535	1,314	657
LTIP 2022 – Retention tranche Lot I	69,965	05/31/2022	05/31/2023	1,994	167	-
LTIP 2022 – Retention tranche Lot II	104,949	05/31/2022	05/31/2024	2,989	114	-
LTIP 2022 – Retention tranche Lot III	174,932	05/31/2022	05/31/2025	4,913	119	-
LTIP 2022 – TSR Tranche R\$	174,907	05/31/2022	05/31/2025	7,687	186	-
LTIP 2022 – TSR Tranche US\$	174,908	05/31/2022	05/31/2025	7,214	171	-
Total	1,331,953			37,184	5,246	4,018

(a) In June 2022 the Company delivered 200,402 shares in relation to the second installment of the extraordinary benefit.

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.

For the LTIP program, the fair value corresponds to R\$24,797 calculated using the Monte Carlo simulation for share prices and future exchange rates in a risk neutral arrangement. In the simulation, the achievement of TSR targets are verified, as well as quantities effectively transferred, given that the LTIP includes (1) a multiplier of zero to 200% for the quantity relating to the TSR lots, (2) that the proceeds distributed by the Company during the vesting period shall be converted into additional shares due to the number of shares received in the Retention and TSR tranches, earnings per share in the vesting period and share price at the end of the vesting period. The simulated amounts are multiplied by the simulated future prices and the result is discounted at present value by the risk free interest rate.

Additional acquisition of shares and share-matching program.

Furthermore, 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 as of the date of delivery by the Company. The total amount of shares acquired by the executives and key collaborators was of 88,991 common shares and equal amount complemented by the Company (matching).

Stock option compensation

In the years ended December 31, 2013, 2014 and 2016, the Company granted employees holding strategic positions a stock option-based compensation plan. Due to the share split of the Company, occurred on April 1, 2021, each employee stock option may be converted into two 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 six-month period ended June 30, 2022. The quantities of options are the residual options and not exercised.

Stock option series	Quantity of residual stock options	Grant date	Validity date	Strike Price R\$	Fair value on grant date R\$
Issued on October 10, 2013	167,276	10/10/2013	10/09/2023	20.73	15.84
Issued on August 20, 2014	191,243	08/20/2014	08/19/2024	21.41	16.99
Issued on May 13, 2016	92,500	05/13/2016	05/12/2026	14.81	11.93

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

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

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

In the six-month period ended June 30, 2022 and in the year ended December 31, 2021, there were 92,400 shares exercised related to the options issued on May 13, 2016; 20,778 shares exercised related to the options issued on October 10, 2013 and 15,000 shares exercised related to the options issued on August 20, 2014, all after the share-split. . The Company received R\$1,789 regarding these stock options.

14.8 Equity valuation adjustments

In the six-month period ended June 30, 2022, 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\$197,181 (R\$385,361 as at December 31, 2021).

15. RELATED PARTIES

Balance	Company		Consolidated	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021
<u>Other assets</u>				
Recôncavo	573	386	-	-
Perbras (b)	5	5	5	5
Miranga (d)	25,843	-	-	-
Potiguar (d)	36,186	6,534	-	-
Total other assets	62,607	6,925	5	5
<u>Dividends payable</u>	880	40,566	880	40,566
<u>Dividends receivable:</u>				
Recôncavo	1,001	1,001	-	-
Miranga	3,014	3,014	-	-
Total dividends receivable	4,015	4,015	-	-
<u>Suppliers:</u>				
Perbras (b)	621	47	1,066	308
Recôncavo	1,588	1,588	-	-
Reconcavo America (a)	14,566	14,566	-	-
SPE Miranga	852	-	-	-
Interservice	-	-	137	-
Potiguar (e)	2,980	5,318	-	-
Total suppliers	20,607	21,519	1,203	308

Transactions	Company		Consolidated	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
<u>Other income:</u>				
Recôncavo (d)	220	896	-	-
Potiguar (d)	8,912	1,685	-	-
SPE Miranga (d)	12,506	-	-	-
<u>Cost of services/materials:</u>				
Perbras (b)	(3,842)	(2,965)	(9,804)	(2,965)
Recôncavo	-	(96)	-	-
PetroSantander Management Inc. (c)	(37)	-	(37)	-
PetroSantander Holdings GMBH (c)	(11)	-	(11)	-
PetroSantander Colombia (c)	(192)	-	(192)	-
Interservice	(34)	-	(34)	-
Potiguar (e)	(3,915)	(670)	-	-
SPE Miranga (e)	(3,374)	-	-	-
Apportionment (f)	39,043	-	-	-
<u>General and administrative expenses:</u>				
PetroSantander Holdings GMBH (c)	-	(24)	-	(24)
Total	49,276	(1,174)	(10,078)	(2,989)

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

- (b) The Company and its subsidiaries Recôncavo and Potiguar conduct transactions with shareholder PERBRAS - Empresa Brasileira de Perfuração Ltda., which performs services using onshore production rigs and other sundry production support services, under a unit price service agreement, annually adjusted using the General Market Price Index (IGP-M).
- (c) The Company conducts transactions with PetroSantander Management Inc., PetroSantander Colombia, and PetroSantander Holdings GMBH which provide technical assistance and specialized consulting services on a "man-hour" basis related to the exploration and production of oil wells, under a service agreement that does not provide for finance charges.
- (d) Refers to services provided (rigs and sundry) and sale of materials by the Company to subsidiaries Potiguar and SPE Miranga.
- (e) Refers to the sale of processed natural gas of the subsidiary Potiguar to the Company and the sale of materials of the subsidiaries Miranga and Potiguar to the Company.
- (f) Refers to the apportionment of corporate administrative expenses to the subsidiaries.

Key-management personnel compensation

	Company		Consolidated	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Benefits- Board of Directors (a)	3,785	1,940	3,803	1,953
Benefits - Executive Committee (a)	2,592	847	2,592	847
Other benefits (b)	132	211	132	211
Profit sharing	2,205	1,445	2,205	1,445
Performance bonus (c)	-	2,357	-	2,357
Share-based compensation (d)	5,815	-	5,815	-
Total	14,529	6,800	14,547	6,813

- (a) Refers to management compensation paid to Company officers and directors.
- (b) Refers to contributions made by the Company to a private pension plan.
- (c) As described in Note 15 g) to the financial statements as at December 31, 2021, on June 25, 2021 the Executive Committee approved an extraordinary bonus related to the successful outcome of the IPO of the Company.
- (d) Refers to the payments and vesting of the programs described under Note 14.7.

The compensation of the Executive Committee is determined by the shareholders. On April 27, 2022 the shareholders defined, in an Extraordinary Shareholders' Meeting, maximum compensation for 2022 in the amount of R\$25,426 (R\$ 23,000, 2021),, excluding social obligations, which is the responsibility of the employer.

16. RIGHTS AND COMMITMENTS TOWARDS ANP - AGÊNCIA DE PETRÓLEO, GÁS E BIOCOMBUSTÍVEIS

The Group is a concessionaire to 59 oil fields subdivided among the Remanso, Potiguar and Miranga Clusters, as well as having rights to exploratory blocks in the Potiguar Cluster, as described under Note 1. Under the terms of the mentioned concession contracts, in the case of discovering and evidencing commercially viable fields, the Company is guaranteed the rights to develop and produce, over a 27-year period, oil and natural gas that may be ringfenced within the boundaries of these blocks. There are no price restrictions on the sale of products resulting from the exploitation of these areas.

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

Participations	Details
Royalties	7.5% 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 (June 30, 2022 \R\$ 127,934 and June 30, 2021, R\$ 40,772)2021).
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 (R\$ 15,271 as at June 30, 2022 and R\$3,991 as at June 30, 2021).

17. SALES REVENUE, NET

Sales revenues are directly related to the Brent Oil prices, the quotations of which are freely negotiated in the foreign market, and to the contractual sale price of natural gas and its byproducts.

	Company		Consolidated	
	04/01/2022 to 06/30/2022	04/01/2021 to 06/30/2021	04/01/2022 to 06/30/2022	04/01/2021 to 06/30/2021
<u>Gross revenue:</u>				
Services provided	-	78,341	-	78,341
Sale of oil	157,256	-	699,277	247,122
Sale of gas and byproducts	18,879	-	329,303	14,609
Hedge contract	-	-	(130,361)	(20,744)
Total	176,135	78,341	898,219	319,328
 <u>(-) Deductions on revenue</u>	 (15,871)	 (5,756)	 (207,210)	 (70,218)
 Net revenue	 160,264	 72,585	 691,009	 249,110

	Company		Consolidated	
	01/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021	01/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021
<u>Gross revenue:</u>				
Services provided	-	158,109	-	158,109
Sale of oil	306,513	-	1,334,438	458,950
Sale of gas and byproducts	45,667	-	655,437	24,251
Hedge contract	-	-	(215,591)	(17,204)
Total	<u>352,180</u>	<u>158,109</u>	<u>1,774,284</u>	<u>624,106</u>
 <u>(-) Deductions on revenue</u>	 (37,459)	 (11,760)	 (379,799)	 (129,208)
 Net revenue	 <u>314,721</u>	 <u>146,349</u>	 <u>1,394,485</u>	 <u>494,898</u>

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

	Company		Consolidated	
	04/01/2022 to 06/30/2022	04/01/2021 to 06/30/2021	04/01/2022 to 06/30/2022	04/01/2021 to 06/30/2021
Personnel	(15,804)	(20,426)	(54,872)	(30,937)
Services	(13,553)	(4,433)	(28,363)	(7,115)
Consultancy, audit and fees	(4,192)	(3,352)	(6,817)	(3,615)
Materials	(13,740)	(9,486)	(18,747)	(18,702)
Gas processing and transportation	(4,823)	-	(91,019)	-
Rent	(5,426)	(3,159)	(11,188)	(5,761)
Electricity	(7,678)	(8,197)	(15,963)	(12,689)
Depletion, depreciation and amortization	(16,464)	(18,881)	(81,511)	(63,390)
Depreciation of right-of-use assets	(1,112)	(1,768)	(3,597)	(4,991)
Costs of non-operated fields	-	-	(3,659)	(5,324)
Royalties	(13,682)	-	(64,776)	(24,184)
Share-based compensation and associated costs	(5,467)	(4,099)	(5,467)	(4,099)
Environmental licensing	(17)	-	(5,253)	(3,573)
Other	1,419	(801)	(5,014)	(1,757)
Total	<u>(100,539)</u>	<u>(74,602)</u>	<u>(396,246)</u>	<u>(186,137)</u>
 Sale and service costs	 (97,515)	 (59,073)	 (367,690)	 (166,331)
General and administrative costs	(4,403)	(16,166)	(23,913)	(18,188)
Other income (expenses), net	1,379	637	(4,643)	(1,618)
Total	<u>(100,539)</u>	<u>(74,602)</u>	<u>(396,246)</u>	<u>(186,137)</u>

	Company		Consolidated	
	01/01/2022 a 30/06/2022	01/01/2021 a 30/06/2021	01/01/2022 a 30/06/2022	01/01/2021 a 30/06/2021
Personnel	(32,092)	(36,956)	(102,909)	(56,551)
Services	(28,261)	(8,719)	(59,737)	(15,795)
Consultancy, audit and fees	(8,125)	(6,497)	(11,683)	(7,356)
Materials	(25,430)	(20,976)	(33,623)	(38,865)
Gas processing and transportation	(12,352)	-	(179,598)	-
Rent	(9,641)	(5,447)	(20,027)	(10,494)
Electricity	(16,831)	(15,924)	(35,011)	(24,884)
Depletion, depreciation and amortization	(31,792)	(36,702)	(146,470)	(119,674)
Depreciation of right-of-use assets	(3,818)	(3,345)	(8,570)	(9,759)
Costs of non-operated fields	-	-	(7,381)	(10,701)
Royalties	(30,486)	-	(127,934)	(44,763)
Share-based compensation and associated costs	(9,631)	(4,099)	(9,631)	(4,099)
Environmental licensing	(51)	-	(6,686)	(7,460)
Other	10,779	1,598	(5,655)	(10,944)
Total	(197,731)	(137,067)	(754,915)	(361,345)
Sale and service costs	(195,836)	(112,662)	(701,555)	(319,429)
General and administrative costs	(11,723)	(25,732)	(45,701)	(29,471)
Other income (expenses), net	9,828	1,327	(7,659)	(12,445)
Total	(197,731)	(137,067)	(754,915)	(361,345)

19. FINANCIAL INCOME

	Company		Consolidated	
	04/01/2022 to 06/30/2022	04/01/2021 to 06/30/2021	04/01/2022 to 06/30/2022	04/01/2021 to 06/30/2021
Financial income:				
Interest and returns, net	3,936	5,265	6,276	5,322
Interest from loan agreements	6	-	-	-
Other	59	11	61	13
Total	4,001	5,276	6,335	5,335
<u>Foreign exchange variation</u>				
Loans and financing	-	7,814	-	116,683
Foreign exchange fund	51,398	-	64,362	-
Other	21	656	11	1,647
Total	51,419	8,470	64,373	118,330
Total financial income	55,420	13,746	70,708	123,665
Financial expenses				
Interest on well abandonment	(1,144)	(335)	(2,701)	(1,374)
Income tax on foreign transactions	-	(231)	(1,674)	(5,662)
Amortization of borrowing costs	-	(41)	(2,772)	(3,416)
Interest on loans	(79)	(1,408)	(8,646)	(15,196)
Interest on lease operations	(150)	(156)	(266)	(508)
Interest on acquisition payables	(613)	-	(7,159)	-
Bank and other expenses	(500)	(122)	(2,992)	(554)
Total	(2,486)	(2,293)	(26,210)	(26,710)
<u>Foreign exchange variation</u>				
Foreign exchange fund	-	(23,051)	-	(32)
Payables for acquisitions	(2,566)	-	(116,326)	-
Loans and financing	-	-	(54,312)	-
Other	(110)	-	(713)	(33,253)
Total	(2,676)	(23,051)	(171,351)	(33,285)
Total financial expenses	(5,162)	(25,344)	(197,561)	(59,995)
Total	50,258	(11,598)	(126,853)	63,670

	Company		Consolidated	
	01/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021	01/01/2022 to 06/30/2022	01/01/2021 to 06/30/2021
Financial income:				
Interest and returns, net	7,288	11,130	10,553	20,850
Interest from loan agreements	6	97	-	-
Other	70	14	69	28
Total	7,364	11,241	10,622	20,878
Foreign exchange variation				
Amounts payable for acquisitions	1,662	-	69,596	-
Loans and financing	-	5,621	52,048	31,280
Other	239	513	1,636	1,647
Total	1,901	6,134	123,280	32,927
Total financial income	9,265	17,375	133,902	53,805
Financial expenses:				
Interest on well abandonment	(2,287)	(815)	(5,399)	(3,439)
Income tax on foreign transactions	(479)	(231)	(4,744)	(5,662)
Amortization of borrowing costs	-	(41)	(5,195)	(6,754)
Interest on loans	(437)	(1,743)	(22,555)	(30,894)
Interest on lease operations	(364)	(421)	(660)	(1,348)
Interest on acquisition payables	(966)	-	(7,159)	-
Bank and other expenses	(755)	(733)	(3,680)	(1,674)
Financial investment loss	-	-	-	-
Total	(5,288)	(3,984)	(49,392)	(49,771)
Foreign exchange variation				
Foreign exchange fund	(20,504)	(23,051)	(22,191)	-
Loans and financing	-	-	-	(1,896)
Other	(1,324)	(616)	(3,317)	(33,253)
Total	(21,828)	(23,667)	(25,508)	(35,149)
Total financial expenses	(27,116)	(27,651)	(74,900)	(84,920)
Total	(17,851)	(10,276)	(59,002)	(31,115)

20. FINANCIAL INSTRUMENTS

20.1 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 funds, and a subsequent follow-on offering in 2022 for the same purpose. The debt instruments currently in effect refer to a finance lease, a financing facility aimed at funding innovation with Finep and bank loans in the Potiguar subsidiary.

The Company's capital structure consists of its equity (which includes capital, reserves, and earnings reserve, as disclosed in note 14) 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.

20.2 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.

	Note	Company		Consolidated	
		06/30/2022	12/31/2021	06/30/2022	12/31/2021
Financial assets					
<u>Amortized cost</u>					
Cash and cash equivalents	3	154,187	172,288	244,999	217,159
Short-term investments	3	1,331,207	531,863	1,481,881	655,644
Trade receivables	4	68,871	34,398	442,584	169,847
Dividends receivable	15	4,015	4,015	-	-
Judicial deposits		2,475	2,445	2,475	2,445
Financial liabilities					
<u>Amortized cost</u>					
Suppliers	7	83,505	58,200	190,036	98,708
Loans and financing	8	909	1,511	573,470	741,291
Dividends payable	14	880	40,566	880	40,566
Payables for acquisitions	10	27,207	27,903	711,208	788,706
<u>Fair value through other comprehensive income</u>					
Derivative financial instruments	13	-	-	763,443	464,684
<u>Fair value through profit or loss (i)</u>					
Payables for acquisitions	10	-	-	448,557	474,343

- (i) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include prices practiced an active market for similar assets or liabilities, prices practiced in an inactive market for identical assets or liabilities, or inputs that are observable or that could corroborate in the observation of market date through correlation or other forms to substantiate the whole part of the asset or liability.

20.3 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 throughout these interim financial statements and also in this Note to the interim financial statements.

Risk management structure

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 to 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.

a) Cash and cash equivalents

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

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

b) Trade receivables

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

In order to mitigate the credit risk, the Group negotiates only with creditworthy counterparties. Before accepting new clients, the Group assesses the credit risk of the potential customer. The Company and its subsidiaries do not have a background of loss or substantial delays in receivables and there is no expected future loss for such receivables.

Since January 2022, the Company and its subsidiaries Recôncavo, Potiguar and SPE Miranga became able to aggregate new players to its client base. The New Gas Market permitted access of producers to the Gas Treatment Units (UPGNs) and, consequently, the possibility of selling natural gas and its byproducts to a broader pool of companies.

For the sale of oil, the Company continues exclusively linked to Petrobras.

Liquidity risk

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

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

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

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

Maturity	2022	2023	2024	2025	Total
Loans and financing (a)	161,945	313,310	149,420	-	624,676
Derivative financial instruments	265,875	366,932	142,484	-	775,291
Payables for acquisitions	425,746	256,325	370,263	166,782	1,219,116

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

Market risk

Foreign exchange risk

In the six-month period ended June 30, 2022, 96% (98% as at June 30, 2021) 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. In the case of oil, revenue refer to the sale of oil that is indexed to the price of Brent oil, which in turn is quoted in US dollars. For natural gas, revenue is indexed to fixed and variable prices in U.S. dollars. The only contracts, in the period, in which pricing is in Brazilian reais and refers to the sale of LPG.

Most of the costs of the Company were, conversely, denominated in Brazilian reais. Furthermore, the subsidiary of the Company located in the United States of America, Reconcavo America LLC, has some financial assets in U.S. dollars (bank deposits), which are translated into Brazilian reais on the reporting date.

The subsidiary Potiguar contracted, on April 25, 2019, a loan in U.S. dollars for the purpose of financing part of the payment arising from the acquisition of 34 oil and natural gas producing fields, a transaction closed on December 9, 2019. The financing was contracted with the financial institutions Itaú BBA, Morgan Stanley and Deutsche Bank.

The Group has registered, in the item payables for acquisitions, deferred/contingent installments for the acquisition of assets in amounts indexed to the U.S. dollar. In the Company, US\$5,000 have been recognized to be paid in December 2022, while at Potiguar E&P and SPE Miranga, the amounts of US\$56,232 and US\$165,100, respectively, have been recognized. Presently the remaining balance in U.S. dollars, updated with the contractually provisioned interest, is of US\$ 5,194, US\$ 49,887 and US\$ 166,334, respectively.

The Company does not currently operate derivative financial to protect against variations in the foreign exchange rate. However, the Group has financial investments in foreign exchange funds to mitigate exposure to U.S. dollar liabilities.

Sensitivity analysis – foreign currency:

06/30/2022	Risk	Rate (a)	Company			
			Foreign currency exposure - R\$	Probable	Scenario A 25% (b)	Scenario B 50% (b)
<u>Assets</u>						
Short-term investments	US\$ depreciation	5.1138	1,331,206	1,299,642	998,405	665,603
<u>Liabilities</u>						
Payables for acquisitions	US\$ depreciation	5.1138	27,207	26,561	20,405	13,603
Net effect on income (loss)				(30,918)	(325,999)	(651,999)

06/30/2022	Risk	Rate (a)	Consolidated			
			Foreign currency exposure - R\$	Probable	Scenario A 25% (b)	Scenario B 50% (b)
<u>Assets</u>						
Short-term investments	US\$ appreciation	5.1138	1,481,821	1,446,684	1,852,275	2,222,730
<u>Liabilities</u>						
Payables for acquisitions	US\$ appreciation	5.1138	1,159,765	1,132,267	1,449,708	1,739,650
Loans and financing	US\$ appreciation	5.1138	572,561	558,985	715,701	858,842
Net effect on income (loss)				5,937	(62,360)	(125,527)

(a) The translation rate (R\$ to US\$) used in the sensitivity tables as the probable scenario were obtained from the Central Bank of Brazil (Banco Central do Brasil) and correspond to the U.S. dollar rate in the Market Expectation System for June 2023. As at June 30, 2022 the rate was of R\$ 5.2380.

(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 June 30, 2022.

Sensitivity analyses consider the worst net scenario (dollar appreciation or depreciation) among financial assets and liabilities.

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 (Interbank deposit certificate) variation.

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

	Company					
	Risk	Rate (a)	Accounting Scenario	Probable Scenario	Scenario A 25% (b)	Scenario B 50% (b)
Balance as at 06/30/2022						
<u>Assets</u>						
Short-term investments	CDI depreciation	12.90%	154,187	174,077	169,105	164,132
Effect on income (loss)				(386)	(5,358)	(10,331)

Balance as at 06/30/2022	Consolidated					
	Risk	Rate (a)	Accounting Scenario	Probable Scenario	Scenario A 25% (b)	Scenario B 50% (b)
<u>Assets</u>						
Short-term investments	CDI depreciation I	12.90%	244,990	276,604	268,703	260,801
Effect on income (loss)				(612)	(8,514)	(16,415)
<u>Liabilities</u>						
Loans and financing	Libor appreciation	1.565%	572,561	574,199	573,833	575,106
Effect on income				(1,638)	(1,272)	(2,545)

(a) The rates used in the sensitivity table as the probable scenario were obtained from the Central Bank of Brazil (Banco Central do Brasil) and the ICE. For the CDI, future contracts of the CDI for June 2023 were used, and as for the LIBOR rates, the closing rate of July 15, 2022.

(b) Scenario A considers the 25% variation, while B considers a 50% variation. Both project stress scenarios (either depreciation or appreciation of the index) on the effective rate as at June 30, 2022.

Commodity price risk

During the three-month period ended June 30, 2022, 74% of the Company's gross operating revenue was directly linked to the price of Brent oil, the quotations of which are freely traded in foreign markets (98% as at June 30, 2021).

It should be emphasized that as of 2022 new natural gas contracts were signed, which do not have any direct relation to the oil price.

As a way of hedging against the volatilities of the oil market, the Company entered into several hedge contracts, and hedged, during this period, a volume of almost 993 thousand barrels (45% of net oil production for the year) as at June 30, 2022 (2021, 966 thousand barrels, 65% of the net production of oil for the year) at an average price of US\$55.27/bbl as at June 30, 2022 (US\$62.40/bbl in 2021).

		Consolidated				
	Risk	Price (a)	Accounting scenario	Probable	Scenario A 25% (b)	Scenario B 50% (b)
Gross operating income - Oil	Brent oil depreciation	95.19	1,334,438	1,191,210	985,377	629,585
Gross operating income - Gas	Brent oil depreciation	95.19	245,181	219,346	183,885	122,590
Financial instruments - Hedge	Brent oil depreciation	95.19	(215,591)	(197,017)	(119,373)	14,837
Total			1,364,028	1,213,539	1,049,889	767,012
Probable effect on income (loss)				(150,488)	(314,138)	(597,014)

(a) The commodity prices used in the sensitivity table as the probable scenario, in US dollars, were obtained from the commodity pricing agency ICE and represent the average for the next 12 months.

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

The policy of the Company and its subsidiaries is to contract commodity forwards to manage the commodity price risk associated to the payment of contracted loans. In the current year, it has not been necessary to contract additional hedging, once the Company understands that it is sufficiently protected in relation to price fluctuations.

The table below describes the outstanding commodity forwards at the end of the six-month period ended June 30, 2022, as well as information related to its corresponding items object of hedging. The commodity forwards are presented in the line item "derivative financial instruments" in the balance sheet (for further information, see Note 13):

Consolidated			
Hedge instruments outstanding contracts	Average strike price	Quantity	Fair value of the hedge instruments
	06/30/2022	06/30/2022	06/30/2022
	US\$/barrel	In barrels	R\$ thousand
Under 3 months	53.63	484,728	(139,698)
From 3 to 6 months	53.77	519,489	(125,084)
From 6 to 12 months	51.5	896,350	(196,447)
From 1 to 2 years	55.38	1,580,500	(262,551)
From 2 to 3 years	59.65	331,500	(39,662)
Total		3,812,567	(763,442)

Consolidated			
Hedge instruments outstanding contracts	Average strike price	Quantity	Fair value of the hedge instruments
	06/30/2022	06/30/2022	06/30/2022
	US\$/barrel	In barrels	R\$ thousand
Under 3 months	58.52	527,860	(41,914)
From 3 to 6 months	57.82	557,240	(40,252)
From 6 to 12 months	56.10	993,200	(69,518)
From 1 to 2 years	51.85	1,784,567	(132,766)
From 2 to 3 years	53.13	1,281,000	(63,879)
Total		5,143,867	(348,330)

21. INSURANCE

The Company maintain a monitoring policy of the risks inherent to its business. As at June 30, 2022, the Company had insurance contracts in place to cover operational, environmental, civil liability and other risks.

Modalities	Currency	Risk amount		Maximum indemnifiable amount	
		Company	Consolidated	Company	Consolidated
Environmental risks	US\$	6,050	6,050	6,050	6,050
Material damage	US\$	45,543	164,273	25,100	25,100
Civil responsibility	US\$	3,000	3,000	3,000	3,000
Corporate D&O	R\$	120,000	120,000	120,000	120,000

22. 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.

23. NON-CASH TRANSACTIONS

In the six-month period ended June 30, 2022 and 2021, the Company carried out the following transactions not involving cash; therefore, these are not reflected in the statements of cash flows.

	Company		Consolidated	
	06/30/2022	06/30/2021	06/30/2022	06/30/2021
Conversion of loan agreements to advance for future capital increase	-	29,150	-	-
Additions for new contracts IFRS 16	3,583	4,648	18,154	7,990
Total	3,583	29,508	18,154	7,990

24. SUBSEQUENT EVENTS

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

On July 27, 2022 the subsidiary Potiguar E&P signed with ANP two addenda to Concession Contract 48000.003807/97-08 (Lorena Field) that provision for:

- (i) Extension of the Production Phase until 08/05/2052;

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 of 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.