Constructora y Perforadora Latina, S. A. de C. V. and Subsidiaries
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Consolidated Financial Statements for the Years Ended December 31, 2021 and 2020, and Independent Auditors' Report Dated May 13, 2022

Constructora y Perforadora Latina, S. A. de C. V. and Subsidiaries
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Independent Auditors’ Report and Consolidated Financial Statements for 2021 and 2020

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Independent Auditors' Report to the Board of Directors and Stockholders of Constructora y Perforadora Latina, S. A. de C. V. and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Constructora y Perforadora Latina, S. A. de C. V. and Subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the consolidated statements of comprehensive loss, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as of December 31, 2021 and 2020, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the Code of Ethics issued by the Mexican Institute of Public Accountants ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw your attention to Note 2b of the accompanying consolidated financial statements that describe the plans for the Entity to continue as a going concern, because as of December 31, 2021 and 2020, the Entity has had recurring net losses, consequently has an accumulated deficit of $193,658 and $167,749, respectively, and as of those dates, the Entity's current liabilities exceeded its total current assets by $349,785 and $45,477, respectively.

Additionally, Latina Offshore Holding Limited (subsidiary), issued two international bonds, which outstanding balances at December 31, 2021 are $281,847 and $53,027, respectively, and they are due on October 15, 2022 and December 31, 2022, respectively. The Entity is holding discussions with the bondholders to renegotiate the terms of the debt. If the terms are successfully renegotiated and the International Bonds are not paid, the jack-ups and Modular rig owned by the Entity, which are pledged as collateral, could be collected by the bondholders. Due to these facts and conditions, coupled with industry volatility and other issues set forth in the note and the following paragraph, to date, it is not possible to anticipate whether the Entity will be able to rely on sufficient cash flows to meet its short-term and long-term obligations. This indicate the existence of material uncertainty about the Entity's ability to continue as a going concern.

The accompanying consolidated financial statements do not include the adjustments related to the valuation and classification of assets and classification and amount of liabilities that might be necessary if the Entity could not continue to operate. The consolidated financial statements have been prepared under the assumption that the Entity will continue as a going concern.

Our opinion has not changed in relation to this uncertainty.

Deloitte.

Emphasis of Matters

As mentioned in Note 1, the Entity provides services exclusively to PEMEX. Consequently, the accompanying consolidated financial statements are not necessarily indicative of the current conditions or results of operations and cash flows that the Entity would have obtained in the absence of such affiliation.

Other Matter

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

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity'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 management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Independent Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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

- Obtain sufficient and appropriate audit evidence about the Entity's financial information and its business activities to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provided the Entity's corporate governance officers with a declaration to the effect that we have fulfilled applicable ethical requirements regarding our independence and have reported all the relations and other issues that could be reasonably be expected to affect our independence and, when applicable, the respective safeguards.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited

C.P.C. Arturo Ceballos López

Mexico City, Mexico
May 13, 2022

Constructora y Perforadora Latina, S. A. de C. V. and Subsidiaries
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Consolidated Statements of Financial Position

As of December 31, 2021 and 2020
(In thousands of US dollars)

Assets

	Note	2021	2020
Current assets:			
Cash and restricted cash	5	$ 23,468	$ 26,143
Trade accounts receivable	6	76,302	62,370
Due from related parties	18	6,582	9,194
Recoverable taxes and other accounts receivable		40,201	73,822
Inventories - net	7	38,821	38,451
Prepaid expenses		12,007	6,491
Total current assets		197,381	216,471
Jack-ups and equipment, net	10	392,959	420,934
Drilling start-up cost		6,433	17,461
Right of use assets	8	18,338	11,120
Deferred income tax	19	59,652	46,776
Investment in wells and infrastructure, net	11	26,051	19,040
Other assets, net		1,947	734
Total		$ 702,761	$ 732,536

Liabilities and Stockholders' equity

	Note	2021	2020
Current liabilities:			
Current portion of long-term debt	14	$ 377,294	$ 72,413
Trade accounts payable		58,786	98,028
Lease liabilities	9	18,518	9,417
Advance customer		19,729	7,525
Taxes and accrued expenses	16	70,589	65,329
Due to related parties	18	2,250	9,236
Total current liabilities		547,166	261,948
Non-current liabilities:			
Long-term debt	14	-	293,968
Leases liabilities	9	-	30
Employee benefits	15	3,349	-
Deferred income taxes	19	1,891	468
Total non-current liabilities		5,240	294,466
Total liabilities		552,406	556,414
Stockholders' equity:			
Contributed capital:			
Capital stock	17	341,245	341,245
Earned capital:			
Legal reserve		398	398
Accumulated deficit		(193,658)	(167,749)
Controlling interest		147,985	173,894
Non-controlling interest		2,370	2,228
Total stockholders' equity		150,355	176,122
Total		$ 702,761	$ 732,536

The accompanying notes are part of the consolidated financial statements.

Constructora y Perforadora Latina, S. A. de C. V. and Subsidiaries
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2021 and 2020
(In thousands of US dollars)

	Note	2021	2020
Revenue:			
Operating lease revenues		$ 84,916	$ 86,858
Drilling services and maintenance of wells		262,011	163,763
		346,927	250,621
Lease cost	20	30,470	40,736
Cost of services and maintenance of wells	20	200,665	67,061
Depreciation and amortization		78,169	114,846
Gross profit		37,623	27,978
Administrative expenses	20	33,309	29,931
Other income, net		(2,141)	(731)
Financing costs	21	45,584	43,259
Interest income		(1,744)	(3,619)
Exchange (gain) loss - Net		(261)	4,868
Consolidated loss before income taxes		(37,124)	(45,730)
Income tax benefit	19	(11,357)	(13,391)
Consolidated net income (loss) and comprehensive income (loss) for the year		(25,767)	(32,339)
Consolidated net loss attributable to:			
Controlling participation		$ (25,909)	$ (31,446)
Non-controlling participation		142	(893)
		$ (25,767)	$ (32,339)

The accompanying notes are part of the consolidated financial statements.

Constructora y Perforadora Latina, S. A. de C. V. and Subsidiaries
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2021 and 2020
(In thousands of US dollars)

	Contributed capital	Earned capital				
	Capital stock	Legal reserve	Deficit	Total controlling participation	Non-controlling participation	Total Stockholders' equity
Beginning balance as of December 31, 2019	$ 317,508	$ 398	$ (136,303)	$ 181,603	$ 3,121	$ 184,724
Capital increase	23,737	-	-	23,737	-	23,737
Consolidated comprehensive loss for the year	-	-	(31,446)	(31,446)	(893)	(32,339)
Balance as of December 31, 2020	341,245	398	(167,749)	173,894	2,228	176,122
Consolidated comprehensive loss for the year	-	-	(25,909)	(25,909)	142	(25,767)
Balance as of December 31, 2021	$ 341,245	$ 398	$ (193,658)	$ 147,985	$ 2,370	$ 150,355

The accompanying notes are part of the consolidated financial statements.

Constructora y Perforadora Latina, S. A. de C. V. and Subsidiaries
(Subsidiary of Latina Desarrollos Energéticos, S. A. de C. V.)

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020
(In thousands of US dollars)

	2021	2020
Cash flows from operating activities:		
Consolidated net loss of the year	$ (25,767)	$ (32,339)
Adjustments for:		
Income tax benefit	(11,357)	(13,391)
Depreciation and amortization	78,169	71,148
Loss on sale of equipment	561	4,343
Labor cost of current service	3,349	-
Amortization of bond issuance costs	1,421	1,083
Adjustment to cash flows due to exchange rate fluctuations	(1,175)	2,216
Interest expense	44,163	43,259
Interest income	(1,744)	(3,619)
	87,620	72,700
Changes in working capital:		
(Increase) decrease in		
Trade accounts receivable	(13,932)	(6,884)
Due from related parties	2,612	(8,750)
Current taxes and other accounts receivable	33,621	(44,046)
Inventories	(370)	(16,120)
Prepaid expenses	(6,229)	14,031
Increase (decrease) in:		
Trade accounts payable	(39,242)	70,734
Taxes and accrued expenses	5,241	26,319
Advance costumers	12,204	(8,498)
Employee benefits	3,349	-
Due to related parties	(5,479)	(16,303)
Net cash flows provided by operating activities	76,046	83,183
Cash flows from investing activities:		
Acquisition of equipment for jack ups and wells	(25,076)	(31,900)
Acquisition of drilling start-up cost	-	(9,767)
Interest received	1,744	3,619
Other assets acquired	(1,213)	(689)
Net cash flows used in investing activities	(24,545)	(38,737)
Cash flows from financing activities		
Capital increase	-	23,737
Payment of leases liabilities	(21,605)	(23,729)
Debt obtained	27,500	15,561
Repayment of debt	(16,621)	(19,115)
Interest paid	(43,450)	(44,299)
Net cash flows used in financing activities	(54,176)	(47,845)
Net decrease in cash and restricted cash	(2,675)	(3,399)
Cash and restricted cash at the beginning of the year	26,143	29,542
Cash and restricted cash at end of the year	$ 23,468	$ 26,143

The accompanying notes are part of the consolidated financial statements.

1. Activities

Constructora y Perforadora Latina S. A. de C. V. and Subsidiaries (the "Entity" or Latina) is subsidiary of Latina Desarrollos Energéticos, S. A. de C. V., it is an anonymous limited company with variable capital incorporated in Mexico on March 14, 1991. The Entity's address is Horacio 1855, 5th floor, Los Morales Polanco, Miguel Hidalgo, Mexico City, Zip Code 11510. It is mainly engaged in the leasing of oil rigs and a modular offshore drilling (offshore) and to provide drilling services and maintenance of geothermal wells (onshore) to Comisión Federal de Electricidad (CFE).

The Entity provides services exclusively to PEMEX. Consequently, the accompanying consolidated financial statements are not necessarily indicative of the current conditions or results of operations and cash flows that the Entity would have obtained in the absence of such affiliation.

Operating activities 2021 and 2020

a. ***Changes to the leasing contracts with Pemex of two platforms and a modular rig***

During 2020, the rates derived from the amending agreements signed previously in the leases of Santa Maria Offshore Limited (La Santa Maria) and La Covadonga Limited (La Covadonga) applied a daily rate of $95 and $45 for the period from July 1, 2020 to December 31, 2021.

Operational impacts.

Operation of the Modular was temporarily suspended effective December 24, 2021. The Entity is actively seeking a new assignment with Pemex, and as of the date of issuance of this report, no specific additional workload has been assigned.

La Santa María had a temporary suspension of operations from August 5, 2020 to January 6, 2021, thus the Entity stopped recognizing income in that period. As of January 7, 2021, this Jack-up resumed operations, so the operation has been regularized and has remained as of the date of the report.

Likewise, during 2020 and 2021, the Entity and Pemex signed amending agreements in the lease contracts where it was agreed that:

- La Santa María and La Covadonga applied a daily rate of $95, for the period from July 1, 2020 to December 31, 2021.
- As of January 1, 2022, La Santa María and La Covadonga will return to the indexation mechanism established in the amending agreements signed in 2018.
- The platforms extended the contract expiration date of Santa Maria from April 1, 2023 to March 31, 2024 and La Covadonga from March 15, 2023 to March 13, 2024.
- The modular platform extended the contract expiration date from March 16, 2021 to December 31, 2022 and will apply a fee of $45, for the period from July 1, 2020 to December 31, 2021.
- As of January 1, 2023, the modular equipment will return to the indexation mechanism established in the amending agreements signed in 2018.
- As of June 1, 2021, the Platforms and the Modular applied the payment term of accounts receivable to 90 days after invoices were issued instead of 180 days.

To date, the Entity is in talks in order to reach an agreement with Pemex, since Pemex has requested to maintain the 2021 rates for 2022.

The Entity, as well as the industry, has a very high level of maturity in terms of occupational health and safety, so it has implemented the highest control standards to mitigate the effects of COVID-19, i) modifying the rotation of offshore personnel, (ii) periodic sanitation of facilities, (iii) establishment of medical examinations for personnel working at sea before climbing and during their stay at sea, and (iv) has formalized a response plan if there is any indication that staff may be infected with COVID-19.

Derived from the temporary suspension of the Modular as of December 24, 2021, it was agreed with the bondholders that the quarterly interest of January 2022 and April 2022 in the amount of $1,326 and Ch$1,359, respectively, will be capitalized as part of the principal.

b. ***Contract for the provision of services for the start-up of productive units with support for interventions to wells in the Gulf of Mexico***

On May 30, 2019, a contract was signed for the provision of services with PEMEX consisting of the commissioning of the productive units (Jack-ups) with support for interventions to wells in the Gulf of Mexico. The original contract ended on June 30, 2021 for the amount of $254,889, an amount that could be increased according to the number of wells to be drilled. At the date of the consolidated financial statements, the main agreements and advances of the contract are:

- On March 20, 2020, agreement 1 was signed regarding the modification and inclusion of various clauses.

- On August 17, 2020, agreement 2 was signed regarding the inclusion of the Koban field, modification of payment conditions, inclusion of new engineering, additional concepts and modification of the clauses.

- On July 21, 2021, agreement 3 was signed for an increase in the amount of $153,645; The agreement ends on February 28, 2022.

- On October 15, 2021, agreement 4 was signed for an increase of $107,661, an amount increased according to the number of wells to be drilled.

- On December 23, 2021, agreement 5 was signed, where the amount is increased by $ 68,340, thus totaling the value of the contract at $ 584,536 with a validity until July 31, 2022.

- For drilling activities, 3 offshore drilling platforms were leased in 2019, 2 of them with a rental obligation of 18 months plus 6 optional months and one for 9 months (3 wells). The contract for the 2 platforms ended on May 31, 2021 and an 18-month non-forced extension was made from June 1, 2021.

- The contract continues to drill on 2 fronts. During 2021, the activity was in the Koban field (Koban 5 well completed in May 2021, Koban 21 completed in September 2021 and Koban 25 that was abandoned due to mechanical accident on December 31, 2021 and from which the drilling of a new well began on January 9, 2022, called Koban 25A) and in the Tetl field (Tetl 3 well completed in May 2021, Tetl 21 completed in September 2021 and Tetl 15 completed in November 2021), additional well Uchbal 2 was started and will continue until 2022.

- The current contract contemplates the drilling of an additional well for the Koban field with activity as of August 2022. The second front ends its activity at the end of May 2022. The Entity is looking for additional workload for these two platforms.

- As of December 31, 2020 and 2019, project start-up costs and expenses were incurred for $47,718 and $27,783, respectively, which correspond mainly to adaptations, relocation expenses and equipment rentals, personnel and logistics expenses. Expenses are amortized in proportion to accrued revenues from the projects and amortization as of December 31, 2021 amounts to $41,285, as of December 31, 2020 $30,256. In 2022, the remaining one will be amortized for $6,433.

- During 2021, an income of $244,891 was recognized. Likewise, the billing of the Koban 25 well for $ 19,729 is presented as an advance of customers in the consolidated statement of financial position, since as mentioned above it was abandoned due to mechanical accident. The down payment accrued in 2022 with the new Koban 25A well.

- During 2020, an income of $157,135 was recognized, of which $139,048 has been billed to Pemex.

c. ***Pitepec field - hydrocarbon production***

The 2020 investment obligation of $1,119 was made during 2020. The investment obligation for the year 2021 in the amount of $1,077 was met on time. As of the date of the consolidated financial statements, the field has 40 wells with a daily production of 1,277 barrels in 2021 and 938 barrels in 2020.

Revenues increased by 135% in 2021 compared to 2020, of which 58% corresponds to the increase in the price of oil. 10 wells were drilled and 8 were delivered with an average initial production of 70 barrels to PEMEX.

d. ***International bonds of $281,847 (original amount of $350,000) and $53,027 (original amount of $75,000)***

During 2020 and 2021, the following conditions were formalized:

	Bond $281,847	**Bond $53,027**
Maturing	No change	December 31, 2022
Amortization of capital	Waiver for July 2020 principal payment	Waiver for the payment of the fixed amount of $ 500 plus 2% plus 100% flow from July 15, 2020 until January 15, 2021. From this date, it will be according to the box sweep

With respect to the $281,847 bond, the bondholders approved on December 17, 2020 to extend the payment to October 15, 2022.

In the case of the $53,027 bond, the bondholders approved on March 12, 2021 an extension of maturity from March 16, 2021 to December 31, 2022 subject to the extension of the modular lease until that date.

e. ***Decree to regulate labor subcontracting***

On April 23, 2021, the labor subcontracting reform was approved, which reforms, adds and repeals various labor and tax laws in order to prohibit the subcontracting of personnel for activities related to the Company's preponderant economic activity and to modify the calculation of the Workers' Share in Profit (PTU) to which each worker is entitled.

The Entity complied with its labor contracting scheme, however, it comprehensively analyzed the new provisions, and in order to adapt to them for due compliance in a timely manner, and carried out the following actions:

In June 2021, a total of 800 employees of Servicios Corporativos Latina, S. A. de C. V. were transferred to the following related parties:

Company	Employees
Constructora y Perforadora Latina, S. A. de C. V.	263
Perforaciones Marítimas Latina, S. A. de C. V.	362
Perfolatina, S. A. de C. V.	175

Through employer substitution, recognizing all the labor rights of employees, including seniority and that would have generated by the effect of the corresponding employment relationship, as well as the risks of work terminated. The accounting policy adopted by management relating to the recognition of employee benefits and related accounting effects are described in Note 15.

2. Basis of presentation

a. ***Explanation for translation into English***

The accompanying consolidated financial statements have been translated from Spanish into English for its use outside of Mexico. These consolidated financial statements are presented on the basis of International Financial Reporting Standards (IFRS). Certain accounting practices applied by the Entity that comply with IFRS may not comply with the accounting principles generally accepted in the country of use.

b. ***Going concern***

The consolidated financial statements of the Entity have been prepared by management on the assumption that the Entity will continue to operate as a going concern. As shown in the accompanying financial statements, as of December 31, 2021 and 2020, the Entity has an cumulative deficit of $193,658 and $167,749, respectively, and, as of those dates, the Entity's current liabilities exceeded its current assets by $349,785 and $45,477, respectively. The Entity has suffered recurring net losses and has lost more than two thirds of its share capital, which according to the General Law of Commercial Companies could be cause for the dissolution of the Entity at the request of an interested third party. As mentioned in the note, these facts or conditions, together with other matters set forth in the note, indicate the existence of material uncertainty that may raise significant doubts about the Entity's ability to continue as a going concern. The accompanying consolidated financial statements do not include those adjustments related to the valuation and classification of assets and to the classification and amount of liabilities, which may be necessary in the event that the Entity is unable to continue in operation.

The plans of the Administration so that the Entity can continue as a going concern consist of:

i. Improve the cost and profile of debt, including negotiations for the refinancing of short- to long-term liabilities, and seek alternative sources of financing. With respect to the bonds whose maturity is during the year 2022, the Entity is in talks for their renewal.

ii. Develop new projects, achieving high levels of operational efficiency and therefore adequate profitability, among which stand out, increase the volume of operation in Pitepec in the leases of drilling equipment and drilling in shallow waters.

c. ***New and amended IFRS standards that are not yet effective***

As of the date of authorization of these consolidated financial statements, the Entity has not applied the following new and amended IFRS Standards that have been issued but are not yet in effect:

IFRS 10 and IAS 28 (amendments)	*Sale or contribution of assets between an investor and its associate or joint venture*
Modifications to IAS 1	*Classification of liabilities as current or non-current.*
Amendments to IFRS 3	*References to the conceptual framework*
Modifications to IAS 16	*Property, Plant and Equipment - before use*
Modifications to IAS 37	*Onerous contracts - costs of fulfilling a contract*
Annual improvements to IFRS cycle from 2018 - 2020	*Amendments to IFRS 1 First adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, and IFRS 16 Leases*
Amendments to IAS 1 and IFRS Practice Statements 2	*Disclosure of accounting policies*
Amendments to IAS 8	*Definition of accounting estimates*
Amendments to IAS 12	*Deferred taxes related to assets and liabilities arising from a single transaction.*

Management does not expect the adoption of the above standards to have a material impact on the Entity's consolidated financial statements in future periods, except as follows:

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the profit or loss of the parent company only to the extent that the participation of unrelated investors in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of retained investments in any former subsidiary (which has become an associate or a joint venture that is accounted for using the equity method) at fair value are recognized at the profit or loss of the previous controlling company, only to the extent of the unrelated investors' interest in the new associate or joint venture.

The date of entry into force of the amendments has not yet been set by the IASB; however, early application is allowed. The management of the Entity anticipates that the application of these amendments may have an impact on the consolidated financial statements of the Entity in future periods should such transactions arise.

Amendments to IAS Classification of Liabilities as Current and Non-Current

The amendments to IAS 1 affect only the presentation of liabilities as current and non-current in the statement of financial position and not for the amount or time at which any asset, liability, income or expense, or the information disclosed about those items, is recognized.

The amendments clarify that the classification of liabilities as current and non-current is based on the rights of existence at the end of the reporting period, specifies that the classification is not affected by expectations about whether the entity will exercise the right to defer the cancellation of the liability, explain that there are rights if there are agreements that must be fulfilled at the end of the reporting period, and introduce a definition of the 'agreement' to make it clear that the agreement refers to the transfer of counterparty cash, equity instruments, other assets or services.

The modifications are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

Amendments to IFRS 3 - Reference to the Conceptual Framework

The amendments update IFRS 3 so that it can refer to the *Conceptual Framework* 2018 instead of the *Frame* of 1989. They also added a requirement that, for obligations within the scope of IAS 37, a buyer applies IAS 37 to determine whether the date of acquisition is a present obligation or exists as a result of a past event. For levies that are within the scope of IFRIC 21 *Assessments*, the buyer applies IFRIC 21 to determine whether the obligation gives rise to a liability to pay the lien that occurred on the date of acquisition.

Finally, the amendments add an explicit statement that the buyer will not recognize a contingent asset acquired from a business combination.

The amendments are effective for business combinations whose acquisition date is on or after the initial period of the first annual period beginning on or after January 1, 2022. With option to early application if the entity also applies all other updated references (published together with the *Conceptual Framework*) at the same time or in advance.

Modifications to IAS 16 - Property, Plant and Equipment - Before Use.

Modifications prohibit the deduction from the cost of a property asset, plant or equipment of any income from selling the asset after it is ready for use, for example, income while the asset is brought to the location and the necessary conditioning is made to make it operable in the manner it is intended in accordance with management. Therefore, an entity should recognize such sales revenue and costs in results. The entity measures the costs of these items in accordance with IAS 2 *Inventories*.

The amendments clarify the meaning of 'testing whether an asset is working properly'. IAS 16 now specifies this as an assessment in which the physical and technical performance of the asset is capable of being used in the production or supply of goods or services, for rent or otherwise, or administrative purposes.

If not presented separately in the comprehensive income statement, the financial statements should disclose the amounts of income and costs in profit or loss related to items that are not an outlet for the entity's ordinary activities, on the line item(s) in the statement of comprehensive income that includes revenues and costs.

The modifications are applied retrospectively, but only to the items of property, plant and equipment that are brought to the location and conditions necessary for them to be able to operate as the management has planned in or after the beginning of the period in which the financial statements of the entity in which the modifications are first applied are presented.

An entity should recognize the cumulative effect of the initial application of the amendments as a balance sheet adjustment to retained earnings (or any appropriate capital component) at the beginning of the first reporting period.

The modifications are effective for annual periods beginning on January 1, 2022 with an early application option.

Amendments to IAS 37 - Onerous Contracts - Costs of Fulfilling a Contract

The amendments specify that the 'costs to fulfil' a contract includes the 'costs directly related to the contract'. Costs that relate directly to a contract consist of incremental costs and costs for performing a contract (e.g., labor or materials) and the allocation of other costs that are directly related to fulfilling a contract (such as allocating depreciation to property, plant, and equipment items to fulfill the contract).

The modifications apply to contracts in which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the modifications. Comparatives should not be reformulated. Instead, an entity should recognize the cumulative effect of the initial application of the modifications as a balance sheet adjustment to retained earnings or some other capital component, as appropriate, for the initial application date.

The modifications are effective for annual periods beginning on or after January 1, 2022, with an early application option.

Annual Amendments to IFRS 2018-2020

The *Annual Modifications* They include the amendment to four standards.

IFRS 1 *Adoption of International Financial Reporting Standards for the First Time*

The amendment provides additional relief for the first-time adopter subsidiary after its parent with respect to accounting for accumulated translation differences. As a result of the amendments, a subsidiary uses the exception of IFRS 1:D16(a) may now elect to mediate the cumulative effects of translation of foreign operations into carrying amount that will be included in the parent's consolidated statements, based on the parent's transition date to IFRS, if there were no adjustments for consolidation procedures and for the business combination effects in which the parent acquired the subsidiary. A similar choice is available to an associate or joint venture using the exception in IFRS 1:D16(a).

The modification is effective for periods beginning on or after January 1, 2022, with an option for early adoption.

IFRS 9 *Financial Instruments*

The amendment clarifies that when applying the '10%' test to assess whether a financial liability should be written off, an entity includes only the fees paid or received between the entity (the borrower) and the lender, including fees paid or received by the entity or the lender.

Amendments are applied prospectively to modifications or changes that occur on or after the date the entity first applies the amendment.

The modification is effective for annual periods beginning on or after January 1, 2022, with the option of early application.

IFRS 16 *Leases*

The modifications eliminate the figure of reimbursement for improvements to leases.

As the amendments to IFRS 16 are only with respect to an illustrative example, there is no set start date.

Amendments to IAS 1 and IFRS Practice Statements 2 Disclosure of Accounting Policies

The amendments change the requirements to IAS 1 regarding disclosure of accounting policies. The amendment replaces the terms "significant accounting policies" with "material accounting policy information". Accounting policy information is material when it is considered that, together with other information included in an entity's financial statements, may influence the decision-making of the primary users of general-purpose financial statements that are made on the basis of those financial statements.
The supporting paragraphs in IAS 1 are amended to clarify accounting policy information that relates to intangible transactions, other events or conditions that are themselves material.

To support these modifications, the IASB has developed guidance and examples to explain and demonstrate the application of the "4 steps of the materiality process" described in the IFRS Practice 2 statements.

The amendments to IAS 1 will be in effect for the annual periods beginning January 1, 2021, with the option of early application and are applied prospectively. The amendments to the IFRS Practices 2 statements do not contain an effective date or transition requirements.

Amendments to IAS 8 Definition of accounting estimates.

The amendments replace the definition of a change in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in the financial statements that are subject to measuring uncertainty."

The definition of a change in accounting estimates was removed. However, the IASB retained the concept of changes to an accounting estimate in the standard with the following clarifications:

- A change in an accounting estimate is the results of new information or a new development are not corrections of an error.

- The effects of a change in an input data or a valuation technique used to develop an accounting estimate are changes in accounting estimates if they do not result from a correction of errors from previous periods.

The IASB added two examples (example 4-5) to the IAS 8 Implementation Guide that accompanies the standard. The IASB has removed one example (example 3) as it could cause confusion because of the modifications.

The amendments will be effective for the annual periods beginning January 1, 2023 for changes in accounting policies and changes in accounting estimates that occur on or after the beginning of such period with option to early application.

Amendments to IAS 12 Deferred taxes related to assets and liabilities arising from a single transaction.

The amendments introduced an additional exception in addition to the exemption from initial recognition. In amendments, an entity does not apply the initial recognition exception for transactions that result in taxable and deductible temporary differences.

Depending on the applicable tax law, temporary taxable and deductible differences may occur in the initial recognition of an asset and liability in a transaction that is not a business combination and does not affect accounting or taxable profits. For example, it may occur with a recognition of a lease liability and the corresponding right-of-use asset by applying IFRS 16 Leases on the date of commencement of a lease.

Following amendments to IAS 12, an entity is required to recognize active and passive deferred taxes, with the recognition of any active deferred tax being subject to the recoverability criterion.

The IASB also adds an illustrative example to IAS 12 that explains how the modifications are applied.

The modifications apply to transactions that occur on or after the first comparative period of the reporting period. Additionally, at the beginning of the first comparative period, an entity recognizes:

- An active deferred tax (to the extent taxable income is likely to be available against the deductible temporary difference) and a passive deferred tax for all taxable and temporary deductions associated with:

    - Right of use assets and lease liabilities
    - Decommissioning, restoration and similar liabilities corresponding to amounts recognized as part of the costs related to the asset.

- The cumulative effect at the beginning of the implementation of the modifications as an adjustment in the opening balances of retained earnings (or some other capital component, as applicable) to date.

The modifications will be in force for the annual periods beginning on January 1, 2023, with the option of early application.

Management does not expect the adoption of the above standards to have a material impact on the Entity's consolidated financial statements in future periods.

3. Significant accounting policies

a. *Declaration of compliance*

The Entity's consolidated financial statements have been prepared in accordance with IFRS issued by the IASB.

b. *Preparation bases*

The Entity's consolidated financial statements have been prepared on a historical cost basis.

i. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair value

Fair value is defined as the price that would be received for selling an asset or that would be paid for transferring a liability in an orderly transaction between market participants at the valuation date, regardless of whether that price is observable or estimated using another valuation technique directly. In estimating the fair value of an asset or liability, an Entity takes into account the characteristics of the asset or liability, if market participants would take those characteristics when pricing the asset or liability at the measurement date. The fair value for measurement and/or disclosure purposes of these consolidated financial statements is determined in such a manner, with the exception of transactions with lease transactions that are within the scope of IFRS 16, and valuations that have some similarities to fair value, but it is not fair value, such as the net realizable value of IAS 2 or the value in use of IAS 36.

c. ***Basis for consolidation of financial statements***

The consolidated financial statements include those of the Entity and those of its subsidiaries in which it has control. Control is obtained when the Entity:

- It has power over investment.
- It is exposed, or has the rights, to variable returns arising from its participation in such investment, and
- It has the ability to affect such returns through its power over the entity in which it invests.

The Entity reassesses whether it controls an entity if the facts and circumstances indicate that there are changes to one or more of the three control elements listed above.

When the Entity has less than a majority of the voting rights of an investee, it has power over it when the voting rights are sufficient to give it the practical capacity to direct its relevant activities, unilaterally. The Entity considers all relevant facts and circumstances to assess whether the voting rights of the Entity in the investee are sufficient to grant it power, including:

- The percentage of the Entity's share of the voting rights in relation to the percentage and dispersion of the voting rights of the other holders thereof;
- Potential voting rights held by the Entity, by other shareholders or by third parties;
- Rights arising from other contractual agreements, and
- Any additional facts and circumstances indicating that the Entity has, or does not have, the current ability to conduct the relevant activities at the time decisions are to be made, including shareholder voting trends at previous meetings.

Subsidiaries are consolidated from the date their control is transferred to the Entity, and cease to consolidate from the date control is lost. The gains and losses of subsidiaries acquired or sold during the year are included in the consolidated statements of income and other comprehensive results from the date of acquisition or until the date of sale, as the case may be.

Profit and each component of other comprehensive income are attributed to controlling and non-controlling interests. The comprehensive result is attributed to controlling and non-controlling interests even if it results in a deficit in the latter.

When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies in accordance with the Entity's accounting policies.

All assets, liabilities, capital, revenues, expenses and cash flows related to related-party transactions have been completely eliminated in the consolidation.

Non-controlling interests in subsidiaries are identified separately from the Entity's capital in them. The interests of non-controlling shareholders that are current ownership interests entitling their holders to a proportionate share of net assets at liquidation may be measured initially at fair value or the non-controlling shares of the fair value of the acquired identifiable network. The choice of measure is made acquisition by acquisition. Other non-controlling interests are initially measured at fair value. Post-acquisition, the carrying value of non-controlling interests is the amount of those interests in initial recognition plus the share of non-controlling interests in subsequent changes in equity. Total comprehensive results are attributed to non-controlling interests even if this results in non-controlling interests having a negative balance.

The results of each component of other comprehensive income are attributed to the Company's shareholders and non-controlling interests. The total comprehensive income statements of subsidiaries are attributed to the company's shareholders and non-controlling interests, even if this results in a deficit in non-controlling interests.

The direct or indirect shareholding of the Entity in the capital stock of the subsidiaries as of December 31, is shown below:

Offshore	**Activity**	**% of participation 2021 and 2020**
Latina Offshore Holding Limited	Holding	100%
Latina Offshore Limited	Holding	100%
Santa Maria Offshore Limited	Leasing of Jack up	100%
La Covadonga Limited	Leasing of Jack up	100%
Latina Modular Holding Limited	Holding	100%
Latina Modular 01 Limited	Leasing of Modular	100%
Onshore Petroleum		
Perfolatina, S. A. de C. V.	Oil exploration and production	80%
Equipamiento Latina, S. A. de C. V.	Oil exploration and production	100%
Perforaciones Marítimas Latina, S. A. de C. V.	Drilling of shallow water wells	100%

Changes in the Entity's ownership interests in existing subsidiaries.

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

d. ***Foreign currency transactions***

In preparing the financial statements of each individual entity, transactions in currencies other than the Entity's functional currency (US dollar) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and are reclassified from stockholders' equity to profit or loss when selling in whole or in part, the net investment.

For presentation of the Entity's consolidated financial statements, assets and liabilities in foreign currency are expressed in US dollars, using the exchange rate prevailing at the end of the period. The items of income and expenses are converted into the exchange rates at the date on which the transactions are made. The differences in the exchange rate that arise, the case in which it is recognized in other comprehensive income and the accumulated in stockholders' equity (attributed to non-controlled interests when appropriate).

On the disposal of a foreign operation (i.e., a disposal of the Entity's entire interest in a foreign operation, or a removal involving the control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Entity are reclassified to profit or loss.

The Exchange rates used to convert foreign currency into US dollars were as follows:

	December 31,	
	2021	**2020**
Mexican pesos per one US dollar	20.5835	19.9487

e. ***Financial assets***

All regular purchases or sales of financial assets are recognized and deregistered on a trading date. Regular purchases or sales are purchases or sales of financial assets that require the delivery of assets within the deadline established by regulation or usual practices in the market.

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

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- Whether the financial asset is held in a business model whose objective is to hold financial assets with the objective of obtaining contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are only payments of principal and interest on the amount of the principal.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- The financial asset is maintained within a business model whose objective is met by obtaining contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest on the outstanding amount of principal.

By default, all other financial assets are subsequently measured at fair value through profit or loss.

Notwithstanding the foregoing, the Entity may make the following irrevocable choice/designation in the initial recognition of a financial asset:

- You may irrevocably elect to present subsequent changes in the fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- It may irrevocably designate a debt instrument that meets the amortized cost or fair value criteria through other comprehensive results if doing so eliminates or significantly reduces an accounting asymmetry (see (iv) below).

(i) *Amortized cost and effective interest method*

The effective interest method is a method for calculating the amortized cost of a debt instrument and for allocating interest income over the relevant period.

For financial assets that were not purchased or originated by financial assets with credit impairment (for example, assets that have credit impairment at initial recognition), the effective interest rate is the rate that exactly discounts expected future cash inflows (including all commissions and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, over the expected life of the debt instrument or, where applicable, a shorter period, to the gross carrying amount of the debt instrument at initial recognition. For credit impaired financial assets purchased or originated, a credit-adjusted effective interest rate is calculated by discounting estimated future cash flows, including expected credit losses, at the amortized cost of the debt instrument at initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured in initial recognition minus principal repayments, plus amortization accrued using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss. The gross carrying value of a financial asset is the amortized cost of a financial asset before adjusting for any provision for losses.

Interest income is recognized using the effective interest effect for debt instruments subsequently measured at amortized cost and fair value through other comprehensive income. For purchased or originated financial assets other than credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently suffered credit impairment (see below). For financial assets that have subsequently deteriorated credit, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If in subsequent reporting periods the credit risk in the financial instrument with credit impairment improves, so that the financial asset no longer has credit impairment, interest income is recognized by applying the effective interest rate to the gross carrying value of the financial asset.

For acquired or originated financial assets that have credit impairment, the Entity recognizes interest income by applying the effective interest rate adjusted per credit to the amortized cost of the financial asset as of its initial recognition. The calculation does not return to the gross basis, even if the credit risk of the financial asset subsequently improves, so that the financial asset is no longer impaired.

Interest income is recognized for results (profit / loss) and is included in the concept "Financial income - Interest income".

(ii) *Debt instruments rated at fair value through other comprehensive income*

Corporate bonds held by the Entity are classified at Fair Value through other comprehensive income. Corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying value of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment of gains or losses (see below), and interest income calculated through the effective interest method (see (i) above) are recognized in gains or losses. The amounts that are recognized as results are the same as the amounts that would have been recognized as results if they had been measured at amortized cost. All other changes in carrying value at amortized cost. All other changes in the carrying value of these corporate bonds are recognized in other comprehensive income or accrued under the reserve title of the revaluation of investments. When these corporate bonds are unknown, accumulated gains or losses previously recognized in other comprehensive results are reclassified as results (profit/loss).

(iii) *Investments in capital designated as Fair Value through other comprehensive income*

At initial recognition, the Entity may make an irrevocable (instrument-by-instrument) election to designate investments in equity instruments at fair value through other comprehensive results. Fair value designation through other comprehensive income is not permitted if the capital investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. They are then measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investment revaluation reserve. Accumulated gain or loss cannot be reclassified to profit or loss on the disposition of capital investments, but is transferred to retained earnings.

Dividends from these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included under 'financial income' in profit for the year.

The Entity has designated all investments in equity instruments that are not held for trading at fair value through other comprehensive income in the initial application of IFRS 9.

A financial asset is held for trading if:

- It has been obtained with the main objective of being sold in the short term; or
- In the initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has evidence of a recent pattern of profit making in the short term; or
- It is a derivative (except for derivatives that are contractual financial guarantees or an effective hedging instrument).

(iv) *Financial assets at fair value through profit or loss*

Financial assets that do not meet the criteria to be measured at amortized cost or fair value through other comprehensive results (see (i) to (iii) above) are measured at fair value through results, specifically:

- Investments in equity instruments are classified as fair value through profit, unless the Entity designates an equity investment that is not held for trading or contingent consideration arising from a business combination as fair value through other comprehensive results in the initial recognition (see (iii) above).

- Debt instruments that do not meet amortized cost criteria or fair value criteria through other comprehensive results (see (i) and (ii) above) are classified as fair value through earnings. In addition, debt instruments that meet the amortized cost criteria or the fair value through other comprehensive results criteria may be designated as fair value through earnings at the time of initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (referred to as "accounting disparity") that would arise from the measurement of assets or liabilities or the recognition of gains and losses on them on different bases. The Entity has not designated any debt instruments with fair value through profits.

Financial assets in fair value through comprehensive income are measured at fair value at the end of each reporting period, with any gain or loss of fair value recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included under "other gains and losses".

Foreign exchange gains and losses

The carrying value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate at the end of each reporting period. Specifically;

- For financial assets measured at amortized cost that are not part of a designated hedging ratio, exchange differences are recognized in profit or loss under "other gains and losses";

- For debt instruments measured at fair value through other comprehensive income that are not part of a designated hedging ratio, exchange differences in the amortized cost of the debt instrument are recognized in profit or loss under "other gains and losses." Other exchange differences are recognized in another comprehensive income in the investment revaluation reserve;

- For financial assets measured at fair value through profit or loss that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss under "other gains and losses"; and

- For equity instruments measured at fair value through other comprehensive income, exchange differences are recognized in another comprehensive income in the investment revaluation reserve.

See hedge accounting policy regarding foreign exchange differences where the risk component of a foreign currency for a financial asset designated as a hedging instrument of a foreign currency.

Impairment of financial assets

The Entity recognizes a provision for expected credit loss losses on investments in debt instruments that are measured at amortized cost or at fair value through other comprehensive income, lease receivables, trade receivables and contractual assets, as well as in financial collateral contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Entity recognizes expected lifetime credit losses for trade receivables, contract assets and lease receivables. Expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical experience of credit losses, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both current management and forecast conditions at the reporting date. including the time value of money where appropriate.

For all other financial instruments, the Entity recognizes the expected lifetime credit loss when there has been a significant increase in credit risk since initial recognition. However, if the credit risk in the financial instrument has not increased significantly since initial recognition, the Entity measures the provision for losses for that financial instrument in an amount equal to the expected 12-month credit loss.

The expected lifetime credit loss represents the expected credit losses that will result from all possible default events during the expected useful life of a financial instrument. In contrast, the 12-month expected credit loss represents the portion of the expected lifetime loss expected to result from predetermined events in a financial instrument that are possible within 12 months of the reporting date.

(i). *Significant increase in credit risk*

In assessing whether credit risk in a financial instrument has increased significantly since initial recognition, the Entity compares the risk of a default occurring in the financial instrument on the reporting date with the risk of a default on the financial instrument on the initiation date. In making this assessment, the Entity considers both quantitative and qualitative information that is reasonable and substantiated, including historical experience and forward-looking information that is available without unnecessary cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Entity's debtors operate, obtained from reports by economic experts, financial analysts, government agencies, relevant think tanks and other similar organizations, as well as consideration of various external sources of actual information and projected economic information relating to the Entity's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An existing or expected significant deterioration in the external rating (if any) or internal to the financial instrument;
- Significant impairment in external market indicators of credit risk for a specific financial instrument, for example, a significant increase in the credit spread, credit default swap for the debtor, or the period of time or extent to which the fair value of a financial asset is less than its amortized cost;
- Existing or expected adverse changes in economic, financial or business conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligation;

- A current or expected significant impairment in the debtor's operating results;
- Significant increases in credit risk in other financial instruments of the same debtor;
- An existing or expected adverse change in the debtor's regulatory, economic or technological conditions resulting in a significant decrease in the debtor's ability to meet its obligations.

Regardless of the outcome of the above assessment, the Entity assumes that credit risk in a financial asset has increased significantly since initial recognition when contractual payments are due more than 30 days, unless the Entity has reasonable and reliable information to the contrary.

Notwithstanding the foregoing, the Entity assumes that the credit risk in a financial instrument has not increased significantly since initial recognition if it is determined that the financial instrument has a low credit risk at the reporting date. A financial instrument is determined to have a low credit risk if:

(1) The financial instrument has a low default risk,
(2) The debtor has a remarkable ability to meet its contractual cash flow obligations in the short term, and
(3) Adverse changes in long-term economic and business conditions may reduce the debtor's ability to meet its contractual cash obligations, but this will not necessarily happen.

The Entity considers a financial asset to have low credit risk when the asset has an external credit rating of "investment grade" according to the globally accepted definition, or if no external rating is available, that the asset has an internal rating "realizable". Achievable means that the counterparty has a strong financial position and there are no outstanding past amounts.

For financial collateral contracts, the date on which the Entity becomes a party to the irrevocable commitment is deemed to be the date of initial recognition for the purposes of assessing impairment of the financial instrument. In assessing whether there has been a significant increase in credit risk since the initial recognition of financial collateral contracts, the Entity considers changes in the risk that the specified obligor will default on the contract.

The Entity regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and reviews them as appropriate to ensure that the criteria are able to identify a significant increase in credit risk before the amount has matured.

(ii) *Definition of non-compliance*

The Entity considers the following to constitute an event of default for internal credit risk management purposes, as historical experience indicates that financial assets are not recoverable when they meet any of the following criteria:

- When the debtor fails to comply with financial agreements;
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Entity, in full (without regard to any collateral held by the Entity).

Regardless of the foregoing analysis, the Entity considers default to have occurred when a financial asset is more than 90 days in maturity, unless the Entity has reasonable and reliable information to demonstrate that a more delayed default criterion is more appropriate.

(iii) *Financial assets with credit impairment*

A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flows of that financial asset. Evidence that a financial asset has credit impairment includes observable data on the following events:

(a) Significant financial hardship on the part of the issuer or debtor;
(b) Breach of a contract, such as a breach or an overdue event (see (ii) above);
(c) The debtor's lenders, for economic or contractual reasons related to the debtor's financial difficulty, grant the debtor a concession that the lenders would not otherwise consider;
(d) It is increasingly likely that the debtor will go into bankruptcy or some other financial reorganization; or
(e) The extinction of a functional market for financial assets due to its financial difficulties.

(iv) *Cancellation policy*

The Entity deregisters a financial asset when there is information indicating that the debtor is in serious financial distress and there is no realistic prospect of recovery, for example, when the debtor has been placed in liquidation or has entered bankruptcy, or in the case of commercial receivables, When the amounts are more than two years old, whichever comes first. Derecognized financial assets may still be subject to compliance activities under the Entity's recovery procedures, taking into account legal advice where appropriate. Any recovery made is recognized in results.

(v) *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, the loss given the default (i.e., the magnitude of the loss if a default exists), and the exposure in default. The assessment of the probability of default and the loss given by default is based on historical data adjusted for forward-looking information as described above. Regarding default exposure, for financial assets, this is represented by the gross carrying value of the assets at the reporting date; for financial collateral contracts, the exposure includes the amount established on the reporting date, together with any additional amounts expected to be obtained in the future per date of default determined based on historical trends, the Entity's understanding of the specific financial needs of debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows owed to the Entity under the contract and all cash flows the Entity expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used to determine expected credit losses are consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16, *Leases*.

For a financial collateral contract, where the Entity is obliged to make payments only in the event of default by the debtor in accordance with the terms of the instrument that is secured, the expected loss forecast is the expected payment to reimburse the holder for a credit loss incurred less any amount that the Entity expects to receive from the holder, the debtor or any other party.

If the Entity has measured the provision for losses for a financial instrument in an amount equal to the expected lifetime credit loss in the previous reporting period, but determines at the current filing date that the conditions for the expected lifetime credit loss are no longer met, the Entity measures the loss margin in an amount equal to the expected 12-month credit loss on the date of current reporting, except for assets for which the simplified approach was used.

The Entity recognizes an impairment loss or loss on all financial instruments with an adjustment to their carrying amount through a provision account for losses, except investments in debt instruments that are measured at fair value through other comprehensive income, for which the provision for losses is recognized in other comprehensive and accumulated income in the revaluation reserve of investments, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

f. ***Financial liabilities and equity instruments***

i. *Classification as debt or equity*

Debt and/or equity instruments are classified as financial liabilities or as equity in accordance with the substance of the contractual agreement and the definitions of liabilities and equity.

ii. *Capital instruments*

An equity instrument consists of any contract that evidences a residual interest in the assets of the Entity after deducting all its liabilities. The capital instruments issued by the Entity are recognized for the resources received, net of direct issuance costs.

The repurchase of the Entity's own capital instruments is recognized and deducted directly into the capital. No gain or loss is recognized in profit or loss on the purchase, sale, issue or redemption of the Entity's equity instruments.

iii. *Financial liabilities*

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

However, financial liabilities that arise when a transfer of a financial asset does not qualify for deregistration or when the continuous participation approach is applied, and financial collateral contracts issued by the Entity, are measured in accordance with the specific accounting policies detailed below.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified at fair value through profit or loss when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) is held for trading, or (iii) is designated as fair value through profit or loss.

A financial liability is classified as held for trading if:

- It has been acquired primarily for the purpose of short-term buyback; or
- In initial recognition, it is part of a portfolio of identified financial instruments that the Entity jointly manages and has a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for derivatives which are a financial collateral contract or a designated and effective hedging instrument.

A financial liability that is not traded or contingent consideration of an acquirer in a business combination may be designated as fair value through profit or loss at the time of initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability is part of a Financial Asset Entity or financial liabilities or both, which is managed and its performance is measured on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It is part of a contract that contains one or more embedded derivatives, and IFRS 9 allows the entire combined contract to be designated as fair value through results.

Financial liabilities in fair value through profit or loss are measured at fair value, and gains or losses arising from changes in fair value are recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see hedge accounting policy). Net gain or loss recognized in profit or loss incorporates any interest paid on financial liabilities and is included under "other gains and losses" in profit or loss.

However, for financial liabilities that are designated at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless recognition of the effects of changes in the credit risk of the liability on other comprehensive income would create or amplify an accounting mismatch. in results. The remaining amount of the change in the fair value of the liability is recognized in profit or loss. Changes in fair value attributable to the credit risk of a financial liability that are recognized in other comprehensive income are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings once the financial liability is written off.

Gains or losses on financial collateral contracts issued by the Entity that are designated by the Entity as at fair value through profit or loss are recognized in profit or loss.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as fair value through profit or loss, are subsequently measured at amortized cost using the effective interest method.

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

Contractual financial collateral liabilities

A financial collateral contract is a contract that requires the issuer to make specific payments to reimburse the holder for a loss it incurs due to a specific debtor failing to make payments when they fall due in accordance with the terms of a debt instrument.

The liabilities of the financial collateral contract are initially measured at fair values and, if they are not designated at fair value through comprehensive results and do not arise from a transfer of an asset, they are subsequently measured at the greater of:

- The amount of the provision for losses determined in accordance with IFRS 9 (see financial assets above); and
- The amount initially recognized less, where applicable, the accumulated amortization recognized in accordance with the revenue recognition policies set forth above.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, foreign currency gains and losses are determined based on the amortized cost of the instruments. These foreign currency gains and losses are recognized under "Other gains and losses" in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those that are designated as a hedging instrument for a foreign currency risk hedge, foreign currency gains and losses are recognized in other comprehensive income and accrued in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate at the end of the reporting period. For financial liabilities that are measured as fair value through profit or loss, the foreign currency component is part of fair value gains or losses and is recognized as profit or loss for financial liabilities that are not part of a designated hedging relationship.

g. ***Cash and restricted cash***

Consist mainly of bank deposits in checking accounts. Cash is stated at nominal value and restricted cash are valued at fair value. As mentioned in Notes 5 and 14 the Entity has restricted cash from offshore business.

h. ***Inventories***

Inventories are stated at the lower of cost and net realizable value (estimated selling price for inventories less all estimated to make the sale). Inventories are valued with the average cost method and are integrated by materials and supplies drilling, wells maintenance and consumable parts. The value reduction of inventories is composed for reserves that represent the inventories impairment.

i. ***Start-up and drilling costs***

The start-up and drilling costs correspond mainly to adaptations, travel expenses and equipment rentals, personnel and logistics expenses. Expenses are amortized in proportion to the income accrued from the projects.

j. ***Jack ups, modular and equipment***

Jack-ups, modular rig and equipment are recorded at acquisition cost, less the accumulated depreciation and any impairment loss.

Acquisitions are recorded at acquisition cost. Cost includes purchase price, including import duties, any costs directly attributable to bringing the asset to the location and conditions necessary for it to be capable of operating in the manner intended by management of the Entity and, for qualifying assets, borrowing costs capitalized in accordance with the Entity’s accounting policy. Depreciation of jack-ups and equipment commences when the assets are ready for their intended use.

Depreciation is recognized as written off the cost of assets over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of Jack-up rigs, modular rig and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of Jack-ups, modular rig and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The averages useful lives in years of jack-ups and equipment are:

	2021
Hull	22 years
Substructure	22 years
Lifting system (legs and motors)	22 years
Equipment and accessories	17 years
Accessories	17 years
Preventers	17 years
Housing unit	14 years
Fire network safety equipment	5 years
Helideck	5 years

k. ***Investment in wells and infrastructure***

They correspond mainly to investments in drilled wells, infrastructure investments, to eligible and ineligible expenses of the Pitepec field (see Note 11), are recognized at acquisition cost less accumulated amortization and accumulated impairment loss. Amortization is recognized based on the straight-line method over its estimated useful life of each well. The estimated useful life and amortization method are reviewed at the end of each year, and the effect of any change in the recorded estimate is recognized on a prospective basis.

l. ***Impairment of tangible assets***

At the end of each period, the Entity reviews the carrying values of its tangible assets to determine whether there are indications that these assets have suffered any impairment losses. If there is any indication, the recoverable amount of the asset is calculated to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit (CGU) to which that asset belongs. When a reasonable and consistent basis of distribution can be identified, corporate assets are also allocated to individual CGUs, or otherwise, they are allocated to the smaller CSU for which a reasonable and consistent distribution basis can be identified.

The recoverable amount is the greater of fair value minus cost to sell and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the value of money over time and the specific risks of the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying value, the carrying value of the asset (or CGU) is reduced to its recoverable amount. Impairment losses are recognized immediately in results.

When an impairment loss is subsequently reversed, the carrying amount of the asset (or EMU) is increased to the revised estimated value at its recoverable amount so that the adjusted carrying amount does not exceed the carrying amount that would have been determined if an impairment loss had not been recognized for that asset (or CGU) in prior years. The reversal of an impairment loss is immediately recognized in results.

In performing impairment testing of assets, the Entity is required to estimate the value in use assigned to its oil rigs and equipment, and to CGUs, for certain assets. Value in use calculations require the Entity to determine the future cash flows that should arise from CGUs and an appropriate discount rate to calculate present value. The Entity uses income cash flow projections using estimates of market conditions, pricing, and production and sales volumes.

m. ***Leasing***

– *The Entity as lessee*

The Entity evaluates whether a contract contains a lease at its source. The Entity recognizes a rights-of-use asset and a corresponding lease liability with respect to all leases under which it is a lessee, except for short-term leases (term 12 months or less) and low-value leases (such as electronic tablets, personal computers and small office furniture and telephones).

For these leases, the Entity recognizes rent payments as an operating expense under the straight-line method over the lease period, unless another method is more representative of the pattern of time in which the economic benefits from the consumption of the leased assets accrue.

The lease liability is initially measured at the present value of rent payments that are not paid on the commencement date, discounted by the rate implied in the contract. If this rate cannot be easily determined, the Entity uses incremental rates.

Incremental rates are determined monthly and depend on the term of the contract, country currency and lease start date. The incremental rate is determined based on a series of input data, including rate risk based on the government bond rate, the country's risk adjustment, a credit risk adjustment based on yield bonds, and an entity-specific adjustment based on that entity's risk profile.

The rent payments included in the lease liability measurement consist of:

- Fixed rent payments (including fixed payments in substance), less any lease incentives received;
- Variable income payments that depend on an index or rate, initially measured using the index or rate on the start date;
- The amount expected to be paid by the lessee under residual value guarantees;
- The exercise price of call options, if the lessee is reasonably certain to exercise the options; and
- Penalty payments resulting from lease termination, if the lease period reflects the exercise of a lease termination option.

Lease liabilities are presented as a separate item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest earned on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the rent payments made.

The Entity revalues the lease liability (and makes the adjustment for the related rights of use asset) provided that:

- The term of the lease is modified or there is a significant event or change in the circumstances of the lease resulting in a change in the assessment of the call option exercise, in which case the lease liability is measured by discounting the updated rent payments using an updated discount rate.

- Rent payments are modified as a result of changes in rates or rates or a change in expected payment under a guaranteed residual value, in which cases the lease liability is revalued by discounting the updated rent payments using the same discount rate (unless the change in rent payments is due to a change in a variable interest rate, in which case an updated discount rate is used).

- A lease is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is revalued based on the lease term of the modified lease, discounting the current rent payments using a discount rate updated to the effective date of the modification.

The Entity did not make any of the adjustments mentioned in the periods presented.

Rights of use assets consist of the initial measurement of the corresponding lease liability, rent payments made on or before the commencement date, less any lease incentives received and any direct upfront costs.

Subsequent valuation is cost less accumulated depreciation and impairment losses.

If the Entity incurs an obligation arising from costs to dismantle and remove a leased asset, restore the link in which it is located, or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision measured under IAS 37 should be recognized. To the extent that costs relate to a rights-of-use asset, costs are included in the related rights-of-use asset, unless such costs are incurred to generate inventories.

Rights of use assets are depreciated over the shorter period between the lease period and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the asset's cost of rights of use reflects that the Entity plans to exercise a call option, the rights of use asset will be depreciated over the useful life. Depreciation begins on the lease start date.

Rights of use assets are presented as a separate item in the consolidated statement of financial position.

The Entity applies IAS 36 to determine whether a rights of use asset is impaired and accounts for any identified impairment losses as described in the 'Oil Rigs and Equipment' policy.

Leases with variable rents that do not depend on an index or rate are not included in the measurement of lease liabilities and rights of use assets. Related payments are recognized as an expense in the period in which the event or condition triggering the payments occurs and are included in the concept of "Other expenses" in the consolidated income statement.

As a practical expense, IFRS 16 allows not to separate non-lease components and instead to account for any lease and its associated non-lease components as a single agreement. The Entity has not used this practical file. For contracts containing lease components and one or more additional lease or non-lease components, the Entity assigns contract consideration to each lease component under the method of the relative selling price independent of the lease component and aggregate standalone relative selling price for all non-lease components.

– *The Entity as lessor*

The Entity enters into lease agreements as lessor with respect to the two platforms and the modular described in Note 1.

Leases in which the Entity acts as lessor are classified as finance leases or operating leases. When the terms of the contract transfer substantially all of the risks and benefits of the property to the lessee, the contract is classified as a financial lease. All other contracts are classified as operating contracts.

When the Entity is an intermediate lessor, it counts the master lease and the sublease as two separate contracts. Sublease is classified as finance lease or operating lease by reference to the right-of-use asset arising from the master lease.

Rental income from operating leases is recognized in a straight line through the term of the relevant lease. The direct upfront costs incurred in negotiating and arranging the operating lease are added to the carrying amount of the leased asset and are recognized in a straight line through the lease term.

When a contract includes lease and non-lease components, the Entity applies IFRS 15 to allocate the corresponding consideration to each component under the contract.

n. ***Employee benefits***

Employee Termination and Retirement Benefits

Contributions to defined contribution retirement benefit plans are recognized as expenses at the time employees have rendered the services that qualify them for contributions.

In the case of defined benefit plans, which include seniority premium and pensions, their cost is determined using the projected unit credit method, with actuarial valuations being made at the end of each reporting period. Remeasurements, which include actuarial gains and losses, the effect of changes in the asset floor (if any) and the return on the asset plan (excluding interest), are immediately reflected in the consolidated statement of financial position with charge or credit that is recognized in other comprehensive results in the period in which they occur. Remeasurements recognized in other comprehensive results are immediately reflected in accrued earnings and are not reclassified to results. Cost for past services is recognized in results in the period of modification to the plan. Net interest is calculated by applying the discount rate at the beginning of the obligation period to the defined benefit asset or liability. Defined benefit costs are classified as follows:

- Cost per service (including cost of current service, cost of past services, as well as gains and losses from reductions or settlements).
- Net interest income or expenses.
- Remeasurements

The Entity presents the first two components of benefit costs defined as an expense or income depending on the item. Service reduction gains and losses are recognized as past service costs.

The retirement benefit obligations recognized in the consolidated statement of financial position represent the current gains and losses on the Entity's defined benefit plans. Any gains arising from this calculation are limited to the present value of any available economic benefits from future rebates and reductions in contributions to the plan.

Any indemnification obligation is recognized when the Entity can no longer withdraw the indemnification offer and/or when the Entity recognizes the related restructuring costs.

Short-term and other long-term employee benefits

A liability for employee benefits that accrue to employees in respect of wages and salaries, annual leave and sick leave in the period of service in which it is rendered is recognized for the amount not discounted by the benefits expected to be paid for that service and the Workers' Share of Profit (PTU) caused.

Liabilities recognized for short-term employee benefits are valued at the amount not discounted by the benefits expected to be paid for that service.

Liabilities recognized for other long-term benefits are measured at the present value of estimated future cash outflows that the Entity expects to make related to services provided by employees as of the reporting date.

Employee profit sharing (EPS)

The EPS is recorded in the results of the year in which it is incurred and is presented under administrative expenses in the consolidated statement of income and other comprehensive results.

o. ***Income taxes***

The income tax benefit represents the sum of income taxes caused and deferred income taxes.

i. *Income taxes caused*

The tax caused calculated corresponds to the income tax (ISR) and is recorded in the results of the year in which it is caused.

ii. *Deferred income taxes*

Deferred income taxes are recognized on temporary differences between the carrying amount of assets and liabilities included in the consolidated financial statements and the corresponding tax bases used to determine the tax result, applying the rate corresponding to these differences and, where applicable, including gains on depreciation tax losses and certain tax credits. Deferred income tax asset or liability is generally recognized for all temporary tax differences. A deferred tax asset shall be recognized for all deductible temporary differences to the extent that the Entity is likely to have future tax profits against which it may apply such deductible temporary differences. These assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than business combination) of other assets and liabilities in a transaction that does not affect the tax or accounting result.

The carrying amount of a deferred tax asset should be reviewed at the end of each reporting period and should be reduced to the extent that it is likely that there will not be sufficient taxable profits to allow all or a portion of the asset to be recovered.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the liability is paid or the asset is realized, based on tax rates and laws that have been passed or substantially approved at the end of the reporting period.

The valuation of deferred tax liabilities and assets reflects the tax consequences that would result from how the Entity expects, at the end of the reporting period, to recover or liquidate the carrying amount of its assets and liabilities.

iii. *Taxes caused and deferred*

Taxes caused and deferred are recognized as income or expense in profit or loss, except when they relate to items that are recognized outside of income, either in the other comprehensive income or directly in stockholders' equity, in which case the tax is also recognized outside of profit or loss.

p. ***Provisions***

Provisions are recognized when the Entity has a present obligation (whether statutory or assumed) as a result of a past event, the Entity is likely to have to liquidate the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the disbursement necessary to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is valued using estimated cash flows to settle the present obligation, its carrying amount represents the present value of those cash flows (when the effect of the value of money over time is material).

When a third party is expected to recover some or all of the economic benefits required to settle a provision, an account receivable is recognized as an asset if it is virtually certain that the disbursement will be received and the amount of the receivable can be reliably valued.

i. *Onerous contracts*

Present obligations arising from an onerous contract are recognized and valued as provisions. An onerous contract is considered to exist when the Entity has a contract under which the unavoidable costs to fulfill the committed obligations are greater than the benefits expected to be received from it.

q. ***Revenue recognition***

Revenue is recognized when control of goods and services has been transferred, at a point in time or over time. Revenue is calculated at the fair value of consideration received or receivable, taking into account the estimated amount of discounts or penalties.

i. *From leasing platforms*

They are recognized on a monthly basis according to the daily rates established in the contracts.

ii. *From drilling wells in shallow water*

Revenues from public works contracts at unit prices and a fixed time are recognized based on the stage of progress of work.

Drilling contracts

When the outcome of a contract can be reliably estimated, revenues and costs associated with the contract are recognized with reference to the degree of progress for completion of contract activity at the end of the period, valued based on the ratio of contract costs incurred in the work performed at that date to the total estimated contract costs. except where such proportion is not representative of the degree of progress for the termination of the contract. Variations in contract work, claims and incentive payments are included to the extent that their amount can be reliably valued and their collection is considered likely.

When the outcome of a contract cannot be reliably estimated, revenues are recognized to the extent that it is likely that costs incurred will be recoverable. Contract costs are recognized as expenses for the period in which they are incurred.

When the total contract costs are likely to exceed the total contract revenue, the estimated loss is immediately recognized as an expense.

When costs incurred to date less recognized profits and losses exceed partial billings, the surplus is shown as a balance receivable to customers. In contracts whose turnover exceeds the costs incurred to date less the recognized profits and losses, the surplus is shown as a liability in favor of contract customers. Amounts received before the work has been performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts invoiced for work performed but not yet paid by the customer are included in the consolidated statement of financial position in other accounts receivable.

iii. *From hydrocarbon production*

Revenues from service contracts for the production of hydrocarbons are recognized according to the volume of hydrocarbons delivered to PEMEX.

iv. *From interests*

Interest income is recognized when economic benefits are likely to flow to the Entity and the amount of income can be reliably valued. Interest income is recorded on a periodic basis, with reference to the outstanding balance and the applicable effective interest rate.

r. ***Statement of cash flows***

Cash flow is used using the indirect method for the presentation of cash flows from operating activities, so the consolidated net loss for the year is adjusted for items that did not require or use cash flows, as well as flows corresponding to investing and financing activities. Interest charged is presented as investment activities and interest paid as financing activities.

4. Critical accounting judgments and key sources for estimating uncertainties

In applying the Entity's accounting policies, which are described in Note 3, management should make judgments, estimates and assumptions about the carrying values of the assets and liabilities in the consolidated financial statements. Relative estimates and assumptions are based on experience and other factors considered relevant. Actual results could differ from these estimates.

Estimates and assumptions are reviewed on a regular basis. Changes to accounting estimates are recognized in the period in which the modification is made and future periods if the modification affects both the current period and subsequent periods.

Critical judgments when applying accounting policies

The following are critical judgments, other than those involving estimates, made by management during the process of applying the Entity's accounting policies and that have a material effect on the consolidated financial statements.

Key sources of uncertainty in estimates

Key assumptions about the future and other key sources of uncertainty in end-of-period estimates that have a risk of resulting in material adjustments in the carrying values of assets and liabilities in the future are discussed below.

i. *Revenue recognition*

Revenues from drilling shallow water wells and associated costs are recognized with reference to the degree of progress for completion of contract activity at the end of the period, measured based on the ratio of contract costs incurred in the work performed at that date to the total estimated contract costs.

ii. *Leases*

The Entity evaluates the classification of lease contracts for accounting purposes. In carrying out this evaluation, the Entity is obliged to exercise its professional judgment and make estimates, considering the following elements:

- The lease does not transfer ownership of the platform and equipment at the end of the lease term.
- The contract does not contain an option to purchase the platform and equipment.
- The term of the lease does not represent a substantial part of the economic life of the platform and equipment.
- At the start of the lease, the present value of the minimum rental payments does not represent a substantial portion of the fair value of the platform and equipment.

- The platform and equipment can be used by another interested party without major modifications.

iii. *Useful life of oil rigs and equipment*

The Entity reviews the estimated useful life of oil rigs and equipment at the end of each annual period. Based on detailed analysis, the management of the Entity makes modifications to the useful life of certain components of oil platforms and equipment. The degree of uncertainty related to estimates of useful lives is related to changes in the market and the utilization of assets and technological developments.

iv. *Return on investment from oil drilling and production (onshore)*

The Entity is in the initial phase of development of the Pitepec field, which requires certain studies and analyses to determine or quantify the amount of investment and the level of oil reserves to be exploited, as well as the recovery period. The uncertainty regarding the investments carried out to date is to know with greater technical data the reserves and feasibility of its exploitation.

v. *Recovery of tax losses*

The Entity makes financial and fiscal projections in order to make its accounting and fiscal results efficient to the extent possible. Taxes are caused in Mexican pesos and between 2014 and 2021 significant fiscal losses were generated by the devaluation of the Mexican peso against the US dollar. The Entity expects to amortize the tax losses against tax profits that are expected to be generated in subsequent years with the normalized operation of the oil platforms. Additionally, during 2021 the fiscal result was affected by the low results of the drilling of oil wells in shallow waters.

The management of the Entity has made the corresponding tax projections of the subsidiaries where there are significant tax losses, documenting how the amortization will be during the next 5 years.

vi. *Fair value measurements and valuation processes*

The Entity determines the fair value of its financial assets and liabilities for disclosure of the consolidated financial statements. In estimating the fair value of an asset or liability, the Entity uses observable market data to the extent available. When Level 1 input data is not available, the Entity engages an independent qualified appraiser to carry out the valuation.

vii. *Contingencies*

The Entity is subject to contingent transactions or events on which it uses professional judgment in the development of probability of occurrence estimates, the factors considered in these estimates are the legal situation at the date of the estimate and the opinion of legal advisors.

5. Cash and restricted cash

	2021	2020
Cash and Bank balances	$ 13,194	$ 15,869
Restricted cash (See Note 14)	10,274	10,274
	$ 23,468	$ 26,143

6. Accounts receivable

	2021	2020
PEMEX	$ 76,302	$ 60,858
Others	-	1,512
	$ 76,302	$ 62,370

The Entity has as main costumer PEMEX; therefore, a significant concentration of credit exists. The average collection period for PEMEX is 100 days for 2021 and is 140 days for 2020. No interest charge is made and no bad debt reserve is recognized due to the category, history of collections with PEMEX and the nature of the contracts.

7. Inventories

	2021	2020
Spare parts	$ 15,485	$ 20,224
Material and supplies	15,399	15,340
Goods in transit	2,155	400
Advances to suppliers	5,782	2,487
	$ 38,821	$ 38,451

8. The Entity as a lessee

The analysis for the maturity of the lease is present in note 9.

Right-of-use assets (Jack-ups)	2021	2020
Cost		
As of December 31	$ 63,215	$ 35,048
Accumulated depreciation		
As of December 31	(44,877)	(23,928)
Value in books		
As of December 31	$ 18,338	$ 11,120

Amounts recognized in the consolidated statement of income	2021	2020
Depreciation expense of the asset for use rights	$ 20,948	$ 22,054
Finance expense caused by lease liabilities	$ 659	$ 1,295

Total cash outflows for leases amount to $21,605 for 2021 and $23,729 for 2020.

9. Lease liabilities

	2021	2020
Maturity analysis:		
Year 1	$ 18,938	$ 9,560
Year 2	-	32
	18,938	9,592
Less: unearned interest	(420)	(145)
	$ 18,518	$ 9,447
Analyzed as:		
Long term	$ -	$ 30
Short term	18,518	9,417
	$ 18,518	$ 9,447

The Entity does not face a significant liquidity risk regarding its lease liabilities. Lease liabilities are monitored through the Entity's Treasury.

10. Jack ups and equipment, net

	Balance as of December 31, 2020	Additions	Disposals and split off effect	Balance as of December 31, 2021
Investment:				
Jack ups	$ 542,321	$ 7,363	$ -	$ 549,684
Modular rig	128,269	638	-	128,907
Drilling equipment	13,049	1,984	(917)	14,116
Furniture and fixtures	78	22	(1)	99
Peripheral equipment	293	-	(56)	237
Transportation equipment	18	247	-	265
Computer equipment	414	27	-	441
Spare parts	5,636	-	-	5,636
Total investment	690,078	10,281	(974)	699,385
Depreciation:				
Jack ups	(221,385)	(26,103)	-	(247,488)
Modular rig	(45,754)	(10,155)	-	(55,909)
Drilling equipment	(1,302)	(1,397)	380	(2,319)
Furniture and fixtures	(9)	(9)	-	(18)
Peripheral equipment	(262)	(4)	29	(237)
Transportation equipment	(18)	(25)	4	(39)
Computer equipment	(414)	(2)	-	(416)
Total depreciation accumulated	(269,144)	(37,695)	413	(306,426)
Investment net	$ 420,934	$ (27,414)	$ (561)	$ 392,959

	Balance as of December 31, 2019	Additions	Disposals and split off effect	Balance as of December 31, 2020
Investment:				
Jack ups	$ 526,412	$ 12,473	$ 3,436	$ 542,321
Modular rig	123,964	4,387	(82)	128,269
Drilling equipment	5,442	1,328	6,279	13,049
Furniture and fixtures	67	11	-	78
Peripheral equipment	303	-	(10)	293
Transportation equipment	18	-	-	18
Computer equipment	412	2	-	414
Spare parts	14,254	5,358	(13,976)	5,636
Total investment	670,872	23,559	(4,353)	690,078
Depreciation:				
Jack ups	(190,323)	(29,548)	(1,514)	(221,385)
Modular rig	(35,397)	(10,357)	-	(45,754)
Drilling equipment	(1,963)	(851)	1,512	(1,302)
Furniture and fixtures	-	(9)	-	(9)
Peripheral equipment	(268)	(6)	12	(262)
Transportation equipment	(18)	-	-	(18)
Computer equipment	(414)	-	-	(414)
Total depreciation accumulated	(228,383)	(40,771)	10	(269,144)
Investment net	$ 442,489	$ (17,212)	$ (4,343)	$ 420,934

The Jack ups and the modular are granted in guarantee of the debt indicated in Note 14.

11. Investment in wells and infrastructure - Net

	2021	2020
Investment in wells and infrastructure of the Pitepec field (1)	$ 72,256	$ 57,900
Ineligible expenses (2)	5,732	5,292
Eligible expenses (3)	4,250	4,250
	82,238	67,442
Wells amortization	(41,374)	(33,589)
Impairment of wells	(14,813)	(14,813)
	$ 26,051	$ 19,040

(1) ***Investment in wells and infrastructure of the Pitepec field***- Represents the investment for the exploitation of the Pitepec oil field, as well as the investment made in each of the Wells, which is amortized based on the useful life of each well.

(2) ***Ineligible expenses***- Expenses incurred by the Entity necessary for carrying out the Pitepec project, which will be amortized once the contract is migrated and revenues to address these disbursements during the life of the project are obtained.

(3) ***Eligible expenses-*** Are the expenses incurred by the Entity for the production of hydrocarbons which PEMEX paid by selling the barrels produced.

12. Financial instruments

The Entity manages a diversified business portfolio in the local marketplace; therefore, it is exposed to financial risks including market risks (exchange rate and interest rate), credit risks and liquidity risks. The Board of Directors establishes and monitors policies and procedures to measure and manage those risks, which are described below.

a. ***Capital risk management***

The Entity manages its capital to ensure that it will continue as a going concern while maximizing the return to stockholders through the optimization of debt and equity balances. The Entity's general strategy has not been modified compared to the previous year.

The Entity's equity structure consists of net debt (loans as detailed in Note 14 which are offset by cash balances, restricted cash) and Entity's equity (comprising of issued capital stock, reserves and accumulated deficit as it disclosed in Note 17, respectively).

As of December 31, 2021 and 2020, the Entity has restricted cash of $10,724, as mentioned in Note 14.

Debt ratio - The debt ratio at December 31, 2021 and 2020, is as follows:

		2021		2020
Bank loans and long-term debt	$	377,294	$	366,381
Cash and cash restricted		23,468		26,143
Net debt	$	353,826	$	340,238
Stockholders' equity	$	150,355	$	176,122
Net debt ratio to stockholders' equity		2.5 times		2.1 times

b. ***Categories of financial instruments***

		2021		2020
Financial assets:				
Cash and restricted cash	$	23,468	$	26,143
Loans and receivable				
Trade accounts receivable		76,302		62,370
Accounts receivables from related parties		6,582		9,194
	$	106,352	$	97,707
Financial liabilities:				
Financial liabilities held at amortized cost				
Bank loans and long-term debt	$	377,294	$	366,381
Accounts payable to suppliers		58,786		98,028
Lease liabilities		18,518		9,447
Due to related parties		2,250		9,236
	$	456,848	$	476,092

c. ***Objectives of financial risk management***

The Entity's Corporate Treasury function provides services to its business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to its operations through internal risk reports, which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rates risk), credit risk and liquidity risk.

d. ***Foreign currency risk management***

The Entity carries out transactions denominated in foreign currency. Consequently, it is exposed to fluctuations in exchange rates, which are managed within the parameters of the approved policies.

The carrying values of monetary assets and monetary liabilities denominated in foreign currency at the end of the year are as follows (amounts in thousands):

	Assets		**Liabilities**	
	2021	**2020**	**2021**	**2020**
Thousands of Mexican pesos	49,844	32,205	651,243	600,802

Sensitivity analysis for foreign currency - The Entity is mainly exposed to Mexican pesos. The following table details the Entity's sensitivity to an increase and decrease of 10% in US dollars against the relevant foreign currencies 10% represents the sensitivity rate used when foreign exchange risk is reported internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates. The sensitivity analysis includes only outstanding monetary items denominated in foreign currency and adjusts their conversion at the end of the period with a fluctuation of 10% change in exchange rates. The sensitivity analysis includes external loans as well as loans to foreign operations. A positive figure, respectively, (as shown in the table below) indicates an increase in the results stemming from a 10% weakening of the Mexican peso against the reference currency, then there would be a comparable impact on the results and the following financial statements would be negative.

If the exchange rate of the Mexican peso to the US dollar had depreciated by 10% and all other variables remain constant, the gain would have been:

	2021	**2020**
Results	$ 2,656	$ 2,591

e. ***Interest rate risk management***

The Entity is mainly exposed to interest rate risks because it has entered into debt at variable rates. The risk is managed by the Entity through the use of interest rate swap contracts. Hedging activities are regularly monitored so that they are aligned with interest rates and their related risk, ensuring the implementation of the most profitable hedging strategies.

The Entity's exposures to interest-rate risk are mainly related to changes in the TIIE and the LIBOR rates with respect to the Entity's financial liabilities. The Entity prepares sensitivity analyses based on its exposure to interest rates on its variable-rate debt with financial institutions that is not hedged. The analyses are prepared assuming that the ending period balance at year end was the outstanding balance during the entire year. The Entity internally reports to the Board of Directors about its interest rate risks.

Sensitivity analysis for interest rates - The following sensitivity analyses have been determined based on exposure to interest rates both for financial derivatives and non-derivatives at the end of the reporting period. For variable rate liabilities, an analysis is prepared on the basis that the amount of the liability in effect at the end of the reporting period has been the liability in effect for the entire year. When reporting internally to key executive personnel on the interest rate risk, an increase or decrease of 50 basis points is used, which represents management's evaluation of the possible reasonable change in interest rates.

If the interest rates were 50 basis points above/below and all the other variables remained constant:

Consolidated loss for the year ended December 31, 2021 would increase $59 (2020: decrease $1,821). This is mainly attributable to the Entity's exposure to the interest rates on its variable rate loans in pesos.

The sensitivity to the Entity's interest rates has decreased during the current year, mainly due to the reduction in the variable rate of debt instruments.

f. ***Credit risk management***

Credit risk refers to the risk that one of the parties will default on its contractual obligations, resulting in a financial loss for the Entity. The Entity has adopted a policy of only becoming involved with solvent parties and obtaining sufficient guarantees, when appropriate, as a way of mitigating the risk of the financial loss derived from defaults. The Entity's exposure and the credit ratings of its counterparties were supervised continually and the accrued value of the concluded transactions is distributed between the approved counterparties. Credit exposure is minimal because historically there have been no losses with PEMEX.

g. ***Liquidity risk management***

The Entity's management is ultimately responsible for liquidity management, which has established appropriate policies for the control of such risk through the monitoring of working capital, allowing management of the Entity's short-, medium-, and long-term funding requirements. The Entity maintains cash reserves and available credit lines, continuously monitoring projected and actual cash flows, reconciling the profiles of maturity of financial assets and financial liabilities.

The following table details the remaining contractual maturities of the Entity's financial liabilities, based on contractual reimbursement periods. The table has been designed based on un-discounted projected cash flows of financial liabilities based on the date on which the Entity makes payments. The table includes both projected cash flows related to interest and capital on financial debt in the consolidated statements of financial position. Where the contractual interest payments are based on variable rates, the amounts are derived from interest rate curves at the end of the period. The contractual maturity is based on earliest date in which the Entity is required to make payment.

	Rate		At December 31, 2021	
	Effective average	One year	1 and 3 years	Total
Bank loans and long-term debt	7.99%	$ 377,294	$ -	$ 377,294
Interest payable		34,049	22,727	56,776
Accounts payable to suppliers		58,786	-	58,786
Lease liabilities		18,518	-	18,518
Due to related parties		2,250	-	2,250
Total		$ 490,847	$ 22,727	$ 513,624

	Rate	At December 31, 2020		
	Effective average	One year	1 and 3 years	Total
Bank loans and long-term debt	7.99%	$ 65,420	$ 293,968	$ 359,388
Interest payable		45,079	44,394	89,473
Accounts payable to suppliers		98,028	-	98,028
Lease liabilities		9,417	30	9,447
Due to related parties		9,236	-	9,236
Total		$ 227,180	$ 338,392	$ 565,572

The amounts included for debt with financial institutions includes both fixed and variable interest rate instruments. The financial liabilities at variable rates are subject to change, if the changes in variable rates differ from the estimates of rates determined at the end of the reporting period is presented at fair value.

13. Fair value of financial instruments

The fair value of the financial instruments subsequently presented has been determined by the Entity using commercially available information or other valuation techniques that require judgment to develop and interpret estimates of fair values, and uses assumptions that are based on market conditions existing at each of the dates of the consolidated statements of financial position. Consequently, the estimated amounts presented are not necessarily indicative of the amounts that the Entity could realize in a current market exchange. The use of different assumptions and/or estimation methods could have a material effect on the estimated fair value amounts.

The following table presents an analysis of financial instruments that are measured after initial recognition at fair value, grouped into Tiers 1 to 3 based on the degree to which fair value is observed:

– Level 1 are those derived from quoted (unadjusted) prices in the active markets for liabilities or identical assets;

– Level 2 are those derived from indicators other than quoted prices included within Level 1, but which include indicators that are observable for an asset or liability, either directly at quoted prices or indirectly, i.e. derived from these prices; and

– Level 3 are those derived from valuation techniques that include indicators for assets or liabilities, which are not based on observable market information (unobservable indicators).

The carrying value of the Entity's restricted cash and cash balances, as well as accounts receivable and payable from third parties and related parties, and the current portion of bank loans and long-term debt approximate their fair value because they have short-term maturities. The long-term debt of the Entity is recorded at its amortized cost and consists of debt that generates interest at fixed and variable rates that are related to market indicators.

For disclosure purposes in the attached financial statements, the fair value of the international bonds of the offshore segment that were subject to valuation is reported below:

	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
International bonds	$ 334,874	$ 217,596	$ 340,739	$ 236,204

14. Bank loans and long-term debt

		2021		2020
Senior secured bonds guaranteed with the Oil Platforms and the Modular				
International Bond Issue for $350,000 that pays quarterly interest at the fixed annual rate of 8.875%, maturing on October 15, 2022. The principal is amortized quarterly based on the totality of the surplus cash.	$	281,847	$	287,349
International Bond Issue for $75,000 that pays quarterly interest at the fixed rate of 10% and maturing on December 31, 2022. The principal is amortized quarterly based on the totality of the surplus cash.		53,027		53,390
Bank loans in US Dollars:				
Credit Celebrated with UNIFIN Financiera, S. A. B. de C. V. and has a maturity of 15 months beginning on May 25, 2021.		498		2,814
Bank loans in Mexican pesos:				
Simple credit of $245.7 million Mexicans pesos ($11.9 million of US dollars) with UNIFIN Financiera S. A. B. de C. V., with a maturity of 24 months beginning on May 1, 2021.		5,213		9,813
Simple credit for $ 3,000 with Banco HSBC México, S. A. which accrues interest at the Libor rate plus 450 basis points. The principal is amortized upon maturity on October 15, 2021.		-		3,000
Simple credit of $98.5 million Mexicans pesos ($4.8 million of US Dollars) with UNIFIN Financiera S. A. B. de C. V., with a maturity of 24 months beginning on September 25, 2021.		3,139		4,454
Simple credit of $15 million Mexicans pesos ($0.7 million of US dollars) with UNIFIN Financiera S. A. B. de C. V., with a maturity of 24 months beginning on October 25, 2021.		-		700
Simple credit of $20,000 with Banco HSBC México, S. A., which accrues interest at the LIBOR rate plus 5 basis points. The principal is amortized upon maturity on August 10, 2022.		20,000		-
Simple credit of $7,500 with UNIFIN Financiera S. A. B. de C. V., which accrues an annual interest of 18%. The principal es repaid at maturity on April29, 2022		7,500		-
Interest payable		7,068		6,993
		378,292		368,513
Debt issuance at amortized cost		(998)		(2,132)
		377,294		366,381
Less: short-term portion		(377,294)		(72,413)
Long-term debt	$	-	$	293,968

As mentioned in Note 1d, the Entity signed an agreement with the International Bondholders for $281,847 and $53,027 to modify some conditions stablished in the contract. The International Bonds are secured by the Jack-ups and modular rig, respectively.

The Entity may redeem the bonds of $281,847 (option to purchase at any time without a premium payment) and in the case of the bonds of $53,027, the Entity may pay a premium of 2%.

The bank loans with national institutions are pledged with shares owned by the Entity's stockholders of a public entity, coverage is 1.5 times the value of debt for the Inbursa debt and 1.35 for Actinver debt.

The relevant covenants for the offshore business are as follows (bank loans issued in international markets):

- Not to pay more than 50% of dividends over income from offshore business.
- Not to incur new debt over assets.
- Restricted cash for $10 million (See Note 5).
- Maintain a minimum total equity to liabilities ratio of 22.5% for Latina Offshore Limited and not exceed $360,000 bank debt for Latina Offshore Holding Limited.

At the date of issuance of the consolidated financial statements, management of the Entity has satisfactorily complied with the agreements.

15. Employee benefits

As mentioned in Note 1, in June 2021, a total of 800 employees of Servicios Corporativos Latina, S. A. de C. V. were transferred to the following related parties:

Company	Employees
Constructora y Perforadora Latina, S. A. de C. V.	263
Perforaciones Marítimas Latina, S. A. de C. V.	362
Perfolatina, S. A. de C. V.	175

Through employer substitution, recognizing all the labor rights of employees, including the seniority that they would have generated by the effect of the corresponding employment relationship, as well as the risks of work terminated. As of the aforementioned date, the aforementioned Entities are subject to payment by the PTU and recognized the corresponding labor liabilities described in this note.

a) The PTU is charged at the rate of 10% on the fiscal result, which differs from the accounting profit mainly due to permanent differences such as the annual adjustment for inflation and expenses that are not deductible, among others. The PTU paid in the year or the tax losses pending amortization are not reduced.

b) For the year ended December 31, 2021 and taking into account the application that the Entity made due to the changes to the labor reform, for the calculation of the PTU (for its acronym in Spanish for the year), the Entity opted for the option mentioned in the Federal Labor Law in its article 127, section VIII, within which it mentions that the amount of PTU to be distributed will be a maximum of 90 days of salary, or the average of the last three periods, whichever is most favorable to the worker at the ceiling set by the Law.

Long-Term Defined Benefit Plan

The Entity has a defined benefit plan that includes the seniority and retirement premium.

This plan exposes the Entity to actuarial risks such as: interest rate, longevity and salary.

Interest rate risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

There are no retirement or post-retirement benefits provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were made as of December 31, 2021 by independent actuaries, members of the National College of Actuaries, A.C. The present value of the defined benefit obligation and the labor cost of current service and past service cost were calculated using the projected unit credit method.

The main assumptions used for actuarial valuation purposes are as follows:

	2021 **%**
Discount rate	7.75
Expected rate of salary increase	4.50
Increase in the minimum wage	3.50

The amounts recognized in the results of these defined benefit plans are:

	2021
Service cost:	
Current service cost	$ 3,349
Financial cost	-
Components of defined benefit costs recognized in loss or profit	$ 3,349

The present value and changes in the liability generated by the defined benefit obligation included in the consolidated statements of financial position as of December 31, 2021 is $3,349.

Changes in the present value of the seniority premium defined benefit obligation:

	2021
Opening balance for defined benefit obligation	$ -
Current service cost	3,349
Financial cost	-
Benefits paid	-
Actuarial gains and losses for the period	-
Closing balance for defined benefit obligation	$ 3,349

The significant actuarial assumptions for the determination of the defined obligation are the discount rate, the expected wage increase and mortality. The sensitivity analyses presented below were determined on the basis of reasonably possible changes in the respective assumptions that occurred at the end of the reporting period, while all other assumptions remain constant.

On the other hand, in presenting the sensitivity analysis above, the present value of defined benefit liabilities is calculated using the unit credit method projected at the end of the reporting period, which is the same as that applied in the calculation of the defined obligation liability recognized in the consolidated statements of financial position.

There has been no change in the process followed by the Entity to manage its risks from prior periods. Other sensitivity analyses are not considered significant.

16. Taxes and accrued expenses

	2021	2020
Trade accounts payable	$ 33,704	$ 15,938
Interest payable	36,885	49,391
	$ 70,589	$ 65,329

17. Capital stock

a. As of December 31, 2021 and 2020, the share capital is integrated as follows:

	Shares	Amount
Fixed portion-		
Nominative Series "A" Share	200	$ 21
Variable portion-		
Nominative Series “A1” Share	78,773,312	341,224
	78,773,512	$ 341,245

Capital stock is represented by nominative shares without nominal value.

b. In Ordinary Shareholders’ General Meetings held in 2020, the stockholders´ equity variable portion was increased by the amount of $23,737 through the issuance of 6,578,454 ordinary, nominative shares, series “B”, without par value; which were paid in cash, as follows:

Date	Shares	Amount
January 13, 2020	5,393,437	$ 19,916
June 9, 2020	1,185,017	3,821
Total	6,578,454	$ 23,737

c. Net income is subject to the legal provision that requires that 5% of this amount be transferred to the legal reserve, until it equals 20% of its capital stock. The legal reserve is not susceptible to be distributed to the shareholders during the existence of each entity, except with the dissolution of the Entity. As of December 31, 2021 and 2020, the legal reserve amounts to $398.

d. The distribution of stockholders' equity, except for the updated amounts of the contributed capital and retained earnings, will cause the ISR charged to the Entity at the rate in effect at the time of distribution. The tax paid for such distribution may be credited against the ISR of the year in which the dividend tax is paid and in the following two immediate years, against the tax for the year and the provisional payments of the same.

Dividends paid from profits generated as of January 1, 2015 to individuals that resident in Mexico and to residents abroad, may be subject to an additional ISR of up to 10%, which must be retained by the Entity.

e. The balances of the fiscal accounts of stockholders' equity as of December 31 are:

	2021	2020
Contribution capital account	$ 409,235	$ 393,347
Net fiscal profit account at the close of 2019	2,123	2,191
Net taxable profit account as of 2020	2,190	2,260
Net taxable profit account as of 2021	2,319	-
Total	$ 415,867	$ 397,798

18. Operations and balances with related parties

a. Transactions with related parties carried out in the normal course of their operations were as follows:

	2021	2020
Income from sale of fixed assets	$ 353	$ -
Lease income	1,069	637
Income from drilling services	-	50
Interest income	332	-
Revenue from management services and new business c reation	1,643	-
Expenses for drilling services	(2,313)	(1,008)
Expenses for administrative services	(20,380)	(21,378)
Reimbursement expenses	(473)	(6)
Interest expenses	(154)	(73)
Lease expenses	(2,061)	(872)
Fixed asset purchase expenses	(617)	(2,250)

b. The balances with related parties are:

	2021	2020
Due from:		
Servicios Corporativos Latina, S. A. de C. V.	$ 655	$ -
CPL Servicios de Perforación, S. A. de C. V.	1,260	-
Latina Desarrollo Energéticos, S. A. de C. V. (i)	4,667	9,194
	$ 6,582	$ 9,194
Due to:		
Servicios Corporativos Latina, S. A. de C. V. (ii)	$ -	$ 5,971
Coperla Servicios, S. A. de C. V.	-	5
CPL Servicios de Perforación, S. A. de C. V.	2,250	3,260
	$ 2,250	$ 9,236

The nature of the balances with related parties are:

(i) Centralized treasury.
(ii) Administrative services.

19. Income taxes

The Entity is subject to Income tax (ISR for its acronym in Spanish). Under the ISR Law the rate for 2021 and 2020 was 30%, and will continue to 30% for later years:

a. The taxes to the utility are integrated as follows:

	2021	2020
Current income tax	$ 96	$ -
Deferred income tax	(11,453)	(13,391)
	$ (11,357)	$ (13,391)

b. La reconciliation of the legal rate and the effective rate expressed as a percentage of the (loss) profit before income taxes, is as follows:

	2021 %	2020 %
Legal rate	30	30
Add (less) effect of permanent differences:		
Effects of inflation	14	3
Reservation of tax losses	(13)	-
Tax losses carryforward - effects of inflation	-	(2)
Effective tax rate	31	29

c. The main items that originate the balance of the (asset) liability for deferred ISR as of December 31 are:

	2021	2020
Jack-ups and equipment	$ 15,186	$ 18,312
Revenue provisions and advances from customers	17,576	2,810
Accumulated expenses	4,436	-
Other assets	(3,203)	(6,763)
Effect of tax losses carry forwards	23,766	31,949
Net deferred ISR liability	$ 57,761	$ 46,308
Deferred tax assets	$ 59,652	$ 46,776
Deferred tax liability	$ (1,891)	$ (468)

d. The benefits of the current tax losses pending amortization for which the deferred ISR asset has already been recognized can be recovered by complying with certain requirements. The years of maturity and their amounts updated as of December 31, 2021, are:

Year of expiration	Tax loss Carryforwards
2024	$ 477
2025	-
2026	33,615
2027	3,728
2028	6,951
2029	8,706
2030	42,629
2031	4,845
	$ 100,951

20. Cost and expenses by nature

	2021	2020
Services of drilling and equipment	$ 158,602	$ 50,809
Expenses of employee benefits	41,431	34,901
Materials	389	215
Corporate expenses	2,435	2,255
Logistics	25,653	20,273
Insurance and securities	6,138	5,841
Legal and other fees	1,132	1,436
Lease drilling spare parts	7,526	8,814
Maintenance expenses and spare parts to the platform	14,142	9,112
Other expenses	6,996	4,072
Total	$ 264,444	$ 137,728

21. Financial costs

	2021	2020
Interest from bank loans	$ 11,045	$ 8,976
Interests from international bonds	32,118	31,279
Interest from subsidiary loans	1,000	1,921
Amortization of the cost of bond issuance	1,421	1,083
	$ 45,584	$ 43,259

22. Subsequent events

As of the date of issuance of the financial statements, the Modular remains suspended and the Entity is in discussions with the bondholders about the different commercial opportunities with PEMEX.

At the Extraordinary General Meeting of Shareholders, held on December 15, 2021, it was agreed to merge Equipamiento Latina, S. A. de C. V. (Equipamiento) with CPL Servicios de Perforación, S. A. de C. V. (CPL Servicios) related parties of the Entity, the latter subsisting as a merging company and disappearing Equipamiento as a merged company, acquiring all the rights and obligations of CPL Servicios as of January 1, 2022.

23. Authorization to issue the consolidated financial statements

The accompanying consolidated financial statements as of December 31, 2021, were authorized for issuance on May 13, 2022 by C.P.C. Miguel Ruiz Tapia, Chief Executive Officer, and C.P. Víctor Escalante Torres, Chief Financial Officer, the Audit Committee and the Board of Directors, consequently they do not reflect events occurring after that date, and are subject to the approval of the Ordinary General Assembly of Shareholders of the Entity, which may decide to modify them in accordance with the provisions of the General Law of Commercial Companies. The consolidated financial statements for the year ended December 31, 2020, were approved at the Ordinary General Shareholders' Meeting held on June 25, 2021.

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