Petro Rio S.A.

Individual and consolidated financial statements for the year ended December 31, 2021 and Independent auditor's report

PetroRio

PetroRio

Management Report

MESSAGE FROM THE MANAGEMENT

“We would like to thank all employees for their dedication this year, with important operational achievements such as the tieback between the Polvo and Tubarão Martelo fields, especially during the COVID-19 pandemic. They overcame various challenges and were responsible for the Company’s success.

2021 was a year marked by many achievements and prepared us for the next growth cycle. Concurrently, we saw the world continue to recover from the COVID-19 pandemic, with extensive vaccination efforts, drastically reducing the disease’s mortality rate, and gradually reopening economies.

PetroRio’s major operational achievement in the year was the tieback conclusion between Polvo and Tubarão Martelo Fields. The project cost US$45 million, and generated savings of US$50 million per year for the cluster, in line with the Company’s culture of financial discipline. Combined with the financial benefits, the investment also brings an environmental contribution, with the reduction of the emissions from the fields due to one less platform operating after the decommissioning of the Polvo FPSO. Accordingly, we managed to reduce the Company’s lifting cost to US$ 11.8/bbl in the fourth quarter of the year, and we expect to continue to deliver gradual improvements in this indicator. The project’s execution, within the expected timeline and under the initial budget, also shows our readiness for new initiatives such as the Frade Drilling Campaign and the development of Wahoo.

On this front, we hired the NORBE VI rig to drill the Frade wells, whose redevelopment plan will start in the first quarter of 2022 with the drilling of the first production well and other two injection wells in the first phase of the redevelopment. At the end of 2021, we filed with the ANP, the Declaration of Commerciality for Wahoo and presented the Development Plan, beginning the process to develop the asset, so that soon after the drillings in the Frade Field, we can begin to drill four production wells, two injection wells and begin the connection with Frade FPSO at a distance of 30km, bringing a significant production increase to the Company with a marginal increase of costs. The effect of these initiatives will be another relevant reduction in the PetroRio’s lifting cost, combined with another material reduction in CO_2 emissions per produced barrel, reinforcing our commitment with all forms of efficiency.

This year, we were involved in the divestment process of the Albacora and Albacora Leste fields, currently owned by Petrobras. In November, we were selected to begin exclusive negotiations of the acquisition for both assets, and we are focused on completing the transaction, as we see a relevant potential for value generation for our shareholders.

2021 was also the year in which we established our access to capital markets, for equity in January, and international fixed income in June. In the stock market, we conducted a follow-on equity offering of approximately US$ 400 million, with a 4x oversubscribed book, reducing leverage and preparing the Company for the debt issuance. In June, we issued bonds of US$ 600 million, reinforcing PetroRio's cash position, with the prepayment of former short-term debts using the five-year maturity bond, aligning our debt profile with our investment activities. Accordingly, we believe that we are prepared and confident that we will continue to be able to access these sources of capital as necessary.

Another reason to be proud is our focus on the well-being, health and safety of our employees, as well as of the Company's operations and society as a whole. We had another year without accidents or environmental incidents, breaking records of accident-free days on our platforms and completing 10 years without accidents at the Frade FPSO. Our employees were also able to benefit from the initiatives of physical and mental health, with meditation and yoga classes, shiatsu and psychologists. We also still apply COVID protocols designed to protect people working in our platforms and office.

Finally, in line with our culture of giving back to society, in 2021 we invested R$ 9.3 million in projects to support sports and culture, such as Instituto Reação, Teatro Casa Grande, Porsche Cup and the Gol de Ouro NGO. These projects have already brought important contributions to society: (i) Instituto Reação, supported by PetroRio since 2016, has had a positive impact on the life of more than 2 thousand children and adolescents in nine centers distributed across the country; (ii) Teatro Casa Grande, an important cultural icon of Rio de Janeiro, part of the life of Rio de Janeiro's citizens for more than 50 years, was reopened in 2021 after its closure due to the pandemic; (iii) Porsche Cup, another important initiative to foster the Brazilian car racing scene; and (iv) the Gol de Ouro NGO, focused on bringing soccer access to children and adolescents in vulnerable conditions. These investments reinforce PetroRio's commitment with the promotion of sports and culture.

We conclude by wishing good health to everyone, and we would like to thank once again all of our employees, who make a difference, and for the trust in our Company, which allows us to continue to execute the strategy that has brought us here."

PetroRio

OPERATING PERFORMANCE

	4Q20	2020	1Q21	2Q21	3Q21	4Q21	2021	2021 x 2020	4Q21 X 4Q20	4Q21 X 3Q21
Avg. Brent	$ 45.26	$ 43.21	$ 61.32	$ 69.08	$ 73.23	$ 79.66	$ 70.95	64.2%	76.0%	8.8%
Avg. Sales Price	$ 46.26	$ 41.69	$ 62.19	$ 66.85	$ 74.41	$ 83.19	$ 74.19	78.0%	79.8%	11.8%
Avg. Exchange Rate	5.40	5.16	5.48	5.29	5.23	5.59	5.40	4.6%	3.5%	6.8%
Final Exchange Rate	5.19	5.19	5.70	5.00	5.44	5.58	5.58	7.5%	7.5%	2.6%
Offtakes (kbbl)										
Frade Field (70%)	1,943	4,867	1,021	1,530	986	2,000	5,537	13.8%	3.0%	102.9%
Polvo + TBMT Cluster (95%)[2]	1,782	4,103	907	1,307	1,498	1,827	5,539	35.0%	2.5%	21.9%
Total PetroRio	3,724	8,970	1,928	2,837	2,485	3,827	11,076	23.5%	2.8%	54.0%
Production (boepd)										
Frade Field (100%)[1]	11,928	12,926	15,086	14,941	16,398	15,028	15,363	18.9%	26.0%	-8.4%
Polvo + TBMT Cluster (95%)[2]	15,777	12,145	14,147	14,093	13,356	15,347	14,236	17.2%	-2.7%	14.9%
Manati Field (10%)	2,285	1,498	2,084	2,191	1,868	1,924	2,017	34.6%	-15.8%	3.0%
Total PetroRio	29,990	26,569	31,317	31,225	31,622	32,299	31,616	19.0%	7.7%	2.1%
Lifting Cost (US$/bbl)										
PetroRio	14.7	14.5	14.3	14.2	12.3	11.8	13.1	-9.7%	-19.7%	-3.7%

[1] As of February 5, 2021, PetroRio held 70% of the Operation in the Field. After the completion of the acquisition of a 30% stake in Petrobras in 1Q21, this percentage increased to 100%.
[2] With the completion of the tieback, on July 2021, PetroRio is entitled to 95% of the oil produced by Polvo and Tubarão Martelo together.

The main highlights of the year include (i) lifting cost, which reached the lowest level ever recorded, with a 10% reduction when compared to 2020, and a reduction of 20% in comparison with 4Q20; (ii) a 19% increase of production, when compared to 2020; (iii) the number of offtakes in the year, which accounted for 11 million barrels sold, the highest volume ever recorded in one year and 24% higher than in 2020; and (iv) the completion of the tieback which not only represented overcoming the operational challenge in the execution of the project, but also marked 2021 as transformational for the Company, which resulted in cost reductions for the Polvo and Tubarão Martelo fields.

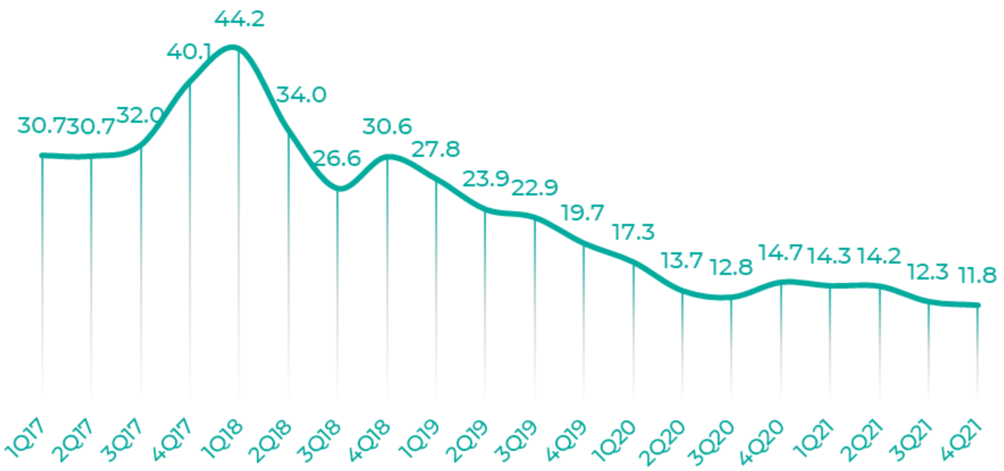
In the year, the Company sold approximately 11 million barrels, with Frade and the Polvo/TBMT cluster each being responsible for approximately half of those sales, at an average gross sales price of US$ 74.19. In the last quarter of the year, PetroRio sold 3.8 million barrels in four offtakes, two in October and two in December, of which 2 million barrels from Frade and 1.8 million barrels from the Polvo/TBMT cluster, with an average gross sales price of US$ 83.19, an increase of 54% in volume when compared to 3Q21.

Oil produced in the Polvo/TBMT cluster was 17% higher than in 2020, due to the incorporation of TBMT in August 2020. In the 4Q21, production was 15% higher, due to the TBMT-10H well start of production in October and the resumption of production of the TBMT-8H and TBMT-2H wells in mid-November.

In the Frade Field, 2021 production was 19% higher than in 2020, due to the increase in interest from 70% to 100% in February 2021, which also resulted in the increase of 26% in the 4Q21. The 8% reduction when compared to 3Q21 is due to the 3-day production stoppage in November, due to the a failure in the automation system.

Since the beginning of the Company's turnaround, which consolidated its growth strategy through the acquisition and development of producing assets, PetroRio has worked to increase its levels of production and rationalize its costs, always maintaining high levels of excellence in environmental responsibility, safety and operational efficiency. PetroRio believes that the best protection against oil price volatility is the reduction of its lifting cost and this will continue to be a pillar of current and future projects. The Company presents below the evolution of its lifting cost since the beginning of 2017.

Lifting Cost PetroRio (US$/bbl)

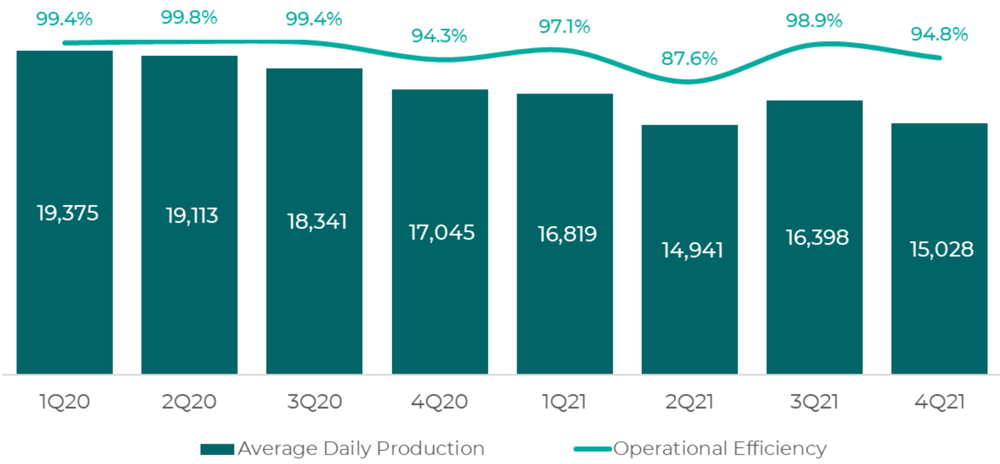


Lifting cost in the 4Q21 was the lowest ever recorded by the Company, presenting a decrease of approximately 20% when compared to the same quarter of the previous year and a reduction of 10% in 2021 against 2020. In the quarter, lifting cost was positively affected by the (i) completion of the tieback between Polvo and TBMT, which led to a reduction of operating costs ("OPEX") of US$ 50 million per year due to the Polvo FPSO decommissioning, which was chartered to the field; (ii) start of TBMT-10H well production in the fourth quarter, which aggregated a daily production of approximately 3 kbbl/d; and (iii) resumption of production of the TBMT-8H and TBMT-2H wells, which joined added 2.6 kbbl/d of production.

FRADE FIELD

Operational efficiency in the quarter was 94.8%, impacted by two shutdowns in November, which stopped production for three days and were caused by a failure in the automation system of Frade FPSO. In the year, the field's efficiency recorded 94.6%, impacted by the scheduled maintenance shutdown between April and May, and by the shutdowns mentioned above. The field's production, under PetroRio's management for over 2 years, shows the effects of the natural depletion of mature fields and averaged 15.4 kbbl/d over the year the year . The chart below shows the average daily production and the operational efficiency of the last quarters:

Average Daily Production and Operational Efficiency
Frade Field (100%)



PetroRio maintains in its project portfolio the Frade Field's Revitalization Plan, which seeks to increase the asset's recovery factor and meet ANP conditions for the extension of the concession until 2041, as stated in the Field's Development Plan approved by ANP. The global project encompasses the drilling of four production wells and three injection wells, which were selected for the optimization of the field's recovery factor.

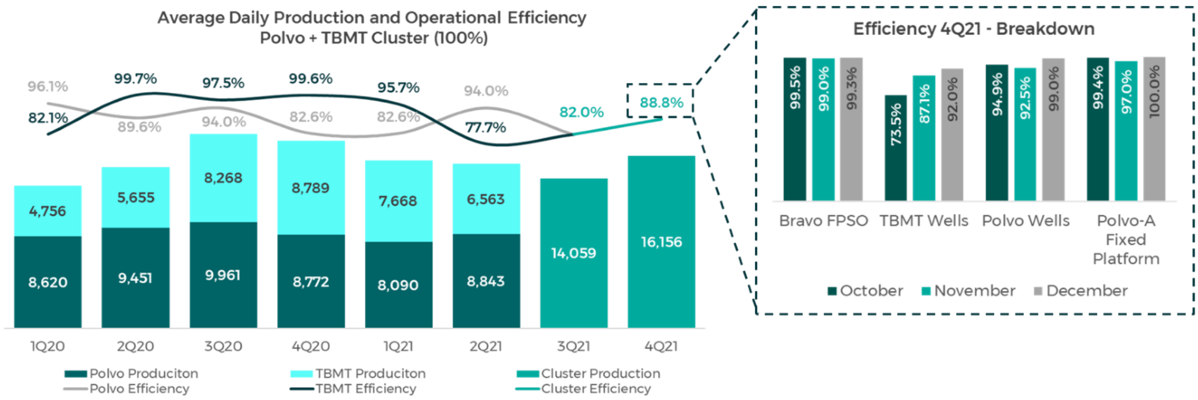
The first phase of the Frade Field's Revitalization Plan includes the drilling of one producer well and two horizontal injection wells, expected to start in March 2022, and to be carried out by the NORBE VI rig.

POLVO AND TBMT CLUSTER

In the 4Q21, the Polvo/TBMT cluster presented average daily production 15% higher than in the 3Q21, positively impacted by the resumption of production of the TBMT-8H and TBMT-2H wells in November, and the TBMT-10H well start of production in late-October, with average production of 3 kbbl/d, which offset the loss of 1.4 kbbl/d caused by the stoppage of the OGX-44HP well due to failure in the electric submersible pump (BCS) in December, whose resumed production in January 2022. In the annual comparison, the cluster's production, net to PetroRio, was 17% higher, due to the incorporation of the Tubarão Martelo field production in August 2020.

The cluster's average operational efficiency in the quarter was approximately 89% and, in the year, 87%, impacted by scheduled maintenance shutdowns over the year in both assets, for the tieback's completion; and by the workover of the TBMT-8H well, from March to November; the TBMT-2H well from September to November; and the OGX-44HP well in December, for the replacement of the ESPs (electric submersible pump). The graph below shows the production and efficiency of the fields since 2020:

PetroRio



With the tieback's conclusion in July 2021, the Company now holds the right to 95% of the oil produced in the Polvo and Tubarão Martelo cluster.

On June 17, and July 8, 2021, PetroRio announced the completion of the acquisition of 35.7% and 28.6% interests, respectively, in the Wahoo Field.

After this transaction, PetroRio now holds 64.3% of the Field, and aims to create a second production cluster with the tieback of Wahoo and Frade, continuing the strategy of operational optimization of its assets. Wahoo's first oil is expected in early 2024.

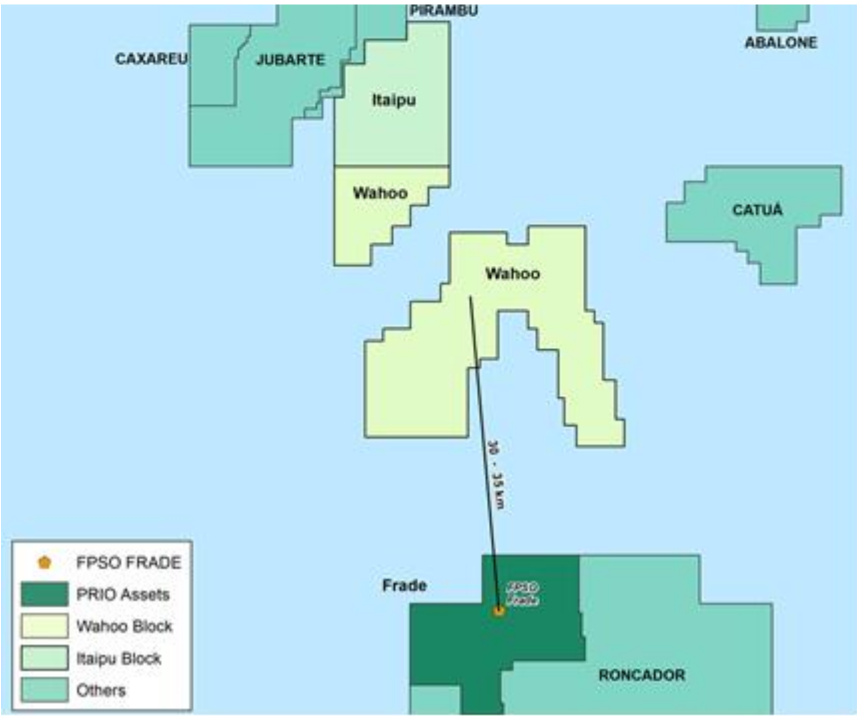
Wahoo, with oil discovery in 2008 and formation test conducted in 2010, has the potential to produce approximately 125 million 1C barrels (100% of the field), according to the DeGolyer & MacNaughton reserve certification report ("D&M"). The Company estimates an initial average productivity of more than 10,000 barrels per day per well and a total production that will reach 40,000 barrels per day, based on the results of the formation test carried out in an exploratory well.

Wahoo's base project includes the drilling of four production wells and two injection wells, as well as the connection between the wells and the Frade FPSO. The initial estimated CAPEX for the project is divided into US$ 300 million for tieback, US$ 360 million for drilling wells, US$ 100 million for subsea equipment and US$ 40 million for adjustments to the Frade FPSO and other items.

On December 22, 2021, PetroRio filed with ANP the Declaration of Commerciality for the Wahoo discovery (located at the Block C-M-101) and the Development Plan under exclusive operation, which are currently under analysis.

Lastly, the next steps in the development of Wahoo are:

1) Development Plan approval;
2) Beginning of the drilling and interconnection project;
3) Wahoo first oil.



MANATI NATURAL GAS FIELD

The volume of gas sold in 2021 was 2,017 boepd, 35% higher than 2020. In the quarterly comparison, volume was 1,924 boepd, 3% higher than in the previous quarter and 15% higher than in the same quarter of 2020.

The cost of operation, which consists of direct costs, excluding depreciation, was R$ 27 million in 2021, 30% higher than in 2020. In the quarterly comparison, 4Q21 presented an increase of 28% (from R$ 6.8 million in 2020 to R$ 8.7 million in 2021) in costs, when compared to 4Q20. Another R$ 9 million was paid as royalties and special participation.

The acquisition of Manati, carried out in 2017 for approximately R$ 116 million (US$ 37 million at the time), had a payback of 2 years. On November 5, 2020, the Company announced the sale of its 10% interest in the Manati field for R$ 144.4 million; however, due to a longer than expected negotiation for Gas Bridge to assume the field's operation, a few contractual adjustments will be required. The Company maintains the focus on carrying on the divestment of the asset and will inform the market as soon as there are relevant updates.

This movement is part of the Company's value generation strategy through dynamic management of its asset portfolio and part of PetroRio's focus on the operated assets that make up the core of its business.

PetroRio

FINANCIAL PERFORMANCE

PetroRio presents below the financial performance with and without the impact of changes in IFRS 16, and statements of non-cash and non-recurring accounting entries and their impacts on the statements when shown in Reais.

In the year, important factors that affected financial performance were (i) the increase of revenue, as a result of the increase in sales and rise in Brent prices, which reached US$ 86.40 per barrel in October, the highest level of the last seven years, and (ii) the reduction of operating costs, due to the tieback of Polvo and TBMT.

Therefore, in 2021 PetroRio registered the highest net revenue ever recorded, of R$ 4,396 million, an annual increase of 131% and an Adjusted EBITDA (ex-IFRS 16) of R$ 2,854 million, an increase of 226%, representing the Company's consistent commitment with operational excellence, also shown in production growth and offtakes.

Results for the Period
(in thousands of R$)

	Ex IFRS-16			Accrued - Ex IFRS-16			Accrued - Inclui IFRS-16		
	4Q20	4Q21	Δ	2020	2021	Δ	2020	2021	Δ
Net Revenue	880,035	1,778,315	102%	1,904,185	4,396,003	131%	1,904,185	4,396,003	131%
Cost of goods sold	(295,836)	(348,642)	18%	(724,924)	(1,010,893)	39%	(513,009)	(802,103)	56%
Royalties	(74,819)	(127,073)	70%	(152,552)	(321,093)	110%	(152,552)	(321,093)	110%
Operating Income	509,379	1,302,600	156%	1,026,709	3,064,017	198%	1,238,624	3,272,807	164%
General and administratie expenses	(44,291)	(66,942)	51%	(150,020)	(210,423)	40%	(144,430)	(204,667)	42%
Other operating income (expenses)	430,222	(8,899)	n/a	692,354	(65,377)	n/a	692,354	(65,377)	n/a
EBITDA	895,310	1,226,759	37%	1,569,044	2,788,217	78%	1,786,549	3,002,762	68%
EBITDA margin	*102%*	*69%*	*-33 p.p.*	*82%*	*63%*	*-19 p.p.*	*94%*	*68%*	*-26 p.p.*
Depreciation and amortization	(243,489)	(271,721)	12%	(702,088)	(733,472)	4%	(843,801)	(881,319)	4%
Financial Results	32,787	(126,447)	n/a	(307,692)	(559,290)	82%	(458,668)	(622,322)	36%
Financial Income	*434,308*	*155,775*	*-64%*	*1,469,151*	*949,843*	*-35%*	*1,469,151*	*887,397*	*-40%*
Financial Expenses	*(401,521)*	*(282,222)*	*-30%*	*(1,776,843)*	*(1,509,133)*	*-15%*	*(1,927,820)*	*(1,509,720)*	*-22%*
Income and social contribution taxes	(8,789)	65,698	n/a	(31,167)	(166,075)	433%	(31,167)	(166,075)	433%
Income (loss) for the period	675,820	894,289	32%	528,097	1,329,380	152%	452,913	1,333,046	194%

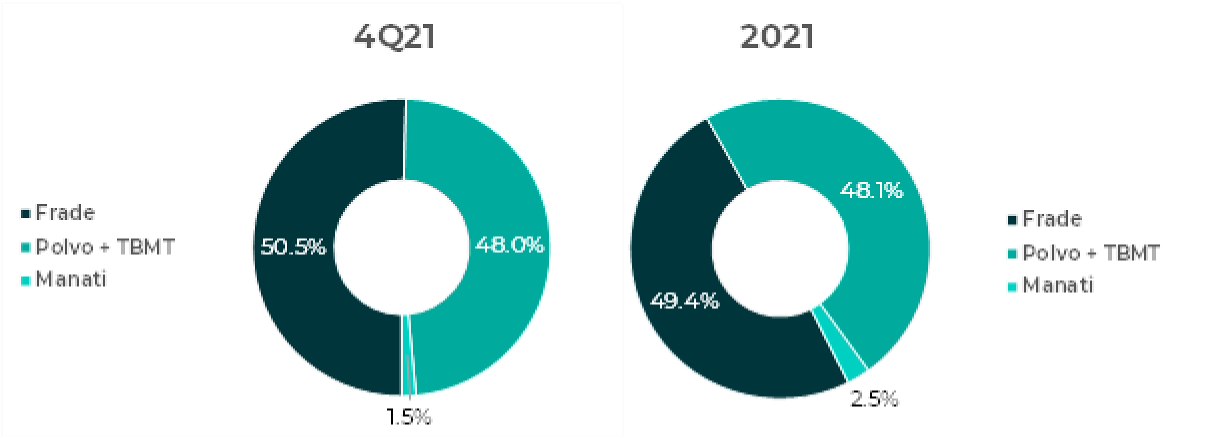
	4Q20	4Q21	Δ	2020	2021	Δ	2020	2021	Δ
Adjusted* EBITDA	465,088	1,235,657	166%	876,689	2,853,594	225%	1,094,194	3,068,140	180%
Adjusted EBITDA margin	*53%*	*69%*	*+17 p.p.*	*46%*	*65%*	*+19 p.p.*	*57%*	*70%*	*+12 p.p.*

* Adjusted EBITDA is calculated similarly to EBITDA, excluding the line of nonrecurring effects "Other Revenues and Expenses".

PetroRio's Revenue	4Q20	2020	3Q21	4Q21	2021	2021 x 2020	4Q21 X 4Q20	4Q21 X 3Q21
Avg. Sales Price	$ 46.26	$ 41.69	$ 74.41	$ 83.19	$ 74.40	78.5%	79.8%	11.8%
Production (boepd)	29,990	26,569	31,622	32,299	31,616	19.0%	7.7%	2.1%
Offtakes (kbbl)	3,724	8,970	2,485	3,827	11,076	23.5%	2.8%	54.0%

Analyzing annual revenues, the Frade field and Polvo/TBMT cluster accounted for 49.4% and 48.1% of the Company's total revenue, respectively, and Manati natural gas field, accounted for 2.5% of total revenues. The graph below shows the share of each asset in the Company's total net revenue:

Revenue per Asset



Costs of Goods Sold increased by 39% in 2021 compared to 2020 (ex-IFRS 16), mainly due to the increase in production and sales during the year, partially offset by the effects of the tieback between the Polvo and TBMT fields, concluded in July 2021.

The Company recorded Operating Income (ex-IFRS 16) of R$ 3.064 million in 2021, an increase of 198% when compared to the previous year, as a result of an increase in the revenues recognized by Frade and Polvo/TBMT, due to higher Brent prices and production and the incorporation of Frade's 30% interest in 2021.

General and administrative expenses include expenses with M&A, personnel, projects, geology and geophysics, which amounted to R$210 million in the year. The 40% increase in this item is mainly due to the (i) increase of legal counsel expenses and contracting/renewal of systems and software and (ii) personnel expenses, with provisioning of 2021 annual bonuses.

Adjusted EBITDA (ex-IFRS 16) of R$ 2,854 million, 225% higher compared to the last year, was driven by the increase in Operating Income.

In other operational revenues/expenses, the larger 2021 impacts were the non-cash effects of the change in abandonment provision due to the economic life extension of the Polvo/TBMT cluster, Tubarão Azul abandonment and contingencies provisions.

The Company's financial result (ex-IFRS 16) was negative by R$ 559 million, against a negative R$ 308 million in 2020, impacted by exchange rate fluctuations (non-cash effect) on balance sheet items denominated in dollars, such as abandonment provisions, intercompany loan agreements and the bond.

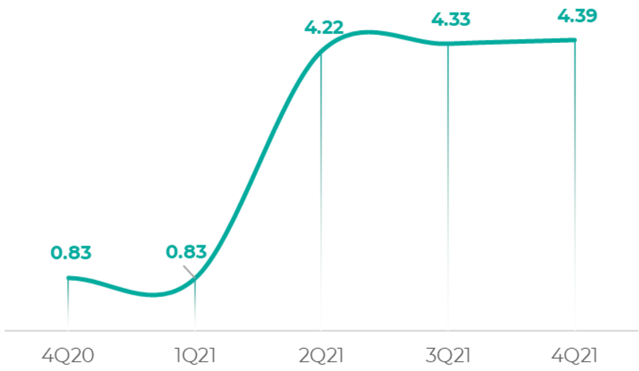
Net income (ex-IFRS 16) for the period R$ 1,329 million, 152% higher than the R$ 528 million recorded in 2020. The result was driven by the significant increase in operating figures.

CASH, DEBT AND FINANCING

PetroRio has been consistently monitoring its liquidity and leverage level. After the US$ 600 million bond issuance in June 2021, the Company prepaid all other debts over the second half of 2021, making the bond the only remaining debt.

The Company's debt duration is a result of the longer-term capital structure sought by PetroRio, which improves financial planning and prepares the Company to address continue inorganic growth.

Debt Duration (in years)



Amortization schedule (in R$ MM)

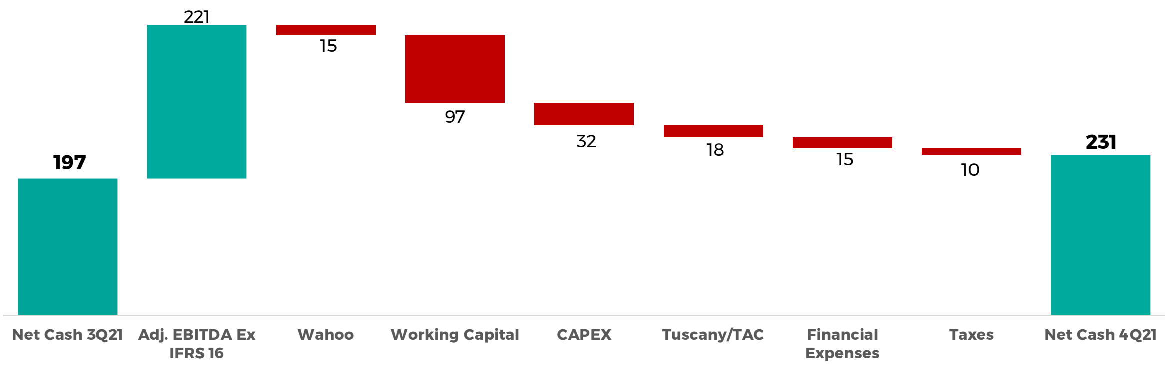
PetroRio

NET CASH AND LEVERAGE

In the fourth quarter of 2021, net cash position increased US$ 34 million (R$ 230 million), as a result of:

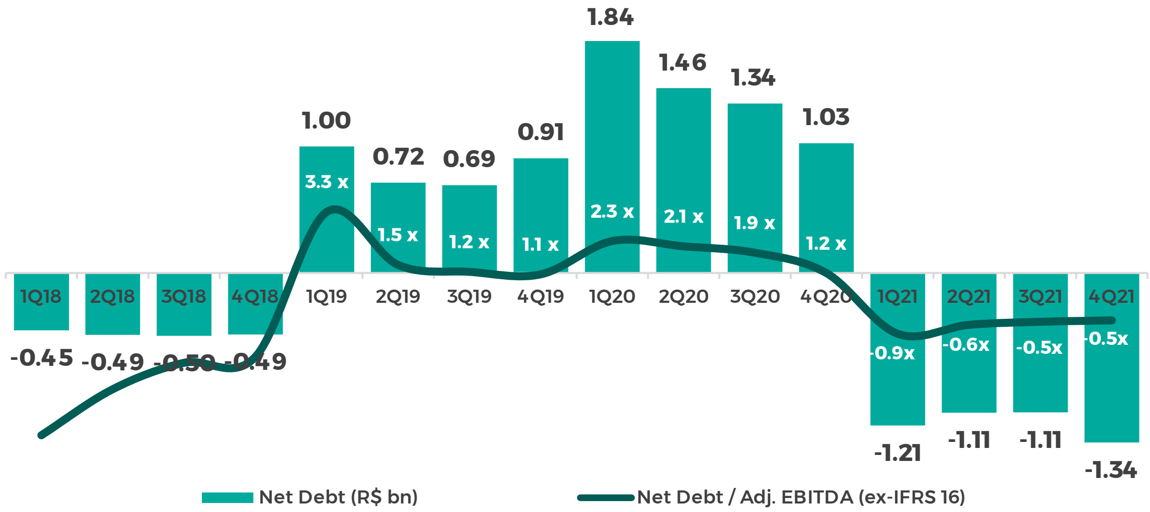
- Wahoo: payments to BP relating to the acquisition of Wahoo;
- Working Capital: increase of accounts receivable due to a concentration of sales at the end of the quarter;
- CAPEX: expenses related to the TBMT-10H well completion and the Polvo FPSO decommissioning;
- Tuscany/TAC: payment of Tuscany process and settlement of Frade's TAC;
- Financial Expenses: expenses related to interests and hedge premiums, contracted in October.

Net Cash Variation
(US$ MM)



PetroRio works diligently to control its leverage and maintains a net cash position. Due to the stable level of debt, the net cash increase detailed above, and mainly due to the consistent growth of Adjusted EBITDA over the last 12 months, Net Debt (Cash)/Adjusted EBITDA remained stable at -0.5x.

Net Debt (Cash) / Adjusted EBITDA (ex-IFRS 16)
(in R$ billion)



Independent auditors' report on the individual and consolidated financial statements

To the Shareholders, Board of Directors and Officers of
Petro Rio S.A.
Rio de Janeiro – RJ

Opinion

We have audited the individual and consolidated financial statements of Petro Rio S.A. (the “Company”), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2021, and the statements of profit or loss, of comprehensive income (loss), of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with the Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the audit of the individual and consolidated financial statements” section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by Brazil’s National Association of State Boards of Accountancy (“CFC”), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide an individual opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatements of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment of assets

As disclosed in Notes 11 and 12 to the consolidated financial statements, as at December 31, 2021, the Company records property, plant and equipment and intangible assets in the amounts of R$3,549,045 thousand and R$1,742,326 thousand, respectively. As at December 31, 2021, in accordance with CPC 01 (R1) - Impairment of Assets (IAS 36 - Impairment of Assets), the Company assessed the existence of indicators of impairment of the assets in its cash-generating units ("CGUs") and performed the calculation of the recoverable amount, assessing the need to record impairment. To calculate the recoverable amount of assets, the Company used the discounted cash flow method, which incorporates significant judgments in relation to factors associated with the level of future production, commodity prices, production costs and economic assumptions such as discount rates and exchange rates where the Company operates.

Due to the materiality of the balances of property, plant and equipment and intangible assets and the complexity in determining the assumptions used in the expected future cash flows at each CGU, we consider this to be a key audit matter.

How our audit addressed this matter

Our procedures included, among others, (i) evaluation of the Company's assumptions to determine the recoverable amount of its assets, including those related to production, production cost, commodity prices, capital investments, discount rates and exchange rates; (ii) evaluation of the definition and identification criteria of the CGUs; (iii) the use of valuation model experts to support us in evaluating and testing the assumptions used to determine the discount rates used by the Company's executive board; and iv) the performance of an independent calculation affecting the main assumptions used.

Building a better working world

Based on the result of the audit procedures performed on the impairment test of assets, which is consistent with the executive board's assessment, we consider that the criteria and assumptions of the recoverable amount adopted by the executive board, as well as the related disclosures in Notes 11 and 12 are acceptable in the context of the financial statements taken as a whole.

Recoverability of deferred income and social contribution taxes

As disclosed in Note 18 to the consolidated financial statements, as at December 31, 2021, the Company accounted for deferred income and social contribution taxes in the amount of R$378,679 thousand, established by temporary differences and on income and social contribution tax losses. In accordance with the accounting practices adopted in Brazil, the Company should annually evaluate the projection of future taxable profits for the purposes of assessing the recoverability of deferred income and social contribution taxes.

This annual test was assessed as one of the key audit matters, considering the magnitude of the amounts involved and the fact that the process of assessing the recoverability of deferred income and social contribution taxes is complex and involves a high degree of subjectivity in the projections of future taxable profits, and it is based on several regularly subjective assumptions, that will be affected by market conditions or future economic scenarios in Brazil, which cannot be estimated accurately.

How our audit addressed this matter

Our audit procedures included, among others, (i) the use of tax specialists to support us in assessing and testing the balance established by the Company, as well as the model used to measure the recoverable amount of deferred income and social contribution taxes and the assumptions, projections and methodology used; (ii) the validation of the information used in the calculations; (iii) conducting a retrospective review of previous projections to identify any inconsistency in the development of estimates in the future; (iv) an independent calculation affecting the main assumptions used; and (v) the review of the adequacy of the disclosures made by the Company on the assumptions used in the recoverability calculations, especially those that had a more significant effect in determining the recoverable amount of deferred income and social contribution taxes.

As a result of the audit procedures performed on the test of the deferred income and social contribution tax balance established by the Company, we identified audit adjustment, indicating the need of a supplement to deferred income and social contribution tax assets, which was recorded by the executive board even considering its immateriality on the financial statements taken as a whole.

Based on the result of the audit procedures performed on the deferred income and social contribution tax balances established by the Company, as well as their recoverability, which are consistent with the executive board's assessment, we consider that the criteria related to their establishment and the assumptions of recoverable amount adopted by the executive board, as well as the related disclosures in Note 18 are acceptable in the context of the financial statements taken as a whole.

<u>Estimate of provisions for abandonment of facilities</u>

As disclosed in Note 19 to the consolidated financial statements, as at December 31, 2021, the Company recorded a provision for abandonment of facilities (ARO) in the amount of R$ 692,289 thousand. Due to the nature of its operations, the Company will incur obligations to restore and rehabilitate the environment upon the closing of oil and gas production in each corresponding area. The rehabilitation of areas and of the environment is required by both current legislation and the Company's policies. Estimating the costs associated with these future activities requires considerable judgment in relation to factors such as the period of use of a given area, the time needed to rehabilitate it and certain economic assumptions such as discount rate, foreign currency translation rates and the original values that are quoted by specific suppliers. Due to the materiality of the provision for abandonment of areas and the level of uncertainty for determining its estimate that may impact the amount of this provision in the consolidated financial statements and the investment amount recorded under the equity method in the parent company's individual financial statements, we consider this to be a significant audit matter.

How our audit addressed this matter

Our audit procedures included, among others, (i) evaluation of the procedures related to determining the estimated amount of the provision to restore and rehabilitate oil production assets; (ii) analysis of the expected time for abandonment based on projected outputs and the estimated deadline for the asset's economic feasibility; (iii) with the support of our financial modeling specialists, analysis of the assumptions used, including the base cost of the areas to be abandoned, inflation, discount and risk rates; (iv) analysis of the changes in the provision in the year related to abandoned, restored/rehabilitated areas and the relevant environmental obligation, in order to assess the main inputs, such as costs, inflation and discount rates, as well as the abandonment plan; (v) arithmetic checking of the results of the estimates, tracing them to accounting information and management reports; and (vi) evaluation of the adequacy of the disclosure of the provision of obligations to restore and rehabilitate the environment when abandoning areas.

Based on the result of the audit procedures performed, we consider that the criteria and assumptions, which are consistent with the executive board's assessment, as well as the related disclosures in Note 19, are acceptable in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated Statements of Value Added (SVA) for the year ended December 31, 2021, prepared under the responsibility of the Company's executive board and presented as supplementary information for purposes of IFRS, were submitted to the same audit procedures conducted together with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria provided for in Accounting Pronouncement NBC TG 09 - Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria provided for in Accounting Pronouncement NBC TG 09 and are consistent with the individual and consolidated financial statements taken as a whole.

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

The Company's executive board is responsible for such other information, which comprise the Management Report.

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

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

Responsibilities of the executive board and those charged with governance for the individual and consolidated financial statements

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

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

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

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

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

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

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

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

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board;

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

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

- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit and, consequently, for the audit opinion.

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

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

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

Rio de Janeiro, February 14, 2022.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Pia Leocádia de Avellar Peralta
Accountant CRC-1RJ101080/O-0

PetroRio

Balance sheet
December 31, 2021 and 2020
(In thousands of reais – R$)

	Note	Parent company 12/31/2021	Parent company 12/31/2020	Consolidated 12/31/2021	Consolidated 12/31/2020
Assets					
Current assets					
Cash and cash equivalents	3	**23,581**	27,480	**970,681**	809,273
Securities	4	**350**	-	**3,680,185**	22,793
Restricted cash	5	-	-	-	49,996
Accounts receivable	6	-	-	**915,033**	386,165
Oil inventories	25	-	-	**189,477**	186,160
Inventory of consumables		-	-	**28,059**	8,506
Financial instruments	30	-	-	**35,011**	14,926
Recoverable taxes	7	**2,244**	2,648	**85,839**	124,321
Advances to suppliers	8	-	16	**84,013**	58,245
Advances to partners	20	-	-	**33,216**	86,997
Prepaid expenses		**53**	340	**9,760**	25,594
Other receivables		-	-	**513**	-
		26,228	30,484	**6,031,787**	1,772,976
Non-current assets classified as held for sale	9	-	-	**74,508**	68,439
		26,228	30,484	**6,106,295**	1,841,415
Non-current assets					
Advances to suppliers	8	-	-	-	12,596
Deposits and pledges		-	5,347	**10,645**	20,317
Recoverable taxes	7	-	-	**8,559**	32,848
Deferred taxes	18	**18,539**	14,181	**378,679**	199,942
Related parties	23	**56,941**	8,627	-	-
Right-of-use (Lease CPC 06.R2 IFRS 16)	17	-	-	**425,867**	369,836
Investments	10	**6,766,526**	3,642,162	-	-
Property, plant and equipment	11	**999**	1,486	**3,549,045**	3,359,013
Intangible assets	12	-	-	**1,742,326**	956,866
		6,843,005	3,671,803	**6,115,121**	4,951,418
Total assets		**6,869,233**	3,702,287	**12,221,416**	6,792,833

See the accompanying notes to the financial statements.

PetroRio

Balance sheet
December 31, 2021 and 2020
(In thousands of reais – R$)

	Note	Parent company 12/31/2021	Parent company 12/31/2020	Consolidated 12/31/2021	Consolidated 12/31/2020
Liabilities and shareholders' equity					
Current liabilities					
Suppliers	13	**220**	3,940	**292,204**	236,889
Labor obligations		**27,321**	1,304	**131,475**	54,857
Taxes and social contributions	14	**829**	5,484	**183,678**	87,741
Loans and financing	16	**-**	-	**553**	1,519,966
Contractual charges (Leases - IFRS 16)	17	**-**	-	**105,905**	252,645
Accounts payable – acquisition of Wahoo	15	**-**	-	**376,684**	**-**
		28,370	10,728	**1,090,499**	2,152,098
Liabilities directly linked to non-current assets classified as held for sale	9	**-**	-	**(4,502)**	(2,649)
		28,370	10,728	**1,085,997**	2,149,449
Non-current liabilities					
Suppliers	13	**-**	-	**400**	13,640
Loans and financing	16	**-**	-	**3,307,368**	389,753
Provision for abandonment (ARO)	19	**-**	-	**692,289**	638,504
Provision for contingencies	32	**500**	500	**27,284**	75,809
Related parties	23	**220,114**	540,645	-	-
Contractual charges (Leases - IFRS 16)	17	**-**	**-**	**487,467**	373,455
Other liabilities		**-**	-	**362**	960
		220,614	541,145	**4,515,170**	1,492,121
Shareholders' equity					
Realized capital	22	**5,303,644**	3,326,900	**5,303,644**	3,326,900
Capital reserves		**348,886**	321,359	**348,886**	321,359
Revenue reserves		**255,381**	-	**255,381**	-
Accumulated translation adjustment		**712,338**	579,820	**712,338**	579,820
Accumulated losses		**-**	(1,077,665)	**-**	(1,077,665)
Non-controlling interest		**-**	-	**-**	849
		6,620,249	3,150,414	**6,620,249**	3,151,263
Total liabilities and shareholders' equity		**6,869,233**	3,702,287	**12,221,416**	6,792,833

See the accompanying notes to the financial statements.

PetroRio

Statements of income

Years ended December 31, 2021 and 2020
(In thousands of reais – R$, except earnings/losses per share)

		Parent company		Consolidated	
	Note	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Net revenue	24	-	-	**4,396,003**	1,904,185
Costs of products/services	25	-	-	**(1,883,358)**	(1,286,926)
Gross revenue		-	-	**2,512,645**	617,259
Operating revenues (expenses)					
Geology and geophysics expenses		-	-	**(10,262)**	(471)
Personnel expenses		**(5,028)**	(5,071)	**(114,845)**	(37,853)
General and administrative expenses		**(367)**	(1,009)	**(25,152)**	(43,487)
Expenses with Outsourced Services		**(5,138)**	(5,004)	**(47,713)**	(46,242)
Taxes and rates		**(581)**	(2,127)	**(6,695)**	(16,378)
Depreciation and amortization expenses		**(487)**	(487)	**(110,973)**	(193,516)
Equity in income of subsidiaries	10	**1,359,180**	508,118	-	-
Other operating revenues (expenses), net	26	**2,116**	(2,018)	**(75,562)**	663,437
Operating income (loss) before financial income (loss)		**1,349,695**	492,402	**2,121,443**	942,749
Financial revenues	27	**34,150**	32,730	**946,536**	1,469,151
Financial expenses	27	**(55,157)**	(84,351)	**(1,568,858)**	(1,927,820)
Income before income tax and social contribution		**1,328,688**	440,781	**1,499,121**	484,080
Current income tax and social contribution	28	-	-	**(344,812)**	(77,140)
Deferred income tax and social contribution	28	**4,358**	11,985	**178,737**	45,973
Income for the year		**1,333,046**	452,766	**1,333,046**	452,913
Income attributed to the Parent company's partners		**1,333,046**	452,766	**1,333,046**	452,766
Income attributed to non-controlling partners		-	-	-	147
Basic and diluted profit per share					
Basic		***1.615***	*0.669*	***1.615***	*0.669*
Diluted		***1.597***	*0.661*	***1.597***	*0.661*

See the accompanying notes to the financial statements.

PetroRio

Statements of comprehensive income

Years ended December 31, 2021 and 2020
(In thousands of reais – R$)

	Consolidated	
	12/31/2021	**12/31/2020**
Income (loss) for the year	**1,333,046**	452,913
Other comprehensive income		
Translation adjustment on investment abroad, net of taxes	**132,518**	429,485
Other comprehensive income for the year, net of taxes	**132,518**	429,485
Total comprehensive income for the year net of taxes	**1,465,564**	882,398
Attributable to parent company's shareholders	**1,465,564**	882,251
Attributable to non-controlling shareholders	**-**	147

See the accompanying notes to the financial statements.

Statements of changes in shareholders' equity

Years ended December 31, 2021 and 2020
(In thousands of reais – R$)

			Profit reserve							
	Capital	Capital reserve	Legal reserve	Unrealized profit reserve	Investment reserve	Accumulated translation adjustment	Retained earnings (losses)	Parent company	Non-controlling interest	Consolidated
Balances at January 1, 2020	**3,316,411**	**228,027**	**-**	**-**	**-**	**150,335**	**(1,530,431)**	**2,164,342**	**759**	**2,165,101**
Paid-up capital	10,489	-	-	-	-	-	-	10,489	-	10,489
Stock options granted	-	7,545	-	-	-	-	-	7,545	-	7,545
Translation adjustment on investment abroad	-	-	-	-	-	429,485	-	429,485	(57)	429,428
Income for the period	-	-	-	-	-	-	452,766	452,766	147	452,913
Income in sale of treasury shares	-	77,198	-	-	-	-	-	77,198	-	77,198
Treasury shares	-	8,589	-	-	-	-	-	8,589	-	8,589
Balances at December 31, 2020	**3,326,900**	**321,359**	**-**	**-**	**-**	**579,820**	**(1,077,665)**	**3,150,414**	**849**	**3,151,263**
Balances at January 1, 2021	**3,326,900**	**321,359**	**-**	**-**	**-**	**579,820**	**(1,077,665)**	**3,150,414**	**849**	**3,151,263**
Paid-up capital	2,062,743	-	-	-	-	-	-	2,062,743	-	2,062,743
Share issuance costs	(85,999)	-	-	-	-	-	-	(85,999)	-	(85,999)
Stock options granted	-	27,527	-	-	-	-	-	27,527	-	27,527
Translation adjustment on investment abroad	-	-	-	-	-	132,518	-	132,518	-	132,518
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(849)	(849)
Income for the year	-	-	-	-	-	-	1,333,046	1,333,046	-	1,333,046
Legal reserve	-	-	12,769	-	-	-	(12,769)	-	-	-
Unrealized profit reserve	-	-	-	60,655	-	-	(60,655)	-	-	-
Investment reserve	-	-	-	-	181,957	-	(181,957)	-	-	-
Balances at December 31, 2021	**5,303,644**	**348,886**	**12,769**	**60,655**	**181,957**	**712,338**	**-**	**6,620,249**	**-**	**6,620,249**

See the accompanying notes to the financial statements.

PetroRio

Statements of cash flows

Years ended December 31, 2021 and 2020
(In thousands of reais – R$)

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Cash flows from operating activities				
Income (loss) for the year (before taxes)	**1,328,688**	**440,781**	**1,499,121**	**484,080**
Depreciation and amortization	487	487	881,271	843,800
Financial revenue	(27,080)	(31,381)	(323,051)	(1,170,919)
Financial expenses	42,626	82,650	856,868	1,841,303
Share-based compensation	27,527	4,397	27,527	7,545
Equity in income of subsidiaries	(1,359,180)	(508,118)	-	-
Provision for contingencies/losses/R&D	-	500	88,418	(13,621)
Reduction in provision for abandonment	-	-	(153,195)	(602,310)
	13,068	**(10,684)**	**2,876,959**	**1,389,878**
(Increase) decrease in assets				
Accounts receivable	-	-	(503,581)	31,557
Recoverable taxes	419	149	(8,616)	8,571
Prepaid expenses	287	(53)	16,174	(17,078)
Advances to suppliers	17	48	(36,849)	885
Oil inventories	-	-	(30,119)	(28,212)
Inventory of consumables	-	-	(20,914)	(3,133)
Related parties	(48,270)	(19,389)	-	-
Advance to partners in oil and gas operations	-	-	44.724	233,630
Deposits and pledges	5,355	144	9,680	(16,786)
Other receivables	-	52	(513)	139
Increase (decrease) in liabilities			-	-
Suppliers	(4,241)	2,817	63,670	80,863
Labor obligations	26,017	512	76,468	15,912
Taxes and social contributions	(4,850)	864	(196,901)	(82,564)
Related parties	(335,429)	387,929	-	-
Contingencies	-	-	(105,848)	16,218
Advances from partners in oil and gas operations	-	-	-	4
Other liabilities	-	-	(598)	(12,338)
Net cash (invested in) from operating activities	**(347,627)**	**362,389**	**2,183,736**	**1,617,546**
Cash flows from investment activities				
(Investment in) redemption of securities	(350)	-	(3,461,400)	206,491
(Investment in) redemption of restricted cash	-	-	33,476	65,950
(Investment in) redemption of abandonment fund	-	-	(2,782)	(1)
Assets classified as held for sale	-	-	(2)	-
(Purchase) sale of property, plant and equipment	-	(22)	(632,296)	(163,123)
(Purchase) sale of intangible assets	-	-	(368,950)	(90,967)
(Increase) decrease in investments	(1,632,666)	(436,074)	-	-
(Acquisition) of oil and gas assets	-	-	(311,366)	(603,492)
Net cash (invested in) from investment activities	**(1,633,016)**	**(436,096)**	**(4,743,320)**	**(585,142)**
Cash flows from financing activities				
Funding of loans	-	-	4,191,053	1,250,509
Repayment of principal on loans	-	-	(2,973,134)	(1,581,802)
Interest paid on loans	-	-	(267,565)	(78,144)
Contractual charges (Leases IFRS 16 - Principal)	-	-	(138,922)	(198,701)
Contractual charges (Leases - IFRS 16) - Interest	-	-	(45,000)	(45,473)
Derivative transactions	-	-	(115,081)	(155,960)
Sale of own Company's shares (held in treasury)	-	85,787	-	85,787
(Decrease) Paid-up capital	1,976,744	10,489	1,976,744	10,489
Interest of non-controlling shareholders	-	-	(666)	-
Net cash (invested in) from financing activities	**1,976,744**	**96,276**	**2,627,429**	**(713,295)**
Translation adjustment	-	-	93,563	30,767
Net increase (decrease) in cash and cash equivalents	**(3,899)**	**22,569**	**161,408**	**349,876**
Cash and cash equivalents at the beginning of the year	27,480	4,911	809,273	459,397
Cash and cash equivalents at the end of the year	23,581	27,480	970,681	809,273
Net increase (decrease) in cash and cash equivalents	**(3,899)**	**22,569**	**161,408**	**349,876**

See the accompanying notes to the financial statements.

PetroRio

Statements of added value

(supplementary information for IFRS purposes)
Years ended December 31, 2021 and 2020
(In thousands of reais – R$)

	Parent company		Consolidated	
	12/31/2021	**12/31/2020**	**12/31/2021**	**12/31/2020**
Revenues				
Oil & Gas sales	**-**	-	**4,396,003**	1,904,185
	-	**-**	**4,396,003**	1,904,185
Inputs and services				
Third party's services and other	**(5,138)**	(5,004)	**(47,713)**	(46,242)
Geology and geophysics expenses	**-**	-	**(10,262)**	(471)
Costs of services	**-**	-	**(802,152)**	(502,389)
Gross added value	**(5,138)**	(5,004)	**3,535,876**	1,355,083
Retentions				
Depreciation and amortization	**(487)**	(487)	**(871,087)**	(820,586)
Net added value	**(5,625)**	(5,491)	**2,664,789**	534,497
Transferred value added				
Net financial income (loss)	**(21,007)**	(51,621)	**(622,322)**	(458,669)
Equity in income of subsidiaries	**1,359,179**	508,118	**-**	-
Deferred taxes	**4,358**	11,985	**178,737**	45,973
Rents, royalties and other	**1,750**	(3,027)	**(421,806)**	462,483
Added value payable	**1,338,655**	459,964	**1,799,398**	584,284
Distribution of added value				
Personnel	**5,028**	5,071	**114,845**	37,853
Taxes	**581**	2,127	**351,507**	93,518
Income for the year	**1,333,046**	452,766	**1,333,046**	452,913
Distributed added value	**1,338,655**	459,964	**1,799,398**	584,284

See the accompanying notes to the financial statements.

1. Operations

Petro Rio S.A. (PetroRio), was established on July 17, 2009. Headquartered in the city of Rio de Janeiro, its main purpose is to hold interests in other companies as partner, shareholder or quotaholder, in Brazil and abroad, with a focus on exploration, development and production of oil and natural gas.

For the purpose of this report, Petro Rio S.A and its subsidiaries are denominated, individually or jointly, as the “Company” or “Group,” respectively.

Its significant operations are carried out by means of subsidiaries Petro Rio O&G Exploração e Produção de Petróleo Ltda. (“PetroRioOG”), Brasoil Coral Exploração Petrolífera S.A. (“Coral”) and Petro Rio Jaguar Petróleo Ltda. (“Jaguar”) and Petro Rio Sardinha Participações Não Operadas Ltda (“Sardinha”) are the production of oil and natural gas, operating in Campos Basin - RJ (PetroRioOG, Jaguar and Sardinha) and in Camamu Basin – BA (“Coral”).

Polvo Field – 100%

PetroRioOG is the operator and holds 100% of the Polvo Field concession contract, acquired from BP Energy do Brasil Ltda. (“BP”) – 60% in 2014 and from Maersk Energia Ltda. (“Maersk”) – 40% in 2015.

The Polvo Field is in the southern portion of the Campos Basin (offshore) some 100 km east of the city of Cabo Frio in the state of Rio de Janeiro. The license covers an area of approximately 134 km2 with several prospects for future exploration. Average daily output in 2021 was of roughly 8.4 thousand bbl (9.2 thousand bbl in 2020). The decrease in 2021 was due to a production stoppage for the disconnection of the FPSO BW and the tieback at Bravo.

Manati Field – 10%

In March 2017, PetroRioOG concluded the transaction for the acquisition of 100% of the shares of Brasoil do Brasil Exploração Petrolífera S.A. (“Brasoil”). Brasoil is a holding company, indirectly holding a 10% interest in the rights and obligations of the Manati Field concession contract, in the production phase, in addition to a 10% interest in the Camarão Norte Field, under development, which in under return process by the consortia to National Agency of Petroleum, Natural Gas and Biofuels (ANP) and a 100% interest in the concessions of Blocks FZA-Z-539 and FZA-M-254, both in the exploration phase.

The Manati Field is located in the Camamu Basin, on the coast of the State of Bahia. The license covers an area of approximately 76 km^2. Average daily output in 2021 was of roughly 3.2 million cubic meters of natural gas (2.4 million cubic meters of natural gas in 2020). The increase compared to 2020 is due to the decrease in gas withdrawal by Petrobras, with 100% of the production from Manati Field contracted. This halt, which started in late February 2020, was due to the decrease in natural gas consumption owing to the COVID-19 pandemic.

According to a relevant fact disclosed on November 5, 2020, on the same date, the Company signed an agreement with Gas Bridge S.A. ("Gas Bridge"), for the sale of the 10% interest held by the Company in Manati Field.

The total amount of the transaction is R$ 144,400 thousand and includes the transfer of all the Company's liabilities in the Manati Field, including its interest in the abandonment of said Field. The transaction is subject to precedent conditions, among which the success of Gas Bridge in the acquisition of Manati operation from Petrobras.

The transaction consists of a fixed installment of R$ 124,400,000 and an earn-out of R$ 20,000,000, subject to certain subsequent regulatory approvals related to the Field.

The contract provided for that, after December 31, 2021, any party could withdraw from the deal free of charge. As both parties remain interested in the sale operation, the same are negotiating the terms for an amendment to the contract, changing deadlines.

The Company continues to account for this asset in accordance with CPC 31, as Non-current assets classified as held for sale, pursuant to Notes 2.9 and 9, due to the maintenance of the intention to sell the asset and the current contractual amendment negotiations.

<u>Frade Field – 100%</u>

On March 25, 2019 and October 01, 2019, after complying with the precedent conditions and obtaining the necessary approvals, the Company completed the acquisition of 51.74% and 18.26%, respectively, of interest in the concession of Frade Field, in the operational assets of the Field, and assumed the operation of the Field.

Furthermore, on November 28, 2019, the Company signed a purchase and sale agreement with Petrobras for the acquisition of the remaining 30% interest in the Field, increasing its interest in Frade Field to 100%. The completion of this transaction took place on February 5, 2021, according to Note 12c.

The Frade Field is in the northern region of the Campos Basin, about 120 kilometers from the coast of the State of Rio de Janeiro. The license covers an area of approximately 154 km^2, with an average water depth of 1,155 m. In 2021, the Field produced approximately 16.3 thousand bbl of oil per day (18.2 thousand bbl in 2020).

FPSO Bravo (formerly “OSX-3”) and Tubarão Martelo – 80%

On February 3, 2020, the Company entered into a contract for the acquisition of the FPSO Bravo vessel (Floating, Production, Storage and Offloading – FPSO), built in 2012 with a processing capacity of 100 thousand bbl of oil per day and storage capacity of 1.3 million bbl, in the amount of US$ 140 million, with a portion of the funds (US$ 100 million) being financed by Prisma Capital. FPSO currently operates the Tubarão Martelo Field and it will be used for the operation of Polvo through the connection with the Polvo A Fixed Platform. The revenue generated by the lease of FPSO Bravo is US$ 129,315 per day during the period from February 03, 2020 until the conclusion of Tubarão Martelo field’s acquisition, which was on August 03, 2020.

Also on February 03, 2020, a contract was signed on the same date for the acquisition of 80% of Tubarão Martelo Field, as well as the Field operation, fully-owned by Dommo Energia. On August 3, 2020, after the approvals of the Administrative Council for Economic Defense (CADE) and the National Petroleum Agency (ANP), the acquisition was concluded, with PetroRio taking over the operation of the Field and increasing developed proven reserves by approximately 17 million barrels.

In 2021, the Field produced approximately 7.7 thousand bbl of oil per day.

Connection between the Polvo and Tubarão Martelo fields

On July 14, 2021, the Company concluded the interconnection (“tieback”) between the Polvo and Tubarão Martelo fields.

The interconnection project between Polvo-A Platform and FPSO Bravo, which lasted a total of 11 months, enabled a reduction in operating costs corresponding to the leasing value of FPSO Polvo, chartered to the field and operated by BW Offshore, in addition to expenses with maintenance and diesel.

The reduction in the absolute costs of the new cluster will allow more oil to be recovered from the reservoirs, for a longer period, considerably increasing the recovery factor of the fields. According to the DeGolyer and MacNaughton (“D&M”) reserve certification report, published in 2021, the cluster has an economic life until 2037 (when considering 1P proved reserves), which represents a 10-year extension for Polvo and 12 years for Tubarão Martelo.

Based on these economic life extensions, PetroRio will have the right to 95% of the oil from the Polvo + TBMT pole up to the first 30 million barrels of oil produced, and 96% of the pole’s oil after 30 million barrels produced, as well as being responsible for 100% of the Opex, Capex and abandonment costs of the fields.

Wahoo Field (64.3%) and Itaipu Field (60%)

On November 19, 2020, a contract was signed with BP Energy do Brasil Ltda. for the acquisition of shares regarding a 35.7% interest in Block BM-C-30 ("Wahoo Field" or "Wahoo"), and a 60% interest in Block BM-C-32 ("Itaipu Field" or "Itaipu"). On June 17, 2021, the ANP - Brazilian National Agency of Petroleum approved the transfer of assets, and on July 1, 2021, after all the conditions precedent of the purchase and sale agreement were concluded, the certificate of completion of the acquisition operation was signed, with PetroRio becoming the operator of both pre-salt fields and increasing proven developed reserves by approximately 132 million barrels.

Additionally, on March 4, 2021, the Company signed an agreement with Total E&P do Brasil Ltda. for the acquisition of an additional 28.6% interest in Wahoo, approved by the ANP on July 08, 2021.

In addition to the Wahoo portion acquired from BP, PetroRio's interest the concession will increase to 64.3%. The Company formalized a proposal for the acquisition of the remaining 35.7% interest for the current holders of said interest, which showed interest in the sale, but have not proceed with the proposal.

Concurrently, the Company has been following the development plan for the Field, and, as of December 22, 2021, filed the Statement of Commercial Feasibility for the Wahoo discovery and the Development Plan under an exclusive operation regime with the National Agency of Petroleum, Natural Gas and Biofuels ("ANP").

The Wahoo Field, with the oil discovery in 2008 and the formation test performed in 2010, fits into the Company's value generation strategy. With the development of the field, the Company will form another production cluster and will share the full infrastructure with Frade Field (including the FPSO), thus enabling the capture of several synergies resulting in another strong and sustainable decrease in the lifting cost, striving to always maintain the highest standards of safety and efficiency. See further details of the acquisition in Note 12.

COVID-19

The Company constantly reviews its business plan to adjust the scenario of uncertainty and volatility related to the spread of COVID-19, in addition to adopting several monitoring and prevention measures, that remain in force and will be maintained as long as the pandemic scenario persists.

Among them, we highlight the reduction of POB (People on Board) in the platforms where the Company operates, keeping only the personnel required for the Company's core activities in a safe manner; the intensive availability of personal (facial masks) and collective protective equipment; greater frequency of disinfection and sanitization of onshore and offshore units, especially in areas with a higher probability of contagion; intensive communication of prevention measures for all employees and third parties working in the production units, including incentives for the national vaccination campaign; adoption of rapid antigen test and monitoring protocol at the airport, with the assistance of a nurse, for people who board the Company's platforms; weekly rapid immunological type tests of all onshore employees.

The Management of the Company and its subsidiaries continue to monitor the possible impacts of the COVID-19 pandemic on their operations and constantly assess the effectiveness of the protective measures adopted by the Company and its subsidiaries to mitigate said risks.

2. Basis of preparation and presentation of financial statements

2.1. Statement of conformity

The individual and consolidated financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil, which include the provisions of Brazilian Corporation Law, Procedures, Guidance and Interpretations issued by Accounting Pronouncements Committee - CPC and approved by the Brazilian Securities Commission - CVM and by the Federal Accounting Council - CFC, which are in conformity with international accounting standards issued by *International Accounting Standards Board - IASB*.

The statements of value added are presented as supplementary information for IFRS purposes.

The Company's Management authorized the issue of financial statements on February 14, 2022.

Management considered the guidelines provided for Guideline OCPC 07, issued by CPC in November 2014, in the preparation of its financial statements, so that all material information specific to the financial statements is disclosed and corresponds to what is used in the Company's management.

2.2. Basis of preparation

The individual and consolidated financial statements were prepared based on the historical cost, except for derivative those measured at fair value, when indicated.

(In thousands of reais, unless otherwise indicated)

2.3. Basis of consolidation and investments in subsidiaries

Consolidated financial statements include financial statements of the Company and its subsidiaries. Control is achieved when the Company has the power to control financial and operating policies of an entity to gain benefits from its activities.

The income (loss) of the subsidiaries acquired, sold or merged during the year are included in the consolidated income and comprehensive income information from the effective date of acquisition, disposal or merger, as applicable.

In the Company's individual financial statements, the financial data of direct and indirect subsidiaries are recognized under the equity method of accounting.

When necessary, subsidiaries' financial statements accounting policies are adjusted to those of the Group. All transactions, balances, revenues and expenses among the Group's companies are fully eliminated in consolidated financial statements.

The Company's consolidated financial statements include:

		Interest			
		12/31/2021		**12/31/2020**	
Fully consolidated companies		**Direct**	**Indirect**	**Direct**	**Indirect**
Petro Rio O&G Exploração e Produção de Petróleo Ltda.	"PetroRioOG"	**100.00%**	-	100.00%	-
Petrorio USA Inc.	"PrioUSA"	**100.00%**	-	100.00%	-
Petro Rio Internacional S.A.	"PrioIntl"	**1.23%**	**98.77%**	1.23%	98.77%
Petrorio Luxembourg Holding Sarl	"Lux Holding"	-	**100.00%**	-	100.00%
Petrorio Netherlands BV	"Netherlands"	-	-	-	100.00%
Walvis Petroleum (Pty) Ltd.	"Walvis"	-	**100.00%**	-	100.00%
Petrorio Canada Inc.	"Canada"	-	-	-	100.00%
Luderitz Petroleum (Pty) Ltd.	"Luderitz"	-	-	-	100.00%
Petrorio Luxembourg Trading Sarl	"Lux Sarl"	-	**100.00%**	-	100.00%
Cumoxi Investments (Pty) Ltd. *	"Cumoxi"	-	-	-	100.00%
Kunene Energy (Pty) Ltd.	"Kunene"	-	**100.00%**	-	100.00%
Orange Petroleum Ltd.	"Orange"	-	**100.00%**	-	100.00%
Petro Rio do Brasil Exploração Petrolífera S.A.*	"Brasoil"	-	-	-	100.00%
Petro Rio OPCO Exploração Petrolífera Ltda.*	"Opco"	-	**100.00%**	-	99.99%
Petro Rio Coral Exploração Petrolífera Ltda.	"Coral"	-	**100.00%**	-	100.00%
Petro Rio Energia Ltda.	"PrioEnergia"	-	**100.00%**	-	100.00%
Petro Rio Comercializadora de Energia Ltda *	"Comercializadora"	-	-	-	100.00%
Brasoil Finco LLC	"Finco"	-	**100.00%**	-	100.00%
Petro Rio Jaguar Petróleo Ltda	"Jaguar"	-	**100.00%**	-	100.00%
Frade B.V.*	"Frade B.V."	-	-	-	70%
Petro Rio Sardinha Participações Não Operadas Ltda *	"Sardinha"	-	**100.00%**	-	100.00%

* In the process of reducing its organizational structure, in the year ended December 31, 2021, Netherlands, Canada, Frade BV, Luderitz and Cumoxi were liquidated, while Brasoil was merged into its subsidiary Opco and Comercializadora was merged into its parent company PrioEnergia. Petrorio White Shark Petróleo Ltda. ("White Shark") had its corporate name changed to Petro Rio Sardinha Participações Não Operadas Ltda and Petrorio Luxembourg Sarl ("Lux Sarl") had its corporate name changed to Petrorio Luxembourg Trading Sarl.

2.4. <u>Cash and cash equivalents</u>

They are maintained for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Comprised of balances in cash, demand bank deposits, and financial investments with immediate liquidity and insignificant risk of change in value.

2.5. <u>Current and non-current assets and liabilities</u>

Current and non-current assets and liabilities are stated at realization and/or collection values, respectively, and contemplate inflation adjustments or exchange-rate changes, as well as earned or incurred earnings and charges, when applicable.

2.6. <u>Oil and gas exploration, development, and production expenditures</u>

For the expenditures on exploration, development and production of oil and gas, the Group – for the purposes of the accounting practices adopted in Brazil – uses accounting criteria in accordance with IFRS 6 – "Exploration for and evaluation of mineral resources."

<u>Property, plant and equipment:</u> It is recorded at the amortized or construction cost, restated, when applicable, to its recovery value and it is represented mainly by assets associated to stages of exploration and oil and natural gas production development, such as, for example, expenditures on drilling and completion, and E&P equipment. Also includes machinery and equipment and other tangible assets used for administrative purposes, such as furniture, telephone devices, IT equipment. Gains and losses deriving from write-off or disposal of a property, plant and equipment are determined by the difference between earned revenue, if applicable, and respective residual value of the asset, and is recognized in income (loss) for the year.

Exploratory concession rights and subscription bonuses: are recorded as intangible asset. The Group substantially presents, in its intangible assets, the expenses with the acquisition of exploratory concessions and the subscription bonuses corresponding to the offers for obtaining a concession for oil or natural gas exploration. They are recorded at acquisition cost and adjusted, when applicable, to their recovery value and are amortized using the produced unit in relation to the total proven reserves when they enter the production phase.

Successful efforts: Expenditures with exploration and development of oil production are recorded in accordance with the successful efforts method. This method determines that the development costs of all production wells and successful exploratory wells, related to economically feasible reserves, be capitalized, while geological and geophysical and seismic costs should be considered as expenses for the year when incurred. Additionally, the dry exploratory well expenditures and those related to non-commercial areas should be recognized in results when identified as such.

Abandonment expenditures: Abandonment expenditures of the oil development and production areas are recorded as intangible assets in contra account to a provision in liabilities.

Depreciation: Expenses with exploration and development of production, as well as FPSOs and subsea equipment, are depreciated beginning as of declaration of commercial viability and start of production, using the units of production method. According to this method, monthly depreciation rate is obtained by dividing monthly production by total estimated reserve balance (proved developed) at the beginning of the month. On an annual basis, the Company reviews total reserve balance. Machinery and equipment are depreciated by the straight-line method based on the rates mentioned in Note 11 that takes into consideration the estimated useful lives of the assets with the respective residual values.

2.7. Business combination

Business combinations are accounted for under the acquisition method. The cost of an acquisition is measured for the consideration amount transferred, valuated on fair value basis on the acquisition date, including the value of any ownership interest held by non-controlling shareholders in the acquired company, regardless of their proportion. For each business combination, the buyer must measure the non-controlling interest in the acquired business at the fair value of based on its interest in the net assets identified in the acquired business. Costs directly attributable to the acquisition must be accounted for as expenses when incurred, as well as any contingent consideration to be transferred will be recognized at fair value on the acquisition date.

Goodwill is measured as being the excess of total consideration to net assets acquired (acquired identifiable assets, nets and assumed liabilities). If consideration is lower than fair value of net assets acquired, the difference is recognized as gain in statement of income.

For impairment testing purposes, goodwill acquired in a business combination is, from the acquisition date, allocated to each cash-generating units of the Group that are expected to benefit by the synergies of combination, regardless of other assets or liabilities of the acquiree being allocated to those units.

2.8. Analysis of Recoverable amount of assets

Pursuant to CPC 01, Property, plant and equipment items, intangible assets and other current and non-current assets are valued on an annual basis to identify evidence of unrecoverable losses, whenever events or significant changes in the circumstances indicate that the book value may not be recoverable.

When there are losses deriving from situations in which the asset book value exceeds its recoverable value, defined as the higher of the asset's value in use and asset's net sales value, they are recognized in income for the year.

2.9. Non-current assets held for sale

The Company classifies a non-current asset as "held for sale" when its book value will be recovered mainly through a sale transaction rather than its continuing use. These non-current assets and held for sale are stated at the lowest value between their book value and the fair value, net of sales expenses. Sales expenses are represented by incremental expenses directly attributable to the sale, except financial expenses and income taxes.

The classification criteria for non-current assets held for sale are met when the sale is highly probable and the asset or group of assets held for sale are available for immediate sale at current conditions, subject only to customary and usual terms for the sale of such assets held for sale.

Property, plant and equipment and intangible assets are not depreciated or amortized when classified as held for sale and they are presented separately as current items in the balance sheet, as well as other related assets and liabilities. Note 9.

2.10. Inventories

Costs incurred to take the product to its location and conditions are measured at weighted acquisition or production average cost. The net realizable amount corresponds to the sales price estimated for the normal course of the businesses, less estimated execution costs and those required for the sale.

2.11. Income tax and social contribution

Such taxes are calculated and recorded considering the tax rates prevailing on the date of the preparation of the financial statements. Deferred taxes are recognized based on inter-temporal differences, tax losses, and social contribution negative basis, when applicable, only when and up to the amount that may be considered as of probable realization by Management (in accordance with business model approved by the Company's Management and governance councils).

2.12. Statement of income

Income (loss) from operations complies with the accrual basis. Sales revenues are recognized upon transfer of ownership and its inherent risks to third parties and recognized only if all performance obligations provided in contracts with clients were complied with and can be reliably measured.

2.13. Transactions involving payment in shares

Share-based remuneration plan for employees, to be settled with equity instruments, is measured at fair value on grant date, as described in note 22.2.

Granted options fair values determined on grant date are recorded at the straight line basis as expenses in income for the year during the period in which the right is acquired, based on the Company's estimates on which granted options will be possibly acquired, with corresponding increase in shareholders' equity (stock option plan).

The Company reviews its estimates on the number of equity instruments that will be eventually regularly acquired. Review impact on original estimates, if any, is recognized in income for the year as a counterparty to adjustment in shareholders' equity under "Capital reserve."

2.14. Financial instruments

Financial assets and liabilities are recognized when the Group is a party of the contractual provisions of the instruments. Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and liabilities are increased or reduced by the fair value of the financial assets or liabilities, when applicable, after initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in the statement of income.

2.15. Financial assets

The Group's financial assets are classified into the following categories: (i) fair value through other comprehensive income, and (ii) financial assets at fair value through profit or loss. Classification depends on nature and purpose of financial assets and is determined on initial recognition date.

All regular acquisitions or disposals of financial assets are recognized or written-off based on negotiation date. Regular acquisitions or disposals correspond to financial assets' acquisitions or disposals requiring delivery of assets within term established in a standard or market practice.

Financial assets measured at fair value through profit or loss: Include financial assets held for trading (that is, acquired mainly to be sold in the short-term), or assigned at fair value through profit or loss. Any interest, inflation adjustment, exchange-rate change and any changes arising from evaluation at fair value are recognized in income (loss), as financial revenues or expenses, when incurred.

Financial assets at fair value through other comprehensive income: They include equity instruments and debt securities, which are intended to be held for an indefinite period and can be sold to meet liquidity needs or in response to changes in market conditions. After initial recognition, the financial assets available for sale are measured at fair value, with unrealized gains and losses, recognized directly in the available-for-sale reserve within other comprehensive income until the investment is derecognized.

Impairment of financial assets Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Impairment losses are recognized if, and only if, there is objective evidence of the financial asset impairment as a result of one or more events that occurred after initial recognition with impact on this asset's estimated future cash flows.

For all other financial assets, objective evidence may include:
• Significant financial difficulty of the issuing company or counterparty; or
• Breach of contract, such as default or delay in interest or principal payments. or
• Probability of debtor declaring its bankruptcy or financial reorganization; or
• Extinction of that financial asset active market due to financial problems.

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

The book value of the financial asset is directly impaired for all financial assets with the exception of accounts receivable, where the book value is reduced through the use of a provision account. Subsequent recoveries of amounts previously written off are credited to the provision. Changes in book value are recognized in income (loss)

2.16. Loans and financing

When applicable, loans and financing obtained are initially recognized at fair value when funds are received net of transaction costs. Subsequent measurement is made using the amortized cost method; that is, plus charges, interest incurred *pro rata temporis* and Inflation adjustments and exchange-rate changes, as provided for in the contract, incurred up to the date of the individual and consolidated financial statements.

2.17. Derivative financial instruments

The Company uses derivative financial instruments to provide protection against its exposure to changes in oil price risks (Note 30). The derivative financial instruments designated in hedging operations are initially recognized at fair value on the date on which the derivative contract is signed, and are subsequently measured also at fair value. Derivatives are presented as financial assets when the fair value of the instrument is positive; and as financial liabilities when the value is negative.

Any earnings or losses resulting from changes in the fair value of derivatives during the year are entered directly in the income (loss) for the year.

The Company does not operate with speculative derivative financial instruments.

2.18. Functional currency and presentation currency

The individual and consolidated financial statements are being presented in Brazilian Real, functional currency of the Company. The Company defined that its functional currency is the Brazilian Real of its foreign subsidiaries is the United States dollar, on account of its incurred costs of operation. All financial information presented in reais has been rounded to the nearest value, except otherwise indicated.

Translation of balances in foreign currency: The assets and liabilities of foreign subsidiaries are translated into BRL at the exchange rate on the balance sheet date, and the corresponding statements of income are translated at the foreign exchange rate on the operation date. Foreign exchange differences resulting from said translation are accounted for separately in shareholders' equity, in comprehensive statement of income, in line of other comprehensive income – accumulated translation adjustments.

2.19. Statements of cash flows ("DFC")

Statements of cash flows were prepared and presented in accordance with the Technical Pronouncement CPC 03 (R2) - IAS 7 under the indirect method.

The Company classifies the interest paid as a financing activity, as it understands that it represents costs to obtain its financial funds.

2.20. Statements of added value ("DVA")

Statements of value added have been prepared and are presented in accordance with Technical Pronouncement CPC 09.

2.21. Use of estimates and judgments

The preparation of individual and consolidated financial statements according to IFRS and CPC standards requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, revenues, expenses and notes. Actual results may differ from these estimates.

Estimates and assumptions are reviewed in a continuous manner. Reviews in relation to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Information on assumptions and estimates that may result in adjustments within the next financial year are included in the following notes:
• Note 9 – Non-current assets classified as held for sale
• Note 11 – Property, plant and equipment, primarily those relating to written-off, amortizations and impaired oil & gas assets.
• Note 12 – Intangible assets, primarily those relating to written-off, amortization and impaired oil & gas assets.
• Note 14 - Current and deferred income tax and social contribution.
• Note 17 - Leases, CPC 06 (R2)/IFRS 16.
• Note 19 – Provision for abandonment of facilities.
• Note 22 - Shareholders' equity / Share-based remuneration plan.
• Note 30 - Objectives and policies for financial risk management.
• Note 32 - Contingencies.

2.22. Net earnings per share

Basic/diluted earnings per share is computed by dividing net income by the weighted average of common shares held by the shareholders, excluding treasury shares in the period.

2.23. ICPC 22 / IFRIC 23 - Uncertainty on treatment of income taxes

ICPC 22 clarifies the criteria for recognition, measurement and disclosure of the uncertainties referring to taxes on profit, due to the absence of explanations in this regard by Technical Pronouncement CPC 32 - Income taxes (CPC 32) and differences between the procedures adopted by the companies. The Company evaluated the effects and there is no impact on the financial statements.

2.24. CPC 06 (R2) / IFRS 16 – Lease operations

The Company evaluates all contracts that can be included in the Pronouncement's identification principles of the Technical Pronouncement CPC 06 (R2) / IFRS 16 and does not consider short-term leases maturing within 12 months were not taken into considering, in addition to leases of non-significant amounts, provided that the payments of the leases related to these contracts are recognized as expenses over the term of the contract.

Lease liabilities were measured at present value of the remaining lease payments, using the surcharge rate on the Company's loan at first-time adoption date.

The right-of-use asset is recognized based on the value of the lease liability, adjusted for any anticipated or accumulated lease payment related to that lease, recognized in the balance sheet immediately before the date of initial adoption.

2.25. CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors

Change in accounting estimate

In the 1Q21, the Company, through an independent international certifying agency, DeGolyer and MacNaughton, conducted a reevaluation of reserves at Polvo, Tubarão Martelo, Frade and Manati fields. This revaluation indicated changes in the reserves and useful lives of some fields and, consequently, changes in the depreciation rates and extension of the terms for calculating the provision for abandonment.

The studies considered the effects of the Covid-19 pandemic and the current and future oil price scenarios.

At Polvo Field, the revaluation pointed to the maintenance of useful life until the end of 2026, and an increase of the developed proven reserves by approximately 3.6 million bbl, if compared to the same periods.

In Frade Field, the revaluation pointed to the maintenance of the useful life of the field until the end of 2030, and the same amount of proven reserves developed, but with an increase of approximately 8.2 million barrels, related to the completion of the acquisition of the remaining 30% of the field if the same periods are compared.

At Tubarão Martelo Field, the revaluation indicated an increase in useful life of the field until the end of 2034, and an increase of the developed proven reserves by approximately 3.3 million bbl, if compared to the same periods.

Finally, the revaluation in Manati pointed to a decrease in the useful life of the field until the end of 2025, even with an increase of 57 million m3 in its developed proven reserves.

Connection between the Polvo and Tubarão Martelo fields

With the Tieback conclusion, the Company recalculated the production estimates indicated by D&M for Polvo and Tubarão Martelo fields, now connected, and the new curve indicated the useful life until 2033 for proved developed reserves, accounting for an increase of approximately 7.5 million bbl. This new projection changes the bases used for depreciation of assets, as well as the terms of lease agreements and the calculation of the provision for abandonment of fields, including the updating of discount rates used.

2.26. Expenditures associated to Join Operating Agreement (JOA) of Frade Field

The Company, in the capacity of Frade Field operator, is responsible for contracting and paying all suppliers of this concession.

On a monthly basis, disbursements projected for subsequent month are estimated and charged from partners through cash calls, and evidence of expenditures is provided in billing statements.

Therefore, invoices received by the Company contemplate total value of acquired materials and services, but presentation in the Company's statements of income/ cost reflects only its interest.

(In thousands of reais, unless otherwise indicated)

2.27. Standards and new and reviewed interpretations already issued

The following revised standards and interpretations, valid for the year 2021, were applied by the Company, but did not impact the individual and consolidated financial statements:

Pronouncement or interpretation	Description
CPC 06 (R2)	Reference Interest Rate Reform - Phase 2 and Covid-19 Related Benefits
CPC 11	Reference Interest Rate Reform - Phase 2
CPC 38	Reference Interest Rate Reform - Phase 2
CPC 40 (R1)	Reference Interest Rate Reform - Phase 2
CPC 48	Reference Interest Rate Reform - Phase 2

The Company intends to use practical expedients in future periods if they become applicable.

The new and amended standards and interpretations issued by the IASB and the CPC, as described below, are not yet effective. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they come into force, as of January 1, 2023:

Pronouncement or interpretation	Description
CPC 50 / IFRS 17	Insurance Contracts
CPC 23 / IAS 8	Definition of accounting estimates
CPC 26 (R1) / IAS 1	Disclosure of accounting policies

3. Cash and cash equivalents

	Parent company		Consolidated	
	12/31/2021	**12/31/2020**	**12/31/2021**	**12/31/2020**
Cash	**-**	-	**48**	55
Banks	**23,581**	27,480	**970,633**	809,218
	23,581	27,480	**970,681**	809,273
National	**3,603**	52	**18,099**	2,708
Abroad	**19,978**	27,428	**952,582**	806,565

The balance of cash and cash equivalents consists of funds for the purpose of business working capital, applied in highly liquid instruments in Brazil (committed and Bank Deposit Certificates) and abroad (remunerated current account deposits), without risk of significant change of the principal, and yields upon redemption.

(In thousands of reais, unless otherwise indicated)

4. Securities

	Parent company		Consolidated	
	12/31/2021	**12/31/2020**	**12/31/2021**	**12/31/2020**
Bank deposit certificates (i)	**-**	-	**74,462**	22,793
Time deposit (ii)	**350**	-	**3,070,312**	-
Bond (iii)	**-**	-	**535,411**	-
Financial assets - fair value through profit or loss	**350**	-	**3,680,185**	22,793
Total	**350**	**-**	**3,680,185**	22,793

i. Checking account automatically remunerated via Bank Deposit Certificate (CDB) in reais (fixed income investments), with an average yield of 101% of the Interbank Deposit Certificate (CDI) rate (70% in 2020);

ii. Time Deposit with terms of 90, 180, and 270 days, with an average yield of 0.75% p.a.;

iii. Investments in Bonds of Brazilian banks with AAA rating on the national scale. They have a maximum term of 9 months, with a yield to maturity of 1.10% pa.

The Company carries out the risk management of securities through appropriate policy and procedure practices, as described in Note 30.

5. Restricted cash

	Consolidated	
	12/31/2021	**12/31/2020**
Frade Acquisition - 51.74% (i)	-	17,907
Banco Santander (ii)	-	16,405
Banco Daycoval (iii)	-	8,317
Banco Fibra (iv)	-	7,367
	-	49,996

i. The Company, in compliance with purchase and sale agreement for acquisition of 51.74% of interest in concession of Frade Field (Note 12), made monthly deposits in a restricted account (Escrow) that was released to the seller according to terms agreed-upon for debt payment, which was settled in May 2021.
ii. The Company maintained cash in Bank Deposit Certificate (CDB) investments as a guarantee for the bank guarantee issued with Banco Santander, as required by the financing agreement with Finep, which was settled in April 2021. The guarantee was redeemed in July 2021.
iii. The Company maintained financial investments abroad as a guarantee for the 2 ACCs (Advances on Foreign Exchange Contracts) issued with Banco Daycoval, which were settled in March 2021.
iv. The Company maintained a linked account as a collateral for the bank guarantee issued with Banco Fibra, as required by the financing agreement with Finep, which was settled in April 2021.

(In thousands of reais, unless otherwise indicated)

6. Accounts receivable

	12/31/2021	12/31/2020
Petrobras (i)	**20,686**	20,594
Petrochina	**504**	126,919
Shell	**-**	237,977
BP Oil Supply (ii)	**430,506**	-
Total Energies (iii)	**462,857**	-
Other	**480**	675
Total	**915,033**	386,165
Total local currency	**21,166**	21,071
Total foreign currency	**893,867**	365,094

(i) Balance receivable related to sales of gas and condensed oil carried out by Manati, Jaguar and Sardinha in November and December 2021, roughly 16.5 million m³ of gas, corresponding to a net revenue of R$ 19,908 to Manati, R$ 17 to Jaguar and R$ 4 to Sardinha and balance referring to amount not withdrawn from June 2020 (take or pay) in the amount of R$ 757 from Manati.

(ii) Balance receivable from the sale of oil of Polvo and Tubarão Martelo field made in December 2021, approximately 958,000 bbl of oil.

(iii) Balance receivable from the sale of oil of Frade Field made in December 2021, approximately 995,000 bbl of oil.

The Company assessed the impacts of the COVID-19 and understands that these facts do not affect the balances receivable presented.

7. Recoverable taxes

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Income tax and social contribution (i)	**2,220**	2,622	**18,003**	13,736
PIS and COFINS (ii)	**2**	1	**42,013**	106,015
ICMS (iii)	**-**	-	**27,276**	34,554
Foreign taxes (VAT) (iv)	**-**	-	**2,327**	1,485
Other	**22**	25	**4,779**	1,379
Total	**2,244**	2,648	**94,398**	157,169
Current assets	**2,244**	2,648	**85,839**	124,321
Non-current assets	**-**	-	**8,559**	32,848

(i) Primarily refers to withholding income tax on financial investments and negative balance of IRPJ/CSLL (Corporate Income Tax / Social Contribution on Net Revenue) and prepaid income tax and social contribution.

(ii) PIS/COFINS credits on inputs used in operation;

(iii) ICMS recoverable referring to oil loans between Frade Field partners and movement of materials upon acquisition of Polvo.

(iv) Taxes (VAT) in the process of refund of the Luxembourg subsidiaries.

(In thousands of reais, unless otherwise indicated)

8. Advances to suppliers

	Parent company		Consolidated	
	12/31/2021	**12/31/2020**	**12/31/2021**	**12/31/2020**
Geoquasar Energy (i)	-	-	-	12,596
BW (Prosafe) guarantee (ii)	-	-	**35,364**	33,187
Petrobras	-	-	**246**	246
Nitshore	-	-	-	468
BJ Services Brasil	-	-	**688**	2,637
Asa Assessoria	-	-	**1,323**	2,358
Bornemann GMBH	-	-	-	1,805
Workship do Brasil	-	-	-	1,245
VME Process Inc	-	-	-	702
Appleton Marine Inc	-	-	**604**	579
ABB Automacao	-	-	**6**	515
Westcon	-	-	-	480
Schlumberger	-	-	-	413
Miros Scotland	-	-	**106**	406
Gevisa	-	-	-	401
GBA Corona	-	-	**335**	338
Siemens Infraestrutura	-	-	**6,676**	-
JS Aduaneira	-	-	**2,710**	-
Exterran	-	-	**7,941**	-
Posidonia Shipping	-	-	**12,121**	-
Belov	-	-	**366**	-
Macgregor Norway	-	-	**1,243**	-
RMS Pumptools	-	-	**501**	-
Orton S.R.L	-	-	**368**	-
KSB	-	-	**333**	-
Other	-	16	**13,082**	12,465
Total	-	16	**84,013**	70,841
Total current assets	-	**16**	**84,013**	58,245
Total non-current assets	-	-	-	12,596

(i) The advances to Geoquasar refer to operating costs assumed by PetroRioOG and contractual payments in advance. As a counterparty to these advances, the Company had maintained the provision under "Long term suppliers" caption recorded, in the amount of R$ 12,961, which were offset against each other (Note 13).

(ii) The advances to BW (Prosafe) – US$ 5,671 (R$ 31,647) and R$ 3,717 refer to contractual commitments and are held as a financial collateral from lease agreements and operation of FPSO Polvo. Upon the end of the contract with BW in July 2021, the amounts shall be released or offset with possible amounts payable.

Other advances derive from the Company's regular transactions.

(In thousands of reais, unless otherwise indicated)

9. Non-current assets classified as held for sale (Consolidated)

In November 2020, the Company entered into an agreement with Gas Bridge S.A. ("Gas Bridge") for the sale of the 10% interest held by the Company in Manati Field.

The total amount of the transaction is R$ 144,400 thousand and includes the transfer of all the Company's liabilities in the field, including its interest in the abandonment of said Field. The transaction is subject to precedent conditions, among which the success of Gas Bridge in the acquisition of Manati operation from Petrobras.

The transaction consists of a fixed installment of R$ 124,400,000 and an earn-out of R$ 20,000,000, subject to certain subsequent regulatory approvals related to the Field.

The effective date of the sale is December 31, 2020. As of this date until the date of completion of the sale transaction, the Company will continue recording all results related to the interest in the field in its balance sheet. However, the cash generation of the field for this period will be included in the sales price adjustment.

The contract provides for that, after December 31, 2021, any party could withdraw from the deal free of charge. However, as both parties remain interested in the sale operation and Gas Bridge is still waiting the approval of the sale of Petrobras' interest, the parties are already negotiating the terms for an amendment to the contract, changing deadlines, both the effective date and exclusivity.

Thus, the Company continues to treat this asset in accordance with CPC 31, as Non-current Assets classified as held for sale, and if in the future the current situation is changed, we will give due treatment, as determined by the pronouncement.

The main classes of assets and liabilities classified as held for sale on December 31 are as follows:

	12/31/2021	12/31/2020
Assets		
Advances to partners	**6,439**	2,349
Property, plant and equipment	**3,398**	3,677
Intangible assets	**64,671**	62,413
Total assets	**74,508**	68,439
Liabilities		
Provision for abandonment (ARO)	**(6,080)**	(3,392)
Other liabilities	**1,578**	743
Total liabilities	**(4,502)**	(2,649)
Non-current assets classified as held for sale	**79,010**	71,088

The income (loss) of the Manati Field for the year, proportional to the Company's interest, is as follows:

	Consolidated	
	12/31/2021	**12/31/2020**
Net revenue from services	**108,904**	62,955
Costs of services	**(32,047)**	(33,570)
Gross revenue	**76,857**	29,385
Operating revenues (expenses)		
Geology and geophysics expenses	-	(25)
Personnel expenses	**(21,681)**	(2,276)
General and administrative expenses	**(3,611)**	(1,414)
Expenses with Outsourced Services	**(2,007)**	(1,205)
Taxes and rates	-	(74)
Depreciation and amortization expenses	-	(705)
Other operating revenues (expenses), net	**4,118**	6,259
Operating income (loss) before financial income (loss)	**53,676**	29,945
Financial revenues	**13,109**	17,652
Financial expenses	**(17,044)**	(22,055)
Income before income tax and social contribution	**49,741**	25,542
Current income tax and social contribution	**(8,695)**	(5,921)
Deferred income tax and social contribution	**905**	2,735
Income (loss) from discontinued operation	**41,951**	22,356

Incurred net cash flows are:

	12/31/2021	**12/31/2020**
Net cash (invested in) from operating activities	**48,372**	31,296
Net cash (invested in) from investment activities	**279**	(5,948)
Translation adjustment	-	(5,602)
Net increase in cash and cash equivalents	**48,651**	19,746

Earnings per share

Basic and diluted earnings per share	**12/31/2021**	**12/31/2020**
Numerator (in thousands of reais)		
Income from discontinued operation	**41,951**	22,356
Denominator (in thousands of shares)		
Weighted average number of common shares adjusted by dilution effect	**825,228**	676,656
Basic and diluted earnings per share from discontinued operations:	*0.0508*	*0.0330*

10. Investments

On December 31, 2021, the Company presented the following main interest held in direct subsidiaries:

- **Petro Rio O&G Exploração e Produção de Petróleo Ltda. ("PetroRioOG")**

The subsidiary was created on July 20, 2009, with headquarters in Rio de Janeiro, and engages in: (i) exploration, development and production of oil and natural gas; (ii) import, export, refining, sale and distribution of oil, natural gas, fuel and oil by-products; (iii) generation, sale and distribution of electric power; and (iv) interest in other companies.

PetroRioOG holds 100% of the Polvo Field concession, 80% of the Tubarão Martelo Field concession, and ownership of FPSO Bravo, which from July 14, 2021, started operating both fields, after the conclusion of the TIEBACK operation, which reduces production costs and increases the useful life of the two fields.

Since March 2011, PetroRioOG already operated as Operator B, in shallow waters and, beginning as of October 2015, PetroRioOG was qualified as Operator A by ANP, which permits conduction of activities in land areas, and shallow, deep and ultra-deep waters.

- **Petro Rio Internacional S.A. ("PrioIntl")**

The subsidiary, headquartered in Rio de Janeiro is engaged in: (i) exploration, development and production of oil and natural gas; (ii) import, export, refining, sale and distribution of oil, natural gas, fuel and oil by-products; (iii) generation, sale and distribution of electric power; and (iv) interest in other companies.

All Group's companies located outside of Brazil, except for PrioUSA, are consolidated under a single corporate structure having PrioIntl as head office in Brazil.

Currently, the main Companies controlled by PrioIntl are Lux Holding, a company that has large-sized assets in operation; Coral, which was contributed by PetroRioOG in June 2019 and holds 10% of interest in the concession of Manati field, and Lux Sarl, which as for September 2016 started to trade the oil produced in the Polvo field and currently trades the production of Frade and Tubarão Martelo fields. Lux Holding owns the fixed platform, "Polvo A," and a 3,000 HP drilling rig. Also under this corporate structure are subsidiaries located in the Republic of Namibia and are under settlement.

As mentioned in Note 1, Petrorio, through its subsidiary Lux Holding, entered into purchase and sale agreements for the acquisition of a 18.26% and 51.74% interest on October 26, 2018 and January 30, 2019, respectively, in the Frade Field concession and

(In thousands of reais, unless otherwise indicated)

Field operating assets, through the acquisition of companies Frade Japão Petróleo Ltda, Inpex Offshore North Campos, Ltd., Chevron Brasil Upstream Frade Ltda. and Chevron Frade LLC., becoming the operator of Frade Field, with 70% of interest.

In February 2021, the Company now holds a 100% interest in the asset, after the conclusion of the purchase and sale transaction signed on November 28, 2019 with Petrobrás (Notes 1 and 12).

Additionally, the Company concluded the acquisition of 64.3% interest in the Wahoo Field concession and 60% in the Itaipu Field, as described in note 1.

- **Petrorio USA Inc ("PrioUSA")**

Established on March 4, 2011, former HRT America Inc., incorporated under the laws of the State of Delaware and headquartered in Houston, USA. Subsidiary was basically established to provide geology and geophysics services to other subsidiaries of the Group, mainly to PrioIntl and its subsidiaries. The company was liquidated in the third quarter of 2021.

Portfolio of concessions

On December 31, 2021, the Company's subsidiaries were participants in the following concessions in Brazilian basins:

Country	Basin	Block	Field	Concessionaire	%	Status	Phase	PEM (*)
Brazil	Fields	BM-C-8	Polvo	PetroRioOG	100%	Operator	Production	-
Brazil	Camamu	BCAM-40	Manati (**)	Coral	10%	Non-operator	Production	-
Brazil	Fields	Frade	Frade	Jaguar	100%	Operator	Production	-
Brazil	Fields	C-M-466	Tubarão Martelo	PetroRioOG	80%	Operator	Production	-
Brazil	Camamu	BCAM-40	Camarão Norte	Coral	10%	Non-operator	Development	-
Brazil	Foz do Amazonas	FZA-M-254	-	Coral	100%	Operator	Exploration	R$ 587
Brazil	Foz do Amazonas	FZA-M-539	Pirapema	Coral	100%	Operator	Exploration	R$ 10,564
Brazil	Ceará	CE-M-715	-	Jaguar	50%	Operator	Exploration	R$ 59,200
Brazil	Fields	BM-C-32	Itaipu	Jaguar	60%	Operator	Exploration	-

(*) Minimum exploratory program remaining.

(**) As described in Note 9, the Company entered into an agreement to dispose of this asset, whose transaction closing is subject to the terms and conditions usually adopted in transactions of this nature and the approval of government agencies. Thus, these assets are presented as non-current assets held for sale.

The BCAM-40 Block Consortium started and awaits for the process of returning the discovery of Camarão Norte, located in south of the Manati Field, in the Camamu-Almada Basin, to the National Agency of Petroleum, Natural Gas and Biofuels (ANP). The Company has a 10% interest in the discovery of Camarão Norte, which was declared a commercial undertaking in 2009. After evaluating several development plans and potential unitization to the adjacent area, the consortium concluded that the area was not economically feasible and decided to return it.

(In thousands of reais, unless otherwise indicated)

The acquisition of Jaguar expanded the concessions portfolio with 100% Frade Field, and with 50% of the Exploratory Block CE-M-715, in Ceará Basin, in partnership with Ecopetrol.

a) Relevant information on investees as of December 31, 2021

	PetroRioOG	PrioIntl	PrioUSA
Direct interest	100.00%	1.23%	100.00%
Indirect interest	-	98.77%	-
Shareholders' equity	6,715,199	4,162,756	-
Income (loss) for the year	1,350,003	769,205	(307)
Total assets	7,800,882	9,544,297	-

b) Breakdown of investments

	Parent company	
	12/31/2021	12/31/2020
PetroRioOG	**6,715,199**	3,602,058
PrioUSA	**-**	(39)
PrioIntl	**51,327**	40,143
	6,766,526	3,642,162

c) Changes in investment

	PetroRioOG	PrioIntl	PrioUSA	Total
Balance at January 01, 2020	**2,241,194**	**27,223**	**68**	**2,268,485**
Capital increase/decrease	435,910	-	164	436,074
Equity in income of subsidiaries	500,762	7,624	(268)	508,118
Conversion adjustments	424,192	5,296	(3)	429,485
Balance at December 31, 2020	**3,602,058**	**40,143**	**(39)**	**3,642,162**
Capital increase/decrease	1,627,036	-	372	1,627,408
Equity in income of subsidiaries	1,350,003	9,484	(307)	1,359,180
Conversion adjustments	136,102	1,700	(26)	137,776
Balance at December 31, 2021	**6,715,199**	**51,327**	**-**	**6,766,526**

Notes to the financial statements
December 31, 2021
(In thousands of reais, unless otherwise indicated)

11. Property, plant and equipment (Consolidated)

a) Breakdown of the balance

	Depreciation rate %	Cost	Depreciation	Translation adjustment	Balance at 12/31/2021	Balance at 12/31/2020
In operation						
Platform and Drilling rig - Polvo	UOP *	104,917	(104,631)	24,310	**24,596**	23,834
Oil & gas assets – Frade **	UOP *	2,753,017	(1,043,031)	-	**1,709,986**	1,986,129
FPSO Bravo (Tubarão Martelo)	UOP *	797,445	(161,906)	-	**635,539**	718,235
Machinery and equipment	10	9,487	(7,083)	-	**2,404**	4,633
Furniture and fixtures	10	2,185	(1,051)	-	**1,134**	1,354
Communication equipment	20	890	(479)	-	**411**	320
IT equipment	20	6,708	(4,597)	-	**2,111**	2,382
Leasehold improvements	4	6,998	(574)	-	**6,424**	6,367
Development expenditures ***	UOP *	867,941	(213,872)	-	**654,069**	204,176
Maintenance of wells	33	65,582	(54,457)	-	**11,125**	27,203
In progress						
Property, plant and equipment in progress ****		-	-	-	**-**	237
Maintenance of wells – Polvo *****		92,877	-	-	**92,877**	29
Development expenditures ***		104,018	-	478	**104,496**	93,485
Spare parts		55,124	-	4,332	**59,456**	54,261
Material for well revitalization/re-entry - Frade ***		243,140	-	-	**243,140**	234,304
Material for use and consumption (wells)		1,277	-	-	**1,277**	2,064
Total		**5,111,606**	**(1,591,681)**	**29,120**	**3,549,045**	**3,359,013**

*UOP – Units of Production (Unit-of-production depreciation method)
** With the completion of Frade acquisition, the Company then consolidates 100% of the assets related to the field, which include, in addition to the expenses related to producing wells, FPSO Frade and all submarine equipment. In addition, Frade consortium prepared for the Field Revitalization Plan by acquiring materials and equipment that are classified as assets in progress, as well as FPSO equipment and submarines that are waiting drilling of more wells to start operation.
*** Revitalization/drilling and field connection campaigns.
**** Construction in progress refers basically to expenditures with administrative facilities;
***** Workovers for the resumption and/or improvement of wells.

b) Changes in balance

	Balance at 01/01/2021	Frade Acquisition - 30%	Additions	Write-offs	Depreciation	Transfers	Translation adjustment	Balance at 12/31/2021
In operation								
Platform and Drilling rig - Polvo	**23,834**	-	-	-	(4,742)	3,478	2,026	**24,596**
Oil & gas assets - Frade	**1,986,129**	104,990	1,098	-	(389,012)	6,781	-	**1,709,986**
FPSO Bravo (Tubarão Martelo)	**718,235**	-	-	-	(82,696)	-	-	**635,539**
Machinery and equipment	**4,633**	-	-	(1,062)	(2,645)	1,478	-	**2,404**
Furniture and fixtures	**1,354**	-	-	-	(220)	-	-	**1,134**
Communication equipment	**320**	-	-	-	(126)	217	-	**411**
IT equipment	**2,382**	-	-	-	(946)	675	-	**2,111**
Leasehold improvements	**6,367**	-	-	-	(230)	287	-	**6,424**
Development expenditures	**204,176**	-	1,814	-	(67,825)	515,904	-	**654,069**
Maintenance of wells	**27,203**	-	-	-	(16,078)	-	-	**11,125**
In progress								
Property, plant and equipment in progress	**237**	-	725	-	-	(962)	-	**-**
Maintenance of wells - Polvo	**29**	-	92,848	-	-	-	-	**92,877**
Development/Tieback expenditures	**93,485**	-	550,264	(9,109)	-	(530,623)	479	**104,496**
Spare parts	**54,261**	-	-	-	-	4,244	951	**59,456**
Material for well revitalization/re-entry – Frade	**234,304**	13,530	-	(4,694)	-	-	-	**243,140**
Material for use and consumption (wells)	**2,064**	-	1,278	(586)	-	(1,479)	-	**1,277**
Total	**3,359,013**	**118,520**	**648,027**	**(15,451)**	**(564,520)**	**-**	**3,456**	**3,549,045**

(In thousands of reais, unless otherwise indicated)

	Balance at 01/01/2020	Additions	Write-offs	Depreciation	Impairment	Transfers	Translation adjustment	Balance at 12/31/2020
In operation								
Platform and Drilling rig - Polvo	**23,925**	301	-	(7,362)	-	-	6,970	**23,834**
Oil & gas assets - Manati	**6,388**	397	(2,453)	(658)	3	(3,677)	-	**-**
Oil & gas assets - Frade	**1,735,177**	16,482	(21,327)	(362,448)	-	265,646	352,599	**1,986,129**
FPSO Bravo (Tubarão Martelo)	-	1,273	-	(79,210)	-	785,949	10,223	**718,235**
Machinery and equipment	**6,215**	-	-	(2,644)	-	1,062	-	**4,633**
Furniture and fixtures	**1,559**	-	-	(220)	-	15	-	**1,354**
Communication equipment	**446**	-	-	(126)	-	-	-	**320**
IT equipment	**2,992**	-	-	(860)	-	250	-	**2,382**
Leasehold improvements	**6,597**	-	-	(230)	-	-	-	**6,367**
Surplus of Oil & gas assets - Frade	**239,341**	-	-	(48,937)	-	(255,494)	65,090	**-**
Development expenditures	**187,963**	103,611	-	(56,894)	-	(30,504)	-	**204,176**
Maintenance of wells	**30,533**	-	-	(17,583)	-	14,253	-	**27,203**
In progress		-	-	-	-	-	-	
Property, plant and equipment in progress	**3,638**	497	-	-	-	(3,898)	-	**237**
Maintenance of wells	**4,301**	5,086	-	-	-	(9,358)	-	**29**
Acquisition of FPSO Bravo (Tubarão Martelo)	**49,096**	603,492	-	-	-	(788,757)	136,169	**-**
Development/Tieback expenditures	**-**	70,821	-	-	-	18,813	3,851	**93,485**
Spare parts	**50,069**	1,303	-	-	-	-	2,889	**54,261**
Material for well revitalization/re-entry - Frade	**254,283**	-	(19,938)	-	-	(41)	-	**234,304**
Material for use and consumption (wells)	**-**	-	-	-	-	2,064	-	**2,064**
Total	**2,602,523**	**803,263**	**(43,718)**	**(577,172)**	**3**	**(3,677)***	**577,791**	**3,359,013**

* Amounts transferred to non-current assets classified as held for sale, referring to Manati Campo.

12. Intangible assets (Consolidated)

a) Breakdown of the balance

	Amortization rate (%)	Consolidated 12/31/2021	Consolidated 12/31/2020
Oil & Gas assets			
Acquisition cost - Polvo	(i)	**313,787**	313,787
Acquisition Cost - Tubarão Martelo	(i)	**239,095**	297,409
Acquisition cost – Frade	(i)	**197,418**	-
Acquisition cost – Wahoo	(i)	**845,781**	-
Subscription bonus - FZA-M-254		**5,968**	5,968
Subscription bonus - FZA-Z-539		**8,022**	8,022
Subscription bonus - Frade	(i)	**50,850**	50,850
Subscription bonus - Ceará	(i)	**31,358**	31,358
Capital gain in the acquisition of the Frade concession	(ii)	**801,248**	746,142
Advance for acquisition of asset	(iii)	**-**	64,959
Software and others		**9,033**	9,033
		2,502,560	1,527,528
Accumulated amortization		**(760,234)**	(570,662)
Total		**1,742,326**	956,866

(i) Acquisition costs/subscription bonuses and exploration expenses are amortized by the unit of production method, considering the production of each concession and the volume of reserves when exploration/redevelopment processes will be completed.

(ii) Capital gain related to the acquisition of the concession contract for Frade Field, Jaguar and Sardinha, amortized using the units produced method, monitoring the asset generating the capital gain.

(iii) Advances for the acquisition of Wahoo Field (64.3%) and Itaipu Field (60%), as described in Note 1.

PetroRio

Notes to the financial statements
December 31, 2021

(In thousands of reais, unless otherwise indicated)

b) Changes in balance

	Balance at 01/01/2021	Acquisition - Wahoo	Frade Acquisition - 30%	Additions	Write-offs	Amortization	Transfer	Translation adjustment	Balance at 12/31/2021
Acquisition cost - Polvo	29,826	-	-	-	-	(5,254)	-	-	**24,572**
Acquisition Cost - Tubarão Martelo	277,922	-	-	-	58,315)	(27,742)	-	-	**191,865**
Acquisition cost - Frade	-	-	157,353	-	-	(33,358)	40,065	-	**164,060**
Acquisition cost - Wahoo	-	412,954		-	-	-	432,827	-	**845,781**
Subscription bonus - FZA-M-254	5,968	-	-	-	-	-	-	-	**5,968**
Subscription bonus - FZA-Z-539	8,022	-	-	-	-	-	-	-	**8,022**
Subscription bonus - Frade	3,999	-	-	-	-	(743)	-	-	**3,256**
Subscription bonus - Ceará	31,358	-	-	-	-	-	-	-	**31,358**
Capital gain in the acquisition of the Frade concession	534,538	-	-	-	-	(103,461)	-	36,093	**467,170**
Software and others	274	-	-	-	-	-	-	-	**274**
Advance for acquisition of asset	64,959	-	-	416,066	(8,133)	-	(472,892)	-	**-**
Total	**956,866**	**412,954**	**157,353**	**416,066**	**(66,448)**	**(170,558)**	**-**	**36,093**	**1,742,326**

	Balance at 01/01/2020	Additions	Write-offs	Amortization	Transfer	Translation adjustment	Balance at 12/31/2020
Acquisition cost - Polvo	46,772	-	(7,559)	(9,387)	-	-	**29,826**
Acquisition cost - Manati	36,888	-	-	(5,048)	(31,840)	-	**-**
Acquisition Cost - Tubarão Martelo	-	297,409	-	(19,487)	-	-	**277,922**
Subscription bonus - FZA-M-254	5,968	-	-	-	-	-	**5,968**
Subscription bonus - FZA-Z-539	8,022	-	-	-	-	-	**8,022**
Subscription bonus - Frade	4,832	-	-	(833)	-	-	**3,999**
Subscription bonus - Ceará	31,358	-	-	-	-	-	**31,358**
Goodwill on acquisition - Brasoil	20,228	-	-	-	(26,080)	5,852	**-**
Capital gain in the acquisition of the Frade concession	500,919	-	-	(112,153)	-	145,772	**534,538**
Client portfolio - Manati	4,038	-	-	(702)	(4,494)	1,158	**-**
Software and others	274	-	-	-	-	-	**274**
Advance for acquisition of asset	30,230	34,729	-	-	-	-	**64,959**
Total	**689,529**	**332,138**	**(7,559)**	**(147,610)**	**(62,414) ***	**152,782**	**956,866**

* Amounts transferred to non-current assets classified as held for sale, referring to Manati Campo.

c) Acquisition of assets

1. Frade - 30%

As of February 5, 2021, the Company concluded the acquisition of 30% interest of Frade Field, through its indirect subsidiaries Jaguar and Lux Holding. Jaguar acquired 30% of the Frade Field concession, FPSO, Submarine Equipment and other assets and liabilities related to the concession, in which it already had 51.74% of the rights and control. Furthermore, Lux Holding acquired 30% of the shares of Frade BV, in which it already held a 51.74% interest and control of the entity.

The core operation was the acquisition of 30% of the assets related to the concession for the final net adjusted value of R$ 221,799 thousand (US$ 41,162 thousand), paid in the form of an advance in November 2019, upon signature of the contract, in the amount of R$ 40,065 thousand (US$ 7,500 thousand), and the remaining balance, in the amount of R$ 181,734 thousand (US$ 33,662 thousand) on February 5, 2021, the completion date, through a payment by Jaguar of R$ 1,396,656 (US$ 259,197 thousand) and a receipt by Lux Holding of R$ 1,214,922 (US$ 225,470 thousand).

The form of the acquisition was through two separate purchase and sale agreements, with different prices and parts.

The amounts paid and received, as well as the allocations of assets and liabilities, are distributed as follows:

			Total	
Allocation of price	**Jaguar**	**Lux Holding**	**In thousands of reais**	**US$ thousand**
Initial consideration	107,768	431,072	**538,840**	**100,000**
Price adjustment	1,332,463	(1,645,994)	**(313,531)**	**(58,186)**
Final consideration paid (received)	**1,440,231**	**(1,214,922)**	**225,309**	**41,814**
Concession (intangible assets)	472,803	(435,322)	**37,481**	**6,956**
FPSO and subsea equipment (PP&E)	692,812	(587,821)	**104,991**	**19,485**
Petroleum stock (current assets)	141,553	(120,102)	**21,451**	**3,981**
Field revitalization material (PP&E)	89,281	(75,751)	**13,530**	**2,511**
Advances to the consortium/suppliers (current assets)	48,576	-	**48,576**	**9,015**
TAC provision (non-current liabilities)	(4,794)	-	**(4,794)**	**(890)**
Frade BV shares (investment)	-	183	**183**	**34**
Advances to the consortium (current assets)	-	3,891	**3,891**	**722**

Moreover, a provision for abandonment was recorded, proportional to the 30% acquisition, in the amount of R$ 159,937, recorded in the "Concession" account under intangible assets, against the provision for abandonment, in liabilities (note 19).

2. Wahoo Field (64.3%) and Itaipu Field (60%)

On July 1, 2021, the Company concluded the purchase of 35.7% of the Wahoo Field with BP and, on July 28, 2021, the purchase of 28.6% of the same field, belonging to Total. Along with the portion acquired from BP, a 60% interest in the Itaipu Field was also purchased.

Wahoo, the focus of the purchase operation, is an exploratory block in the Campos Basin with the potential to produce over 140 million barrels in the pre-salt layer (100% of the field). It discovered oil in 2008 and a formation test was carried out in 2010. Wahoo is located 30-35km north of Frade, with a water depth of 1,400m, and has a carbonate reservoir at a depth of 5,000 to 7,000 meters.

Itaipu is an exploratory block in the Campos Basin and had 3 pilot wells drilled. It is located close to Parque das Baleias cluster and preliminary studies performed indicate that the accumulation is potentially shared with the southeast region of the cluster. Before any development definition, the area must go through a unitization process.

Both fields are in the exploration phase, with Wahoo moving into the development phase. Only the concessions were transferred in the purchase and sale process. The two fields have already carried out the minimum exploratory programs and have no provision for abandonment, which is only formed during the development period.

(In thousands of reais, unless otherwise indicated)

Following the guidelines expressed in Technical Pronouncement CPC 15 (R1) - Business Combinations, the company performed the Optional Test to identify the concentration of fair value described in item B7, to determine whether the transaction in question is a business combination.

We conclude that, as the full amount is concentrated in a single identifiable asset, in this case the concession, since there are no other identifiable assets and liabilities, such as cash and cash equivalents, deferred tax assets or any other type of asset, the company determined that the acquisition is not a business combination, with no need for additional valuations.

With this, the acquisitions of the Wahoo and Itaipu fields were treated as acquisitions of intangible assets, following the guidelines of Technical Pronouncement CPC 04 (R1) - Intangible Assets, which establishes that the cost of the acquired intangible asset must be the amount paid in the acquisition plus costs initially incurred for such acquisition (items 18 and 27).

d) Business combination

1. Tubarão Martelo

On August 03, 2020, the Company concluded the transaction for the acquisition of 80% of Tubarão Martelo Field interest by means of its indirect subsidiary PetroRioOG.

The Company became the operator of the Tubarão Martelo Field, which may influence the decisions of the consortium and implement cost reductions and synergies to its operation.

The Company calculated the fair values of the assets acquired and liabilities assumed, as well as the allocation of the purchase price, accounting for their effects individually, based on CPC 15 (R1) – Business combination.

The definitive allocation of recognized purchase price caused the following distribution:

Final price (receivable)	(59,762)
Allocation of price	
Concession	110,668
Assumed property, plant and equipment	2,541
Liabilities assumed	(126,286)
Provision for abandonment	(46,685)

(In thousands of reais, unless otherwise indicated)

The assumed liability of R$ 126,286 refers to amounts payable for the lease of FPSO, that operates the Tubarão Martelo Field (Bravo), payable to Lux Sarl, a subsidiary of Petrorio, not involving cash; therefore, it is not included in the changes presented in the Company's Statement of Cash Flows.

13. Suppliers

	Parent company		Consolidated	
	12/31/2021	**12/31/2020**	**12/31/2021**	**12/31/2020**
Domestic suppliers	**220**	3,593	**30,412**	183,925
Foreign suppliers	**-**	347	**262,192**	66,604
	220	3,940	**292,604**	250,529
Total current liabilities	220	3,940	292,204	236,889
Total non-current liabilities	-	-	400	13,640

14. Taxes and social contributions payable

	Parent company		Consolidated	
	12/31/2021	**12/31/2020**	**12/31/2021**	**12/31/2020**
IRPJ and CSLL payable	**-**	-	**126,322**	52,729
PIS/COFINS/CSLL	**12**	-	**10,786**	4,767
IRRF on services	**567**	709	**3,163**	11,851
ICMS	**57**	56	**575**	1,094
INSS	**145**	4,671	**3,946**	7,524
Taxes on shareholders' equity	**-**	-	**1,510**	1,406
Royalties	**-**	-	**35,613**	7,795
Other	**48**	48	**1,763**	575
	829	5,484	**183,678**	87,741

15. Other accounts payable - Acquisition of Wahoo

In the negotiation for the acquisition of a 35.7% interest in Wahoo Field with BP Energy do Brasil Ltda, the payment of the acquisition amount in installments was agreed. Of the total price of US$ 100 million, US$ 17.5 million was paid up to the closing date, July 1, 2021. The first installment, in the amount of US$ 15 million (R$ 87,596) was paid as of December 23, 2021 and the remainder, US$ 67.5 million (R$ 376,684 thousand as of December 31, 2021) will be paid in 2 more installments, without interest, being US$ 30 million as of February 28, 2022 and US$ 37.5 million as of May 31, 2022.

PetroRio

Notes to the financial statements
December 31, 2021
(In thousands of reais, unless otherwise indicated)

16. Loans and financing

			Additions		Payments					
		12/31/2020	**Principal**	**Interest**	**Principal**	**Interest**	**Appropriation**	**FX**	**Translation adjustment**	**12/31/2021**
Citibank	(i)	**41,808**	176,258	2,606	(206,973)	(2,784)	-	(10,915)	-	-
Trafigura	(ii)	**182,202**	-	1,902	(201,746)	(2,298)	-	19,940	-	-
CCB	(iii)	**108,215**	150,775	4,159	(257,019)	(7,670)	-	1,540	-	-
FINEP	(iv)	**57,738**	-	1,328	(54,101)	(4,965)	-	-	-	-
Fibra	(v)	**20,075**	-	335	(21,250)	(431)	-	-	1,271	-
Bradesco	(vi)	**26,669**	55,200	551	(78,763)	(1,273)	-	(2,384)	-	-
Daycoval	(vii)	**36,705**	26,240	951	(64,072)	(1,304)	-	1,480	-	-
Santander	(viii)	**65,126**	282,925	2,334	(317,286)	(6,048)	-	(27,051)	-	-
C.E.F.	(ix)	**30,961**	-	443	(33,100)	(1,828)	-	3,524	-	-
Chevron	(x)	**733,129**	-	13,726	(668,850)	(89,333)	-	-	11,328	-
Prisma Capital	(xi)	**539,437**	-	20,523	(511,470)	(40,272)	-	-	(8,218)	-
Harvest	(xii)	**23,637**	13,630	537	(37,780)	(512)	-	488	-	-
Banco do Brasil	(xiii)	**44,017**	-	826	(41,579)	(956)	-	(2,308)	-	-
BTG	(xiv)	-	275,575	2,821	(246,385)	(2,654)	-	(29,357)	-	-
ABC	(xv)	-	80,000	442	(79,448)	(433)	-	(561)	-	-
Itaú	(xvi)	-	159,965	1,154	(153,312)	(1,149)	-	(6,658)	-	-
Funding costs	*	-	(7,343)	-	-	-	6,543	-	800	-
Subtotal		**1,909,719**	**1,213,225**	**54,638**	**(2,973,134)**	**(163,910)**	**6,543**	**(52,262)**	**5,181**	**-**
BOND	(xvii)	-	3,031,980	110,940	-	(103,655)	-	-	321,567	**3,360,832**
Funding costs	**	-	(54,152)	-	-	-	6,718	-	(5,477)	**(52,911)**
Total		**1,909,719**	**4,191,053**	**165,578**	**(2,973,134)**	**(267,565)**	**13,261**	**(52,262)**	**321,271**	**3,307,921**
Current		1,519,966								553
Non-current		389,753								3,307,368

* Costs with lawyers and advisors for fundraising from Prisma.
** Costs with banks, lawyers, and consultants for issuing the BOND.

		Additions		Payments			Translation	
	12/31/2019	**Principal**	**Interest**	**Principal**	**Interest**	**FX**	**adjustment**	**12/31/2020**
ICBC	**230,829**	-	9,691	(296,634)	(10,926)	67,040	-	-
Citibank	**200,123**	46,240	1,225	(206,469)	(987)	(4,670)	6,346	**41,808**
Trafigura	**189,634**	387,462	7,992	(515,485)	(8,558)	121,157	-	**182,202**
CCB	**94,802**	51,727	6,770	(68,888)	(5,847)	29,651	-	**108,215**
FINEP	**54,313**	-	6,630	-	(3,205)	-	-	**57,738**
Fibra	**40,224**	20,476	3,669	(56,815)	-	-	12,521	**20,075**
Bradesco	**8,172**	23,618	765	(8,785)	(173)	3,072	-	**26,669**
Daycoval	-	57,844	2,188	(26,959)	(1,907)	5,539	-	**36,705**
Votorantim	-	45,000	858	(57,069)	(879)	12,090	-	**-**
Santander	-	52,904	2,846	-	-	9,376	-	**65,126**
ABC	-	14,850	396	(17,328)	(352)	2,434	-	**-**
C.E.F.	-	30,000	1,324	-	-	(363)	-	**30,961**
Chevron	**767,018**	-	55,168	(266,539)	(17,040)	-	194,522	**733,129**
INPEX/Sojitz	**60,461**	-	5,073	(60,831)	(5,073)	-	370	**-**
Prisma Capital	-	449,870	44,698	-	(23,197)	-	68,066	**539,437**
Harvest	-	26,000	20	-	-	(2,383)	-	**23,637**
Banco do Brasil	-	44,518	106	-	-	(607)	-	**44,017**
Total	**1,645,576**	**1,250,509**	**149,419**	**(1,581,802)**	**(78,144)**	**242,336**	**281,825**	**1,909,719**
Current	1,224,306							1,519,966
Non-current	421,270							389,753

(i) In October 2020, the Company signed a loan agreement in the form of an Advance on Exchange Contract (ACC) with Citibank of US$ 8 million, with a rate of 3.28%. Said contract was prepaid in June 2021. In March 2021, the Company contracted another ACC with Banco Citibank in the amount of US$ 25 million, with a term of 1 year and a cost of 2.63%, early settled in September 2021. On May 10, 2021, the Company signed the third contract with Banco Citibank in the amount of US$ 7 million, with a term of 1 year and a cost of 2.62% p.a., settled in advance in June 2021.

(ii) In December 2020, the Company signed another export prepayment agreement with Trafigura PTE Ltd, in the amount of US$ 35 million, at a cost of Libor + 3.75%. This contract expired in March 2021.

(iii) In March 2021, the Company contracted an ACC with China Construction Bank (CCB) in the amount of US$ 19 million, for a period of 1 year and at a cost of 4%. This contract was prepaid in November 2021. On April 5, 2021, the Company contracted another ACC in the amount of US$ 8 million, with a term of 1 year and cost of 4.00% p.a. This contract was prepaid in October 2021.

(iv) On November 19, 2018, the Company signed an agreement with Finep for a R$ 90 million credit facility to be paid in 10 years, including a 2.5-year grace period. The financing cost is long-term interest rate (TJLP) + 1.5% p.a. Approximately R$ 54,101 were released by FINEP. This contract was prepaid in April 2021.

(v) On November 30, 2020, the Company signed an amendment to the credit facility with Banco Fibra, in the amount of US$ 3.8 million and with a term of 1 year and cost of 6.8% per annum. This debt was prepaid in March 2021.

(vi) The Company had two ACC contracts with Banco Bradesco in the amounts of US$ 2 million and US$ 3 million, which were settled on maturity in March 2021. In the same month, the Company contracted a new contract in the amount of US$ 10 million, with a term of 180 days and a cost of 3.3% p.a. This debt was prepaid in June 2021.

(vii) The Company prepaid two Advances on Foreign Exchange Contracts with Bank Daycoval in the amounts of US$ 5 million and US$ 2 million, with a rate of 8.7%, in March 2021. On May 21, 2021, the Company signed a contract with Banco Daycoval in the amount of US$ 5 million, with a term of 180 days and cost of 4.00% p.a., early settled in July 2021.

(viii) The Company prepaid two Advances on Foreign Exchange Contracts with Banco Santander in the amounts of US$ 10 million and US$ 2 million, with a rate of 5.12%, in March 2021. On April 16, 2021, the Company signed a contract with Banco Santander in the amount of US$ 50 million, with a term of 1 year and cost of 3.92% p.a., paid in advance in June 2021.

(ix) On April 6, 2020, the Company signed a contract with Caixa Econômica Federal in the amount of R$ 30 million, with a term of 1 year and a cost of 5.7% p.a. In March 2021, the Company settled the debt principal and the interest was debited from its account in April 2021.

(x) On January 29, 2019, the Company entered into a contract, effective as of March 25, 2019, with Chevron Latin America Marketing LLC and Chevron Amazonas LLC for the acquisition of Chevron Brasil Upstream Frade LTDA, Chevron Frade LLC and Frade B.V., in the amount of USD 224,023, with a two-year term. The financing is at Libor + 3% p.a.

In June 2020, an amendment to the contract was signed, changing its final term to November 2021, to be settled in 3 installments, the first in November 2020, the second in May 2021 and the last in November 2021, with renegotiated interest of 7% p.a. Said contract was prepaid in May 2021.

(xi) On January 27, 2020, the Company signed a contract with an entity of the Prisma Capital fund for a bridge loan in the amount of US$ 100 million at the cost of 8.95% p.a. On December 21, 2020, the Company signed the long term, where the total debt was due in December 2022. This contract was prepaid in June 2021.

(xii) On December 23, 2020, the Company signed a contract with Banco Safra in the amount of US$ 5 million, with a term of 6 months and cost of 3.8% p.a. On April 26, 2021, the Company signed another contract with Banco Safra in the amount of US$ 2.5 million, with a maturity of 1 year and a cost of 3.00% p.a., settled in advance in June 2021.

(xiii) On November 6, 2020, the Company signed a contract with Banco do Brasil in the amount of US$ 2.75 million, with a term of 6 months and a cost of 5% p.a., prepaid in June 2021. On December 29, 2020, the Company signed another contract with Banco do Brasil in the amount of US$ 5.7 million, with a term of 6 months and cost of 4.15% p.a., settled in June 2021.

(xiv) On March 22, 2020, the Company signed a contract with BTG in the amount of US$ 50 million, with a term of one year and a cost of 4.15% p.a., prepaying it in June 2021.

(xv) On April 9, 2021, the Company signed a contract with Banco ABC in the amount of US$ 9 million, with a term of 1 year and cost of 3.98% p.a., settled in advance in June 2021. On May 26, 2021, the Company signed another ACC with Banco ABC in the amount of US$ 5.7 million, with a term of 1 year and cost of 3.00% p.a., early settled in July 2021.

(xvi) On April 30, 2021, the Company signed a contract with Banco Itaú in the amount of US$ 20 million, with a term of 1 year and cost of 3.65% p.a. On May 21, 2021, the Company signed another ACC with Banco Itaú in the amount of US$ 10 million, with a maturity of 1 year and a cost of 3.60% p.a., both settled in advance in July 2021.

(xvii) On June 9, 2021, the Company issued debt in the international capital market in the amount of US$ 600 million at a cost of 6.125% p.a. and a final term of 5 years, with a repurchase option as of the 3rd year. The principal will be repaid on maturity, June 9, 2026, while interest will be repaid semiannually, and the first amortization took place in December 2021.

This contract has financial covenants linked to the leverage ratio. The ratio is calculated by dividing the net debt for the period by the Adjusted EBITDA of the last 12 months (EBITDA minus other revenues and expenses). The maximum limit of the ratio is 2.5x. However, any non-compliance with this index results in a restriction on taking on new debts. The measurement of this ratio will be carried out quarterly, and on December 31, 2021, the calculated indicator was below the established limit, complying with the contract clause.

(In thousands of reais, unless otherwise indicated)

17. Leases CPC 06 (R2) / IFRS 16

The right-of-use assets represent the following underlying assets:

Right-of-use assets	Cost	Amortization	Balance
FPSO Polvo	318,543	(318,543)	-
Support Vessels	272,717	(69,149)	203,568
Helicopters	66,031	(14,127)	51,904
Buildings/Support Bases	111,253	(24,722)	86,531
Equipment	103,916	(20,052)	83,864
Total	**872,460**	**(446,593)**	**425,867**

To calculate the amount of the cost, the terms when the assets are necessary for the operation and surcharge on loans, of 5.63% p.a. to contracts in Dollar and 10% p.a. for contracts in Reais were taken into consideration, both for Frade Field. For assets operating in the Polvo Field, with the change in the useful life to 2033 (Note 2.7), the rates were recalculated and fixed at 5.903% p.a. for US Dollar contracts and remained at 10% p.a. for contracts in Reais. Furthermore, for a contract that entered in 2020 and will be effective until 2023, in dollars, the discount rate used was 8.95%.

The depreciations of the right of use, when related to assets used for the operations, are firstly recognized in inventory and then transferred to income when disposed. Administrative assets are directly recorded in the statement of income, both under the straight-line method, observing the periods when they are used.

Exchange-rate change and inflation adjustment are recorded directly in the Company's statement of income.

The effects presented in the year were:

	Assets	Liabilities
Balance at January 01, 2020	**452,067**	**(612,482)**
Additions/Reversals	74,633	(86,025)
Currency adjustment	-	(126,294)
Price-level restatement	-	(45,473)
Payments made	-	244,174
Depreciation	(156,864)	-
Balance at December 31, 2020	**369,836**	**(626,100)**
Additions/Reversals	181,835	(81,543)
Currency adjustment	-	(35,464)
Price-level restatement	-	(45,000)
Payments made	-	194,735
Depreciation	(125,804)	-
Balance at December 31, 2021	**425,867**	**(593,372)**
Current	**-**	**(105,905)**
Non-current	**425,867**	**(487,467)**

(In thousands of reais, unless otherwise indicated)

Contract maturity Maturity of installments	Amount R$	*PIS/COFINS Amount R$
2022	140,734	13,015
2023	73,255	6,776
2024	62,433	5,775
2025	62,299	5,763
2026	62,299	5,763
2027	62,300	5,763
2028	62,434	5,775
2029	62,302	5,763
2030	62,303	5,763
2031	58,841	5,443
2032	58,966	5,454
2033	58,843	5,443
Undiscounted amounts	827,009	76,496
Embedded interest	(233,637)	
Lease liability balance	593,372	

18. Current and deferred income tax and social contribution

	Tax loss		Tax credit	
Companies	**12/31/2021**	**12/31/2020**	**12/31/2021**	**12/31/2020**
PetroRio	**182,459**	77,522	**62,036**	26,358
PetroRioOG	**1,122,454**	1,341,630	**381,634**	456,154
PrioIntl	**14,817**	14,807	**5,038**	5,034
Brasoil	**85,837**	131,214	**29,185**	44,613
Jaguar	**1,313,150**	1,472,678	**446,471**	500,711
Sardinha	**818,175**	878,408	**278,180**	298,659
Lux Holding	**3,421,883**	3,294,654	**853,418**	821,687
	6,958,775	**7,210,913**	**2,055,962**	**2,153,216**

The Company has tax loss carry forwards and negative social contribution tax generated in Brazil and abroad, which may be offset against future taxable profit, limited to 30% every year in Brazil, and without offset limit in Luxembourg. As detailed below, and based on the projected results of the companies, Management recognized and recorded the amounts proportional to future income, as well as the amount related to the negative goodwill recorded in the acquisition of the Polvo Field and the total amount of deferred liabilities recorded in Luxembourg, related to negative goodwill recorded in the acquisition of Frade Field. Other credits, which will be recognized as the future taxable income is being generated. Of the total tax credits available, R$ 1,569,085 have not yet been recognized in the Company's balance sheet.

The provision for deferred income and social contribution tax is as follows:

(In thousands of reais, unless otherwise indicated)

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Negative goodwill/surplus in business combination	-	-	**167,931**	192,148
Temporary differences	**(18,539)**	(14,181)	**(59,733)**	(25,607)
Tax losses	-	-	**(486,877)**	(366,483)
Net balance of (Assets) Liabilities	**(18,539)**	(14,181)	**(378,679)**	(199,942)

	Consolidated									
Realization estimate	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**Total**
Negative goodwill/surplus in business combination	31,708	27,200	23,415	20,063	17,264	14,858	12,841	11,047	9,535	**167,931**
Temporary differences	(59,733)	-	-	-	-	-	-	-	-	**(59,733)**
Tax losses	(186,957)	(94,936)	(82,447)	(54,793)	(19,463)	(14,858)	(12,841)	(11,047)	(9,535)	**(486,877)**

19. Provision for abandonment (ARO)

Changes in the balance of provision for abandonment of wells in the Polvo, Tubarão Martelo, Manati and Frade Field are shown below:

	Polvo	Manati	Tubarão Martelo	Frade
Balance at January 01, 2020	**195,672**	**44,374**	**-**	**706,002**
Acquisition of Tubarão Martelo (100%)	-	-	233,426	-
Decrease	(25,498)	(6,870)	(12,205)	(582,875)
Currency adjustment	51,003	9,030	(4,850)	191,419
Price-level restatement	11,066	2,461	5,568	43,284
Balance at December 31, 2020	**232,243**	**48,995**	**221,939**	**357,830**
Frade Acquisition (30%)	-	-	-	159,937
Increase / (Decrease)	(84,867)	(2,048)	(58,100)	(66,279)
Currency adjustment	9,180	3,132	13,237	29,155
Price-level restatement	18,624	4,503	12,541	32,696
Balance at December 31, 2021	**175,180**	**54,582**	**189,617**	**513,339**
(-) Abandonment fund	(185,847)	(60,662)	-	-
Transfer to Liabilities directly linked to non-current assets classified as held for sale	-	6,080	-	-
Net balance of liabilities	**(10,667)**	**-**	**189,617**	**513,339**
Total consolidated balance				**692,289**

The estimated abandonment costs were provisioned for the year ended in 2021.

For Polvo field, this provision corresponds to PetroRio interest of 100%, and reflects the estimated present value discounted at the rate of 7.65% p.a. (5.86% in 2020) and updated according to the inflation rate (US) of average 2.1% p.a. In addition, amounts are adjusted by the changes in the USD rate. These costs will be incurred in the abandonment of the Polvo field, including, but not limited to the plugging of wells, and the removal of production lines and equipment.

Regarding Manati field, a new abandonment study was approved in November 2018, which reduced the total provision by approximately US$ 48 million (100%), with a decrease of R$ 5,426 in the Company's balance sheet, corresponding to a 10% interest in Manati. 20% of the provision for abandonment are represented by costs in reais, updated at the average inflation rate of 3.61% per annum and discounted at the risk-free rate of 10.16% per annum (6.27% in 2020). The other costs, estimated in US Dollars, are updated at the inflation rate of 2.1% per annum and discounted at the rate of 7.39% (5.86% in 2020), before translation into Reais.

To assure the consortium's ability to settle the abandonment obligations in the Manati field, the operator Petrobras collects monthly installment regarding estimated abandonment expenditures from consortium members. The contributed amounts are invested and will be used to pay the abandonment costs when they occur. On December 31, 2021, the Company maintained a balance of R$ 60,662.

Regarding Frade field, a new abandonment study was approved in December 2020 by ANP, considering the current market conditions from Petrorio's point of view as a new operator, reduced the total provision by approximately US$ 207 million with a decrease of R$ 499,700 in the Company's balance sheet, corresponding to a 70% interest in Frade. This provision reflects the estimated present value discounted at the rate of 7.65% p.a. The main expenses included in these surveys are the removal of the FPSO, abandonment of wells (e.g.: drilling rig lease, cementation, pipe and pipeline removal, placement of buffers), environmental remediation and removal of seabed equipment (e.g. Christmas tree, anchoring blocks).

With the completion of the acquisition of 80% of the Tubarão Martelo Field, the Company assumed, in addition to 80% of the total expected to abandon the field, according to the interest of each consortium member in the field, as well as the additional 20% previously under Dommo's responsibility, as consideration for the acquisition of interest. The present value reflects a discount of 7.65% per annum on the total.

Moreover, with the acquisition of the complementary 30% of the Frade field, as described in notes 1 and 12, a supplement was made to the provision for abandonment of the field, in the amount of R$ 159,937, proportional to the amount previously recorded in the company, of 70%.

As highlighted in Note 2.7.1, there was a change in the present values of the provisions for abandonment of fields, with the change in the useful life of Polvo and Tubarão and the updating of discount and inflation rates, with a reduction of R$ 211,294. Of these, R$ 153,194 directly affected the result, since the active provisions for Polvo, Manati and Frade fields no longer had a balance, and R$ 58,100, referring to Tubarão Martelo field, reduced intangible assets.

(In thousands of reais, unless otherwise indicated)

20. Advances to/from partners in oil and gas operations

	Consolidated	
Operated blocks	**12/31/2021**	**12/31/2020**
Blocks operated (GALP - PEL 23 Namibia)	**(644)**	(601)
Petrobras - Frade	**-**	(86,412)
Dommo – TBMT	**(32,850)**	-
Total - Wahoo/Itaipu	**(392)**	-
IBV – Wahoo	**669**	-
Ecopetrol – Ceará	**(2)**	12
Total operated blocks	**(33,219)**	(87,001)
Petrobras - Coral/Cavalo Marinho/Manati	**(6,436)**	(2,345)
Total non-operated blocks	**(39,655)**	(89,346)
Transfer to Liabilities directly linked to non-current assets classified as held for sale	**6,439**	2,349
Total advances to/from partners	**(33,216)**	(86,997)
Total current liabilities	**-**	-
Total current assets	**(33,216)**	(86,997)

21. Impairment

The Company periodically monitors changes in economic and operating expectations that may indicate impairment loss of assets. If such evidence is identified, calculations are performed to verify whether the net book value exceeds the recoverable value and, in such case, a provision for devaluation is recorded adjusting the book value to the recoverable value.

Due to the impacts caused by the COVID-19 pandemic worldwide, the demand for oil decreased sharply, thus reducing the oil prices practiced in international markets. The relevant decrease in the Brent price, directly linked to the company's revenues, are indicative of a possible loss in the recoverable value of the assets.

Even with the recovery of oil prices in the international market, the Company made calculations to verify the recoverable value of its assets against the recorded values by using most current projections of oil and dollar price, and did not detect the need to recognize a provision.

Cash flows are estimated based on the results already achieved the Company's annual budget, considering the maturity of each concession and the expected market growth, based on assumptions validated annually by the reserve certifying agency (DeGolyer and MacNaughton) when they are reevaluated. Such flows are discounted at the Company's most recent weighted average cost of capital, of 11.7%, using a methodology widely adopted in the oil and gas market.

(In thousands of reais, unless otherwise indicated)

22. Shareholders' equity

22.1 Capital

On December 31, 2021, the Company's underwritten and paid in capital totaling R$ 5,526,452 is composed of 878,330,845 registered shares with no par value.

The Company recorded R$ 222,808 referring to share issuance costs in a capital reducing account and which comprise the balance shown of R$ 5,303,644.

Shareholder	Number of common shares	% of interest*
Aventti Strategic Partners LLP	167,937,200	19%
Truxt Investimentos	98,781,165	11%
Other shareholders	611,612,480	70%
Total	**878,330,845**	**100%**

*According to information disclosed in reference form.

On January 28, 2021, within the scope of the public offering for primary distribution, with restricted efforts, of common, nominative and book-entry shares with no par value, free of any liens or encumbrances, issued by the Company, the determination of the price per share of R$ 69.00, totaling R$ 2,049,000 and the increase in the Company's capital, through the issue of 29,700,000 new common, nominative and book entry shares, with no par value, free of any liens or encumbrances, issued by the Company.

The Shares subject to the Offer started being traded at B3 S.A. – Brasil, Bolsa, Balcão ("B3") on February 1, 2021, and the physical and financial settlement of the Shares occurred on February 2, 2021.

Furthermore, the Company's Capital underwent changes in January 2021, with an increase of R$ 13,743 through the issuance of shares upon the exercise of stock options granted to employees, as described in note 22.2.

On April 30, 2021, at a meeting of the Board of Directors, the split of shares issued by the Company was approved, at a ratio of 1/5, so that each share issued by the Company is now represented by 5 (five) shares. The shares started to be traded split on May 6, 2021.

On December 31, 2021, balance of Petro Rio S.A. common shares in Treasury Shares account, rectifying Shareholders' Equity, is 39,077,565 shares at acquisition cost of R$ 40,874.

(In thousands of reais, unless otherwise indicated)

22.2 Share-based remuneration plan

The Board of Director, within the scope of its duties and in accordance with the stock option plan, approved the grant of preferred stock option to Company's employees. Stock options fair value was estimated on concession date, using the Black-Scholes pricing model. The dates of Board of Directors' meetings and the assumptions used in the pricing model are listed below:

	Program I	Program IV	Program V	Program VI	Program VII
Grant date by Board of Directors	01/25/2018	11/05/2018	02/28/2019	02/28/2019	02/28/2019
Total stock options granted	314,267	122,923	20,482	83,596	79,026
Share price on granting date	91.50	118.00	150.98	150.98	150.98
Strike Price	54.70	54.7	86.27	86.27	97.06
Weighted fair value on concession date	41.08	69.06	66.70	77.20	68.30
Estimated volatility of share price	73.99%	72.41%	52.54%	52.54%	69.46%
Risk-free rate of return	8.83%	8.75%	7.14%	7.14%	8.25%
Option validity (in years)	3	4	2	2	4

	Program VIII	Program IX	Program X	Program XI
Grant date by Board of Directors	03/20/2020	03/20/2020	05/03/2021	05/03/2021
Total stock options granted	524,870	501,600	280,340	639,482
Share price on granting date	12.40	12.40	91.86	91.86
Strike Price	17.36	19.53	35.27	39.86
Weighted fair value on concession date	3.51	4.49	62.03	65.92
Estimated volatility of share price	77.01%	66.17%	92.13%	73.64%
Risk-free rate of return	5.60%	7.65%	6.41%	7.86%
Option validity (in years)	2	4	2	4

For the year ended December 31, 2021, the Company has a balance recorded in shareholders' equity - income (loss) from share-based remuneration in the amount of R$ 280,769, and the counterparty is in the statement of income as personnel cost since the grant.

Out of the options granted, 1,280,509 options were exercised on January 1, 2021, with the full payment of R$ 13,622 in the Company's capital.

22.3 Earnings per share

Pursuant to CPC 41 (IAS 33), the Company presents information on earnings per share for the years ended on December 31, 2021 and 2020. Basic earnings per share are calculated by dividing income (loss) for the year attributed to the Parent Company's common and preferred shareholders by the weighted average number of common and preferred shares available in the year.

Diluted earnings per share are calculated by dividing income/loss attributable to Parent company's common shareholders by the weighted average number of common shares available for the year, plus the weighted average number of common shares that would be issued on conversion of all potential diluted common shares into common shares, excluding treasury shares in the year.

The tables below show data of income and shares used in calculating basic and diluted earnings per share during the years:

Basic and diluted earnings per share	12/31/2021	12/31/2020
Numerator (in thousands of reais)		
Income (loss) for the year attributable to Group's shareholders	**1,333,046**	452,913
Denominator (in thousands of shares)		
Weighted average of number of common shares for basic earnings per share (*)	**825,228**	676,656
Basic earnings per share	**1.615**	0.669
Diluted earnings per share	**1.597**	0.661
Potentially dilutive shares in future years with profit	**9,230**	8,897

* Number of shares' weighted average considers the effect of treasury share changes' weighted average during the year.

22.4 Allocation of income for the year

Pursuant to the provisions of the Group's Bylaws, the minimum mandatory dividend is 0.001% of adjusted net income, in accordance with Article 202 of Law 6404/76. As this profit is fully composed of a positive equity result, the full amount is classified as Unrealized Income, pursuant to Article 197 of Law 6404/76. Additionally, there is a provision for a Statutory investment reserve of up to 75% of the balance to be paid after calculating the minimum dividend. Thus, the proposal for the allocation of net income for the year is as follows:

	12/31/2021
Net income for the year	1,333,046
Offset of accumulated losses	**(1,077,665)**
Formation of legal reserve (5%)	**(12,769)**
Balance to be distributed	242,612
Statutory minimum mandatory dividends (0.001%)	2
Allocation to unrealized profit reserve (art. 197, Law 6404/76)	**(2)**
Investment reserve (statutory - 75%)	**(181,957)**
Unrealized profit reserve (art. 197, Law 6404/76)	**(60,652)**

(In thousands of reais, unless otherwise indicated)

23. Related party transactions (Parent company)

	Parent company	
	12/31/2021	**12/31/2020**
Loan Petrorio x PrioIntl	**2**	2
Accounts payable - PetroRio O&G x Petrorio (i)	**39,860**	2,011
Service agreement Petrorio x Lux Holding (ii)	**1,005**	936
Apportionment of Brasoil's administrative expenses	**1,957**	293
Apportionment administrative expenses Frade	**14,117**	5,385
Loan - Petrorio vs. Lux Sarl (iii)	**(220,114)**	(200,830)
Loan - Petrorio vs Sardinha	**-**	(300,626)
Loan - Petrorio vs. Coral	**-**	(39,189)
	(163,173)	(532,018)
Total non-current assets	**56,941**	8,627
Total non-current liabilities	**(220,114)**	(540,645)

(i) Balance of share-based remuneration plan between PetroRio and PetroRioOG.

(ii) Refers to contract entered into by PetroRio and Petrorio Lux Energy S.à.r.l. (later merged into Lux Holding), which established that Petrorio Lux Energy S.à.r.l. should reimburse PetroRio of all expenses incurred for management of its assets (platform), such as salaries, rent of physical space and equipment, telephone, Internet and software.

(iii) Balance referring to loan contracts executed into since the second semester of 2019 by PetroRio and Lux Sarl, with indefinite period and Libor interest rate + 2.9% p.a., which will be settled upon distribution of dividends by Lux Sarl itself.

Management remuneration

The Company's management remuneration in the year ended December 31, 2021 was R$ 6,385 (R$ 2,703 on December 31, 2020) as detailed below:

	12/31/2021	12/31/2020
Short-term employee benefits	**1,791**	**4,830**
Share-based payment	**4,594**	**2,143**
	6,385	**6,973**

(In thousands of reais, unless otherwise indicated)

24. Net revenue

Net revenue for the respective years is broken down as follows:

	12/31/2021						12/31/2020				
	Polvo	**Manati**	**Frade**	**Tubarão Martelo**	**Cluster Polvo + Tubarão Martelo**	**Total**	**Polvo**	**Manati**	**Frade**	**Tubarão Martelo**	**Total**
Gross revenue	723,118	131,260	2,170,825	345,137	1,048,019	4,418,359	565,676	76,567	1,019,549	256,005	1,917,797
Deductions	-	(22,356)	-	-	-	(22,356)	-	(13,612)	-	-	(13,612)
Net revenue	**723,118**	**108,904**	**2,170,825**	**345,137**	**1,048,019**	**4,396,003**	**565,676**	**62,955**	**1,019,549**	**256,005**	**1,904,185**

25. Costs of products sold and services rendered

	Consolidated	
	12/31/2021	**12/31/2020**
FPSO/Platform	(13,217)	(28,742)
Logistics	(78,989)	(63,225)
Consumables	(181,724)	(115,056)
Operation and maintenance	(212,505)	(108,078)
Personnel	(130,552)	(69,815)
SMS	(9,140)	(7,344)
Purchase of oil for resale	(120,370)	(72,165)
Other costs	(55,655)	(48,581)
Royalties and special interest	(321,092)	(152,555)
Amortization CPC 06 (R2)	(144,047)	(137,774)
Depreciation and amortization	(616,067))	(483,591)
Total discontinued operations	**(1,883,358)**	**(1,286,926)**

Oil stock (unaudited quantity by independent auditors)

	12/31/2021		12/31/2020	
	Amount	**Barrels (thousand)**	**Amount**	**Barrels (thousand)**
Polvo	61,655	361	138,437	874
Tubarão Martelo	47,970	239	35,878	256
Frade	79,852	687	11,845	79
Total	**189,477**	**1,287**	186,160	1,209

PetroRio

Notes to the financial statements
December 31, 2021
(In thousands of reais, unless otherwise indicated)

26. Other revenues and expenses

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Increase/decrease in the provision for abandonment (rate/curve change)	-	-	**153,195**	609,445
Reversal (Provision) for impairment	-	-	-	2
Reversal (Provision) for labor contingencies	-	-	**(9,760)**	17,034
Reversal (Provision) for tax contingencies	-	-	**4,144**	152
Reversal (Provision) for civil contingencies	-	(500)	**(52,741)**	(30,807)
Income from operations with property, plant and equipment	-	-	-	(42,321)
Tax credits (PIS and COFINS/INSS/ICMS)	-	-	**6,235**	36,563
FPSO OSX-3 lease revenue	-	-	-	126,959
Depreciation expense - FPSO OSX-3	-	-	-	(28,918)
Labor indemnities from previous years	**(247)**	(1,501)	**(3,184)**	(17,437)
Decommissioning - Tubarão Azul	-	-	**(17,288)**	-
Indirect Overhead - Frade	-	-	**(11)**	3,166
Sponsorships	-	-	**(4,350)**	-
Inventory write-off due to FPSO return	-	-	**(27,864)**	-
Tieback - BW Demobilization	-	-	**(32,331)**	-
IRRF on subsea rental remittance	-	-	**(33,662)**	-
Asset acquisition success rate	-	-	**(17,119)**	-
Maintenance of the FPSO Valente (FPSO Frade) keel	-	-	**(15,769)**	-
Write-off of translation adjustment of PrioUSA	**5,257**	-	**5,257**	-
Administrators' bonus	**(4,594)**	-	**(19,530)**	-
Write-off (Loss) of material inventory - Frade	-	-	**(1,361)**	-
Other revenues (expenses)	**1,700**	(17)	**(9,423)**	(10,401)
Total	**2,116**	(2,018)	**(75,562)**	663,437

27. Financial income (loss)

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Financial revenues	**34,150**	**32,730**	**946,536**	**1,469,151**
Revenue from realized financial investment	**89**	41	**69,232**	15,452
Revenue from exchange-rate change	**34,039**	32,651	**875,056**	983,035
Gain in realization of derivatives	-	-	-	393,861
Marked at fair value of derivatives	-	-	**59**	-
Other financial revenues	**22**	38	**2,189**	76,803
Financial expenses	**(55,157)**	**(84,351)**	**(1,568,858)**	**(1,927,820)**
Loss on realized financial investment	-	-	**(27,202)**	(3,724)
Expense on foreign exchange rate (*)	**(47,129)**	(66,301)	**(1,130,189)**	(1,468,260)
Interest on loans	**(5,564)**	(14,375)	**(228,338)**	(151,425)
Commission on bank guarantees	-	-	**(3,113)**	(2,988)
Marked at fair value - Derivatives	-	-	**13,499**	(43,433)
Loss in realization of derivatives	-	-	**(116,247)**	(103,906)
Marked at fair value – bonds (**)	-	-	**(6,550)**	-
Expenses with interest on leases	-	-	**(35,416)**	(40,010)
Other financial expenses	**(2,464)**	(3,675)	**(35,302)**	(114,074)

(*) The foreign exchange expense refers mainly to the fluctuation in the dollar rate applied to the balances of provision for abandonment, lease liabilities (IFRS 16) and loans.
(**) The marking refers to the investment in bonds, pursuant to Note 4.

(In thousands of reais, unless otherwise indicated)

28. Income tax and social contribution

Taxes on income of the Company differ from the theoretical value that would be obtained using the applicable tax rate, as shown below:

	Parent company		Consolidated	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Income before income tax and social contribution	**1,328,688**	440,781	**1,499,121**	484,080
Tax rate according to the current legislation	**34%**	34%	**34%**	34%
Income tax and social contribution expense based on the current rate	**451,754**	149,866	**509,701**	164,587
Non-deductible expenses/non-taxable revenue, net:				
Permanent differences	**(28,394)**	953	**(3,934)**	64,120
Temporary differences	**-**	11,929	**(176)**	(73,629)
Equity in income of subsidiaries	**(462,121)**	(172,760)	**-**	-
Other additions (exclusions)	**-**	(1,973)	**(69)**	(1,940)
Deduction / Tax benefits	**-**	-	**(12,931)**	(2,841)
(Use of) Previously unrecognized tax losses	**-**	-	**(340,599)**	(114,020)
Unrecognized tax losses	**34,403**	-	**34,412**	156
Effect of reduced tax rates in the USA and Luxembourg	**-**	-	**(14,589)**	(30,022)
Adjustment related to taxes	**-**	-	**(5,740)**	24,756
Total	**(4,358)**	(11,985)	**166,075**	31,167
Income tax and social contribution	**-**	-	**344,812**	77,140
Deferred income tax	**(4,358)**	(11,985)	**(178,737)**	(45,973)
Net expenses from income tax and social contribution in income (loss)	**(4,358)**	(11,985)	**166,075**	31,167
Effective rate on pre-tax profit	**-0.33%**	-2.72%	**11.08%**	6.44%

29. Segment reporting (Consolidated)

PetroRio is active in one sole operating segment, i.e. oil and gas exploration and production (E&P) in Brazil and overseas.

Segment reporting for continued operations:

	12/31/2021	12/31/2020
Current assets		
Brazil	4,047,184	512,726
Abroad	1,984,603	1,260,250
Non-current assets		
Brazil	5,297,336	4,127,685
Abroad	817,785	823,733

Revenue	12/31/2021	12/31/2020
Brazil	447,291	412,656
Abroad	3,948,712	1,491,529

30. Objectives and policies for financial risk management

The main financial liabilities of PetroRio refer to trade accounts payable to suppliers for goods and services to be used in its hydrocarbon exploration and production operations, debentures convertible into shares, and the financial security agreements. On the other hand, cash and cash equivalents are recorded in assets, as described in Notes 3 and 4.

The Company is exposed to market (interest and exchange rates), credit and liquidity risks, and its strategy is to make a portion of its investments in fixed and variable income assets, foreign exchange transactions, interest, swaps, derivatives, sundry commodities and other financial instruments for speculative purposes in various industries in Brazil and abroad in the short, medium and/or long term, to maximize the profitability and seek a higher return to its shareholder. By adopting this strategy, the Company is exposed to the risks inherent to such investments, and to fluctuations in the prices of these assets, which may negatively impact the Company's cash position.

The Board of Directors reviews and establishes policies for the management of each of these risks, which are summarized below.

Market risk

Market risk is the possibility of losses arising from the effect of the fluctuation of market values of financial instruments and commodities. The company constantly monitors the market and, when necessary, contracts derivative transactions to neutralize the impacts of these commodity price oscillations.

Derivative financial instruments - Hedge

In the year ended December 31, 2021, the Company entered into derivative agreements aimed at providing hedge against the risk of volatility in oil prices for the sales of 2021 and 2022.

Basically, the transactions protect the Company, which obtained minimum price (floor) per barrel as the chart below:

PetroRio

Operation	Type	Maturity	Settlement	Strike	Quantity	Price	Position	
						Engagement	US$ thousand	In thousands of reais
Purchase	PUT	12/31/2020	12/31/2020	43.50	2,000	3.500	-	-
Purchase	PUT	31/03/21	31/03/21	44.45	900	4.700	-	-
Purchase	PUT	30/06/21	30/06/21	68.25	400	0.230	-	-
Purchase	PUT	31/07/21	31/07/21	68.00	1,495	1.425	-	-
Purchase	PUT	31/08/21	31/08/21	67.50	935	2.370	-	-
Purchase	PUT	30/09/21	30/09/21	67.00	975	3.135	-	-
Purchase	PUT	31/10/21	31/10/21	66.25	488	3.710	-	-
Purchase	PUT	30/11/21	30/11/21	76.00	1,865	0.270	-	-
Purchase	PUT	31/01/22	-	74.00	1,860	2.690	1,364	7,612
Purchase	PUT	28/02/22	-	73.00	483	3.639	1,058	5,904
Purchase	PUT	31/03/22	-	72.00	527	4.299	1,676	9,353
Purchase	PUT	30/04/22	-	72.00	503	5.198	2,176	12,142
					12,431		**6,274**	**35,011**

Interest rate risk

Available funds are invested in securities issued by first-tier financial institutions at variable rates, mostly with daily liquidity, in compliance with prudential concentration limits.

Interest rate sensitivity

The table below shows the sensitivity to a possible change in interest rates, income and Company's shareholders' equity before taxation, where all other variables are kept constant.

Operation	Risk	Probable scenario	Scenario (I) 25%	Scenario (II) 50%
Impact on the securities	Decrease in CDI	112	(3)	(118)

For the earnings from financial investments and securities the CDI projections disclosed by BM&FBOVESPA for the period of 12 months as from December 31, 2021 were taken into account under the probable scenario (CDI 10.78%), a 25% reduction in the projected CDI was taken into account under scenario I and a 50% reduction was taken into account under scenario II, both in relation to the probable scenario.

Exchange risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities and net investments in foreign subsidiaries. The table below shows the sensitivity to a change that may occur in the exchange rate and the impact on the income (loss) and Company's shareholders' equity before taxation.

Operation	Risk	Probable scenario	Scenario (I) 25%	Scenario (II) 50%
Impact on financial investments	USD decr.	51,118	(203,607)	(407,214)
Provision for abandonment (ARO)	USD incr.	(58,542)	(233,180)	(466,359)
Loans	USD incr.	(207,622)	(826,980)	(1,653,961)

(In thousands of reais, unless otherwise indicated)

For calculation of the amounts included in the above scenarios the average exchange rate projection disclosed by BM&FBOVESPA for the period of 12 months as from December 31, 2021 (US$ 1/R$ 5.9308). Under scenario I, this projection was increased by 25% and under scenario II, the curve was increased by 50%, both against the probable scenario.

Credit risk

The Company is exposed to credit risk in its operating activities and bank and/or financial institution deposits, foreign exchange transactions and other financial instruments. In order to mitigate such risks, the Group adopts a conservative management by investing short-term funds with day-to-day liquidity and post –fixed rates in first-class banks, bearing in mind ratings by the key risk agencies and respecting prudential concentration limits.

As for the credit risk of its sales transactions, the Company is analyzing the financial and equity position of its customers together with the service provider (trader), which also intermediates the oil sale transactions. During the year ended December 31, 2021 oil net sales were decentralized, with sales to clients Petrochina, Leeuwin, Shell, Trafigura, BP and Total and gas sales for only one client (Petrobras); however, they present an irrelevant credit risk, considering that its background does not show any delays or defaults.

Liquidity risk

Prudent management of risk implies maintaining cash consistent with the disbursement needs to cover its obligations, in accordance with the Company's business plan.

Consolidated

Year ended December 31, 2021	**up to 12 months**	**1-5 years**	**Total**
Liabilities			
Loans and financing	(553)	(3,307,368)	**(3,307,921)**
Suppliers	(292,239)	(400)	**(292,639)**
Labor obligations	(131,475)	-	**(131,475)**
Taxes and social contributions	(183,678)	-	**(183,678)**
Provision for abandonment	-	(692,289)	**(692,289)**
Provision for contingencies	-	(27,284)	**(27,284)**
Contractual charges (Leases - IFRS 16)	(137,784)	(455,553)	**(593,337)**
Other liabilities	(376,684)	(362)	**(377,046)**
	(1,122,413)	**(4,483,256)**	**(5,605,669)**

(In thousands of reais, unless otherwise indicated)

Year ended December 31, 2020	up to 12 months	1-5 years	Total
Liabilities			
Loans and financing	(1,519,966)	(389,753)	**(1,909,719)**
Suppliers	(236,889)	(13,640)	**(250,529)**
Labor obligations	(54,857)	-	**(54,857)**
Taxes and social contributions	(87,741)	-	**(87,741)**
Provision for abandonment	-	(638,504)	**(638,504)**
Provision for contingencies	-	(75,809)	**(75,809)**
Contractual charges (Leases - IFRS 16)	(223,579)	(402,521)	**(626,100)**
Other liabilities	-	(960)	**(960)**
	(2,123,032)	**(1,521,187)**	**(3,644,219)**

<u>Parent company</u>

Year ended December 31, 2021	up to 12 months	1-5 years	Total
Liabilities			
Suppliers and other	(220)	-	**(220)**
Labor obligations	(27,321)	-	**(27,321)**
Taxes and social contributions	(829)	-	**(829)**
Provision for contingencies	-	(500)	**(500)**
	(28,370)	**(500)**	**(28,870)**

Year ended December 31, 2020	up to 12 months	1-5 years	Total
Liabilities			
Suppliers and other	(3,940)	-	**(3,940)**
Labor obligations	(1,304)	-	**(1,304)**
Taxes and social contributions	(5,484)	-	**(5,484)**
Provision for contingencies	-	(500)	**(500)**
	(10,728)	**(500)**	**(11,228)**

Fair value of financial assets and liabilities

The "fair value" concept provides for the valuation of assets and liabilities based on market prices in the case of liquid assets, or based on mathematical pricing models otherwise. The level in the fair value hierarchy gives priority to unadjusted quoted prices in an active market. These financial instruments are grouped in levels from 1 to 3, based on the grade that their fair value is quoted:

a) Level 1: fair value measurement uses prices quoted (not corrected) in active markets, based on equal assets and liabilities.
b) Level 2: fair value measurement is derived from other inputs quoted included in Level 1, which are quoted through an asset or liability directly (i.e. as the prices) or indirectly (i.e. derivative of prices).

c) Level 3: fair value measurement is derived from valuation techniques that include and asset or liability that are not included in an active market.

(In thousands of reais, unless otherwise indicated)

	12/31/2021				12/31/2020			
	Parent company		Consolidated		Parent company		Consolidated	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets								
Amortized cost:								
Accounts receivable (i)	-	-	915,033	915,033	-	-	386,165	386,165
Related parties	56,941	56,941	-	-	8,627	8,627	-	-
Fair value through profit or loss								
Cash and cash equivalents (ii)	23,581	23,581	970,681	970,681	27,480	27,480	809,273	809,273
Securities (ii)	350	350	3,680,185	3,680,185	-	-	22,793	22,793
Financial liabilities								
Amortized cost:								
Suppliers (i)	220	220	292,639	292,639	3,940	3,940	250,529	250,529
Loans and financing	-	-	3,307,921	3,307,921	-	-	1,909,719	1,909,719
Contractual charges (Leases - IFRS 16)	-	-	593,337	593,337	-	-	626,100	626,100
Accounts payable – acquisition of Wahoo	-	-	376,684	376,684	-	-	-	-

Market values (“fair value”) estimated by management were determined by level 1 for those financial instruments below, and there were no transfers between measurement levels in the fair value hierarchy for the year ended December 31, 2021.

(i) The amounts related to the balance of accounts receivable and suppliers does not have significant differences in the fair value since receivable/payment turnover of these balances is 60 days on average.

(ii) The fair value measurements are obtained by directly observable variables (as well as prices) or indirectly (derived from prices).

(In thousands of reais, unless otherwise indicated)

31. Insurance (Not audited by independent auditors)

The Company has a policy of taking out insurance plan for the items subject to risks.

The Company is covered against major risks such as P&I to Frade's FPSO, Energy Package, which includes: Physical Damage over offshore assets, Operator's Extra Expenses (OEE - Well Control, Extra Expense/Reboring and Infiltration and Pollution, Cleaning and Contamination) and Offshore Liability (TPL) and Cargo/equipment coverage related to the Polvo and Frade field operations and D&O (Directors & Officers Liability) policy for directors and subordinates.

The insurance policies in force at December 31, 2021 cover the insured amount of R$ 29,223,745. In addition, the Company also contracts insurance for Operator' Extra Expenses, whose main exposures covered are as follows:

Insurance/Modality	Amount insured
Physical damages (Oil inventories)	996,668
Fixed Platform	1,015,651
Offshore Platform	124,445
FPSO Frade	4,134,592
Subsea Equipment	5,288,726
Offshore property (Pipeline)	162,951
Onshore properties (Pipeline)	65,292
Onshore Treatment Station	97,101
OEE production (Well control)	1,339,320
Offshore Civil Liability + Surplus	4,296,985
Cargo (Polvo)	5,000
D&O	40,000
P&I	7,533,675
General liability	5,000
Equity	13,200
Legal guarantee	230,571
Life insurance	4,649
PEM guarantee insurance - ANP	73,644
Travel Insurance Travel Guard	1,535
FPSO Bravo Hull and Machine	3,794,740
Total insured	**29,223,745**

32. Contingencies

Management of the Company and its subsidiaries, based on the opinion of its legal advisors regarding the possibility of success in several lawsuits, believes that the provisions recorded in the balance sheet on December 31, 2021 and 2020 in the amounts of R$ 27,284 and R$ 75,809, respectively, are sufficient to cover losses considered probable and reasonably estimated.

Provisions recorded

Currently, the Company is party to lawsuits with probable risk, which are basically labor claims that add up to R$ 15,282, tax claims of R$ 365, civil claims in the amount of R$ 11,637 (as of December 31, 2020, R$ 6,284, R$ 4,461 and R$ 55,282, respectively, in addition to the amount related to Frade's incident of R$ 9,782).

Regarding the civil action for annulment of an arbitration referring to the alleged unreasonable termination of two leasing contracts for drilling rigs of the subsidiary PetroRioOG, from the period in which PetroRioOG was the operator of exploratory blocks in the Solimões Sedimentary Basin, the Company paid the amount of R$ 87,367 corresponding to the undisputed portion of the lawsuit. The disputed portion remains in litigation, with a possible gain prognosis assessed by the Company's lawyers.

Incidents in Frade

Because of the incident of November 2011 at Frade Field, still in this period under operation by Chevron, the Company was notified by ANP in years 2011 and 2012. Additionally, on November 21, 2011, the Company received a fine from IBAMA (Brazilian Institute for the Environment and Renewable Natural Resources) in the amount of R$ 50,000 and on December 23, 2011, other fine in the amount of R$ 10,000. These fines, of R$ 37,762 and R$ 7,095, respectively, were paid in July 2013, at their restated amount, after negotiation with IBAMA. The differences between the provisioned amounts and the payments made have been reversed to the statement of income.

In September 2012, ANP issued 6 fines referring to the incident at Frade Field occurred in November 2011, totaling R$ 35,160. The Consortium waived the right to appeal and paid this amount during the 10-day appeal period, the fine being reduced by 30%. On September 21, 2012, the Frade Field Consortium paid the total amount of R$ 24,612.

The Company was cited in two public civil lawsuits filed by the Federal Public Prosecutor's Office (MPF) of Campos dos Goytacazes alleging environmental damage caused by oil leak, amounting to R$ 20 billion each. This civil suit was filed with the 1st Federal Court of Rio de Janeiro. At the end of 2012, the Company accrued the amount of R$ 95,000 related to the preventive and compensatory measures of the Term of Adjustment of Conduct (TAC), which was approved and signed in September 2013 with the MPF, ANP and IBAMA. This agreement supersedes the two civil lawsuits, which were initialed filed by the MPF.

In the fourth quarter of 2021, the balance of TAC was settled in the amount of R$ 15,249, corresponding to a 100% interest in the Frade field, monetarily updated after the acquisition of the remaining 30%, according to note 12c. The balances were monetarily restated and had a restatement of R$ 1,035 in 2021.

Other suits

According to the Group's legal advisors, risk of loss in other lawsuits is "possible" - R$ 1,936,067 (R$ 1,296,736 on December 31, 2020), of which R$ 1,275,797 is related to tax claims, R$ 621,400 is related to civil claims and R$ 38,870 to labor claims (R$ 682,510, R$ 585,111 and R$ 29,115, respectively, as of December 31, 2020). The lawsuits with the most relevant values are: an assessment from Receita Federal do Brasil ("RFB"), received in the third quarter of 2021, in the amount of R$ 656,818, drawn up to demand federal taxes suspended on the temporary admission of the FPSO Polvo and its mooring system, which is found duly challenged and awaiting judgment, still at the administrative stage; from Federação dos Pescadores do Rio de Janeiro ("FEPERJ"), in the amount of R$ 352,209, requesting reparation for alleged losses suffered by fishermen as a result of the Oil Spills of Frade Field in 2011/2012, when operated by Chevron, which is currently in the knowledge phase; from Procuradoria Geral da Fazenda Nacional, in the amount of R$ 196,425, charging IRPJ and CSLL due to the transfer pricing rules used at Jaguar in 2010, when operated by Chevron, and is awaiting trial of Appeal in 2nd instance; and lawsuit filed by bankruptcy estate of Geoquasar, in the amount of R$ 128,433, requesting compensation due to the termination of the contract for the provision of seismic data collection services in the Solimões Basin in 2013. The Company awaits of receiving the proceedings for the termination of the judicial process, which has a a ruling in favor of PetroRio O&G. Pursuant to accounting practices adopted in Brazil and IFRS, Management did not form a provision for contingencies for these lawsuits with likelihood of possible and remote loss.

33. Subsequente events

33.1 Capital increase

On January 3, 2021, the Board of Directors approved the Company's Capital Increase, resulting from the issuance of shares for the exercise of stock options granted to employees, in the amount of R$ 16,596, with the issuance of 4,315,540 new common shares.