Petro Rio S.A.

Individual and consolidated financial statements for the year ended December 31, 2022 and Independent auditor's report

Legal Notice

This report uses the Company's functional currency, the US dollar, as the presentation currency, and was prepared to allow comparison with other companies in the oil sector. For comparability purposes, we have converted (i) all assets and liabilities on the Balance Sheet as of December 31, 2021 at the closing exchange rate on December 31, 2021; (ii) all accounts in the income statement, other comprehensive income and cash flows using the average exchange rate prevailing during the applicable year.

PRIO

Balance sheet

December 31, 2022 and 2021
(In thousands of dollars – US$)

	Note	Parent company 12/31/2022	Parent company 12/31/2021	Consolidated 12/31/2022	Consolidated 12/31/2021
Assets					
Current assets					
Cash and cash equivalents	3	**3,287**	4,226	**1,842,375**	173,942
Securities	4	**-**	63	**-**	659,472
Accounts receivable	5	**-**	-	**31,873**	163,970
Oil inventories	27	**-**	-	**66,069**	33,953
Inventory of consumables	6	**-**	-	**20,833**	5,028
Financial instruments		**-**	-	**-**	6,274
Recoverable taxes	7	**302**	402	**14,568**	15,382
Advances to suppliers	8	**7**	-	**35,676**	15,055
Advances to partners	22	**-**	-	**6,235**	5,952
Prepaid expenses		**81**	9	**2,072**	1,749
Other receivables		**-**	-	**60**	92
		3,677	4,700	**2,019,761**	1,080,869
Non-current assets classified as held for sale	9	**-**	-	**12,291**	13,351
		3,677	4,700	**2,032,052**	1,094,220
Non-current assets					
Advances to suppliers	8	**-**	-	**46**	-
Deposits and pledges		**2**	-	**2,016**	1,908
Recoverable taxes	7	**-**	-	**5,160**	1,534
Deferred taxes	20	**2,102**	3,322	**132,640**	67,858
Related parties	25	**18,568**	10,204	**-**	-
Right-of-Use (Lease CPC 06.R2/IFRS 16)	19	**-**	-	**281,920**	76,313
Investments	10	**1,917,550**	1,212,530	**-**	-
Property, plant and equipment	11	**100**	179	**894,111**	635,973
Intangible assets	12	**-**	-	**543,141**	312,217
		1,938,322	1,226,235	**1,859,034**	1,095,803
Total assets		**1,941,999**	1,230,935	**3,891,086**	2,190,023

See the accompanying notes to the financial statements.

PRIO

Balance sheet

December 31, 2022 and 2021
(In thousands of dollars – US$)

	Note	Parent company		Consolidated	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021
Liabilities and shareholders' equity					
Current liabilities					
Suppliers	13	**42**	39	**108,463**	52,362
Labor obligations	14	**3,594**	4,896	**26,449**	23,560
Taxes and social contributions	15	**122**	149	**30,418**	32,914
Loans and financing	17	**-**	-	**75,370**	99
Local debentures (includes conversion swaps)	18			**7,765**	-
Contractual charges (Leases - IFRS 16)	19	**-**	-	**12,371**	18,978
Accounts payable – acquisition of Wahoo	16	**-**	-	**-**	67,500
Other liabilities		**-**	-	**8,324**	-
		3,758	5,084	**269,160**	195,413
Liabilities directly linked to non-current assets classified as held for sale	9	**-**	-	**(2,519)**	(807)
		3,758	5,084	**266,641**	194,606
Non-current liabilities					
Suppliers	13	**-**	-	**288**	72
Loans and financing	17	**-**	-	**1,005,828**	592,665
Mark-to-market of debenture swaps	18	**-**	-	**17,117**	-
Local debentures (includes conversion swaps)	18	**-**	-	**373,768**	-
Provision for abandonment (ARO)	21	**-**	-	**51,367**	124,055
Provision for contingencies	34	**96**	90	**4,475**	4,889
Related parties	25	**42,288**	39,443	**-**	-
Contractual charges (Leases - IFRS 16)	19	**-**	-	**275,372**	87,352
Other liabilities		**-**	-	**373**	65
		42,384	39,533	**1,728,588**	809,098
Shareholders' equity					
Realized capital	24	**953,380**	950,389	**953,380**	950,389
Capital reserves		**68,214**	62,519	**68,214**	62,519
Profit reserves		**762,020**	45,762	**762,020**	45,763
Accumulated translation adjustment		**129,360**	127,648	**129,360**	127,648
Equity valuation adjustments	18	**(17,117)**	-	**(17,117)**	-
		1,895,857	1,186,318	**1,895,857**	1,186,319
Total liabilities and shareholders' equity		**1,941,999**	1,230,935	**3,891,086**	2,190,023

See the accompanying notes to the financial statements.

PRIO

Statements of income

Years ended December 31, 2022 and 2021
(In thousands of dollars – US$, except earnings/losses per share)

	Note	Parent company 12/31/2022	Parent company 12/31/2021	Consolidated 12/31/2022	Consolidated 12/31/2021
Net revenue	26	**-**	-	**1,249,659**	814,744
Costs of products/services	27	**-**	-	**(397,668)**	(349,057)
Gross revenue		**-**	-	**851,991**	465,687
Operating revenues (expenses)					
Geology and geophysics expenses		-	-	**(2,901)**	(1,902)
Personnel expenses		**(4,303)**	(932)	**(23,248)**	(21,285)
General and administrative expenses		**(20)**	(68)	**(9,094)**	(4,662)
Expenses with Outsourced Services		**(677)**	(952)	**(11,864)**	(8,843)
Taxes and rates		**(422)**	(108)	**(2,279)**	(1,241)
Depreciation and amortization expenses		**(79)**	(90)	**(13,776)**	(20,567)
Equity in income of subsidiaries	10	**723,994**	251,907	**-**	-
Other operating revenues (expenses), net	28	**(66)**	391	**17,091**	(14,004)
Operating income (loss) before financial income (loss)		**718,427**	250,148	**805,920**	393,183
Financial revenues	29	**42**	21	**54,324**	13,248
Financial expenses	29	**(1,323)**	(1,488)	**(108,738)**	(81,302)
Net exchange-rate changes	29	**597**	(2,426)	**10,407**	(47,286)
Income before income tax and social contribution		**717,743**	246,255	**761,913**	277,843
Current income tax and social contribution	30	**-**	-	**(105,154)**	(63,907)
Deferred income tax and social contribution	30	**(1,486)**	808	**59,498**	33,127
Income for the year		**716,257**	247,063	**716,257**	247,063
Basic and diluted earnings per share					
Basic		**0.849**	0.299	**0.849**	0.299
Diluted		**0.841**	0.296	**0.841**	0.296

See the accompanying notes to the financial statements.

PRIO

Statements of comprehensive income

Years ended December 31, 2022 and 2021
(In thousands of dollars – US$)

	Consolidated	
	12/31/2022	**12/31/2021**
Income (loss) for the year	**716,257**	247,063
Mark-to-market of local debenture swaps	**(17,117)**	-
Translation adjustment on investment abroad, net of taxes	**1,712**	24,561
Other comprehensive income for the year, net of taxes	**(15,405)**	24,561
Total comprehensive income for the year net of taxes	**700,852**	271,624

See the accompanying notes to the financial statements.

PRIO

Statements of changes in shareholders' equity

Years ended December 31, 2022 and 2021

(In thousands of dollars – US$)

	Capital	Capital reserve	Profit reserve / statutory	Accumulated translation adjustment	Equity valuation adjustment	Retained earnings (losses)	Parent company	Consolidated
Balances at January 1, 2022	**950,389**	**62,519**	**45,763**	**127,648**	**-**	**-**	**1,186,319**	**1,186,319**
Paid-up capital	3,096	-	-	-	-	-	3,096	3,096
Share issuance costs	(105)	-	-	-	-	-	(105)	(105)
Stock options granted	-	6,928	-	-	-	-	6,928	6,928
Translation adjustment on investment abroad	-	-	-	1,712	-	-	1,712	1,712
Gain (loss) with financial instruments	-	-	-	-	(17,117))	-	(17,117)	(17,117)
Share-based remuneration	-	-	-	-	-	-	-	-
Offset of loss	-	-	-	-	-	-	-	-
Income in sale of treasury shares	-	2,246	-	-	-	-	2,246	2,246
Net income for the year	-	-	-	-	-	716,257	716,257	716,257
Legal reserve	-	-	35,813	-	-	(35,813)	-	-
Unrealized profit reserve	-	-	170,116	-	-	(170,116)	-	-
Investment reserve	-	-	510,328	-	-	(510,328)	-	-
Treasury shares	-	(3,479)	-	-	-	-	(3,479)	(3,479)
Balances at December 31, 2022	**953,380**	**68,214**	**762,020**	**129,360**	**(17,117)**	**-**	**1,895,857**	**1,895,857**

See the accompanying notes to the financial statements.

Statements of cash flows

Years ended December 31, 2022 and 2021
(In thousands of dollars – US$)

	Parent company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Cash flows from operating activities				
Income (loss) for the year (before taxes)	**717,743**	**246,255**	**761,913**	**277,843**
Depreciation and amortization	79	90	156,955	163,333
Financial revenue	(1,444)	(5,019)	(85,495)	(59,873)
Financial expenses	2,301	7,900	112,821	158,810
Share-based remuneration	6,929	5,102	6,929	5,102
Equity in income of subsidiaries	(723,995)	(251,907)	-	-
Provision for contingencies/losses/R&D	(1)	-	1,038	16,387
Amendment of the provision for abandonment/IFRS 16 Contracts	-	-	(71,642)	(28,393)
	1,612	**2,421**	**882,519**	**533,209**
(Increase) decrease in assets				
Accounts receivable	-	-	132,410	(93,332)
Recoverable taxes	22	78	8,306	(1,597)
Prepaid expenses	(95)	53	(206)	2,998
Advances to suppliers	(7)	3	(20,668)	(6,830)
Oil inventories	-	-	(32,114)	(5,582)
Inventory of consumables	-	-	(15,804)	(3,876)
Related parties	(7,967)	(8,946)	-	-
Advance to partners in oil and gas operations	-	-	1,519	8,289
Deposits and pledges	(2)	992	(453)	1,794
Other receivables	30	26	440	(1,088)
Increase (decrease) in liabilities				
Suppliers	(36)	(786)	70,309	11,800
Labor obligations	566	4,822	(422)	14,172
Taxes and social contributions	(48)	(899)	(117,803)	(36,493)
Related parties	1,932	(62,168)	-	-
Contingencies	-	-	-	(19,618)
Other liabilities	-	-	7,012	(111)
Net cash (invested in) from operating activities	**(3,993)**	**(64,404)**	**915,045**	**403,735**
Cash flows from investment activities				
(Investment in) redemption of securities	63	(65)	668,486	(641,527)
(Investment in) redemption of restricted cash	-	-	-	6,204
(Investment in) redemption of abandonment fund	-	-	883	(516)
Non-current assets held for sale	-	-	-	-
(Purchase) sale of fixed assets	-	-	(368,797)	(117,188)
(Purchase) sale of intangible assets	-	-	(166)	(68,380)
(Increase) decrease in investments	-	(302,594)	-	-
(Acquisition) of oil and gas assets	-	-	(360,150)	(57,708)
Net cash (invested in) from investment activities	**63**	**(302,659)**	**(59,744)**	**(879,115)**
Cash flows from financing activities				
Borrowings	-	-	478,000	776,760
Repayment of principal on loans	-	-	-	(551,033)
Interest paid on loans	-	-	(44,062)	(49,590)
Contractual charges (Leases IFRS 16 - Principal)	-	-	(12,813)	(25,747)
Contractual charges (Leases - IFRS 16) - Interest	-	-	(11,086)	(8,340)
Funding of debentures	-	-	397,520	-
Derivative transactions	-	-	6,274	(21,329)
(Decrease) Paid-up capital	2,991	366,365	2,991	366,365
Shares of the Company itself (held in treasury)	-	-	(3,571)	(123)
Net cash (invested in) from financing activities	**2,991**	**366,365**	**813,253**	**486,963**
Translation adjustment	-	-	(121)	17,341
Net increase (decrease) in cash and cash equivalents	**(939)**	**(698)**	**1,668,433**	**28,924**
Cash and cash equivalents at the beginning of the year	4,226	4,924	173,942	145,018
Cash and cash equivalents at the end of the year	3,287	4,226	1,842,375	173,942
Net increase (decrease) in cash and cash equivalents	**(939)**	**(698)**	**1,668,433**	**28,924**

See the accompanying notes to the financial statements.

Notes to the financial statements
December 31, 2022
(In thousands of dollars, unless otherwise indicated)

1. Operations

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

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

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

<u>Polvo Field</u>

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

The Polvo Field is in the southern portion of the Campos Basin (offshore) some 100 km east of the city of Cabo Frio in the state of Rio de Janeiro. The license covers an area of approximately 134 km2 with several prospects for future exploration. Average daily output in 2022 was of roughly 6.6 thousand bbl (8.4 thousand bbl in 2021).

<u>Manati Field</u>

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

The Manati Field is located in the Camamu Basin, on the coast of the State of Bahia. The license covers an area of approximately 76 km². Average daily output in 2022 was of roughly 2.5 million cubic meters of natural gas (3.2 million cubic meters of natural gas in 2021).

As of November 3, 2022, the Company signed an agreement with Gas Bridge S.A. ("Gas Bridge"), for the disposal of its 10% interest in Manati Field.

The total amount of the transaction is US$ 24 million (R$ 124 million), 10% of which will be paid upon signature and the remainder upon completion of the transaction. Completion is subject to the usual precedent conditions, such as the approval by CADE and the ANP. The effective date of the sale is December 1, 2022.

The equity interest in the Manati Field was acquired in 2017 for US$ 44 million (R$ 140 million), generated US$ 67 million (R$ 350 million) in cash to date and at the conclusion of the transaction it will have returned 3.4 times the capital invested.

The Company continues to account for this asset in accordance with CPC 31, as non-current assets classified as held for sale, pursuant to Notes 2.10 and 9, due to the intention to sell the asset.

Frade Field

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

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

The Frade Field is in the northern region of the Campos Basin, about 120 kilometers from the coast of the State of Rio de Janeiro. The license covers an area of approximately 154 km², with an average water depth of 1,155 m. In 2022, the Field produced approximately 22.3 thousand bbl of oil per day (16.3 thousand bbl of oil per day in 2021).

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

As of February 3, 2020, the Company entered into a contract for the acquisition of the FPSO Bravo vessel (Floating, Production, Storage and Offloading – FPSO), built in 2012 with a processing capacity of 100 thousand bbl of oil per day and storage capacity of 1.3 million bbl. Currently, the FPSO operates in the Tubarão Martelo (“TBMT”) and Polvo Fields, through a connection with the Polvo A Fixed Platform, which took place in July 2021.

As of August 3, 2020, the Company completed the acquisition of 80% of the Tubarão Martelo Field, fully owned by Dommo Energia, and took over the operation of that Field.

The Tubarão Martelo Field is located in the south of the Campos Basin, approximately 86 kilometers off the coast of the State of Rio de Janeiro. The license covers an area of approximately 32 km², with an average water depth of 110m. In 2022, the Field produced approximately 10.5 thousand bbl of oil per day (7.7 thousand bbl of oil per day in 2021).

Connection between the Polvo and Tubarão Martelo fields

As of July 14, 2021, the Company concluded the interconnection ("tieback") between the Polvo and Tubarão Martelo fields.

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

The reduction in the absolute costs of the new cluster allow more oil to be recovered from the reservoirs, for a longer period, considerably increasing the recovery factor of the fields.

After the connection, Prio currently has the right to 95% of the Polvo + TBMT oil up to the first 30 million barrels of oil produced, which will rise to 96% of the oil at the pole after 30 million barrels are produced. All new investments and the field abandonment will be the Company's responsibility, with the costs being shared for the adequacy of the participation of each party in the cluster.

Wahoo and Itaipu Field

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

Furthermore, on March 4, 2021, the Company signed an agreement with Total E&P do Brasil Ltda. for the acquisition of an additional 28.6% equity interest in Wahoo, whose approval by the National Agency of Petroleum, Natural Gas and Biofuels (ANP) took place on July 8, 2021. Subsequently, as of September 26, 2022, the Company also signed with Total E&P do Brasil Ltda. the acquisition of the remaining 40% of the Itaipu field, still pending ANP approval.

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

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

The Wahoo Field, with the oil discovery in 2008 and the formation test performed in 2010, fits into the Company's value generation strategy. With the development of the field, the Company will form another production cluster and will share the full infrastructure with Frade Field (including the FPSO), thus enabling the capture of several synergies resulting in another strong and sustainable decrease in the lifting cost, striving to always maintain the highest standards of safety and efficiency. Itaipu is an exploratory block that is located close to the Parque das Baleias cluster and preliminary studies performed indicate that the accumulation is potentially shared with the southeast region of the cluster and before the development definition, a unitization process may be necessary. See further details of the acquisition in Note 12.

Albacora Leste field

On April 28, 2022, the Company signed a Purchase and Sale Agreement with Petrōleo Brasileiro S.A. for the acquisition of a 90% interest and operation of Albacora Leste Field, with Repsol Sinopec Brasil as the partner holding the remaining 10%.

As informed in Note 35.2, on January 26, 2023, the acquisition of a 90% interest in Albacora Leste Field ("Field" or "Albacora Leste") with Petrōleo Brasileiro S.A. ("Petrobras") was concluded, with the payment of the transaction balance. As of this date, PRIO took over the operation of the asset.

The fixed portion of the transaction was US$ 1,951 million (R$ 10,180 million), of which US$ 293 million (R$ 1,528 million) was paid upon signature of the agreement in April 28, 2022, and the remainder will be paid on January 26, 2023, restated by due price adjustments. Furthermore, an additional payment (earnout) of up to US$ 250 million may be made, depending on future Brent oil quotations.

Albacora Leste is located at a water depth of 1,200 meters, in the north of the Campos Basin, 23 km from the Frade field. Discovered in 1986, the field had its first oil in 1998 and currently has a production of approximately 32 kbpd (average of the last 30 days) and net 27.2 kbbld to PRIO, API 19º with low levels of Sulphur, through its 10 production wells and 6 injection wells currently in operation.

According to Certification of Reserves requested by PRIO and prepared by DeGolyer & MacNaughton ("D&M") on April 01, 2022 the field had an economically recoverable reserve (1P) with approximately 280 million barrels with a net reserve of over 240 million barrels for PRIO, expected to be abandoned after 2050. Estimates consider a long-term price of US$ 60 per barrel of oil.

COVID-19

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

2. Basis of preparation and presentation of financial statements

2.1. Statement of conformity

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

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

The Company's Management authorized the issue of financial statements as of March 01, 2023.

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

2.2. Basis of preparation

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

2.3. Basis of consolidation and investments in subsidiaries

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

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

In the Company's individual financial statements, the financial data of direct and indirect subsidiaries are recognized under the equity method of accounting.
When necessary, subsidiaries' financial statements accounting policies are adjusted to those of the Group. All transactions, balances, revenues and expenses among the Group's companies are fully eliminated in consolidated financial statements.

The Company's consolidated financial statements include:

(In thousands of dollars, unless otherwise indicated)

		Interest			
		12/31/2022		12/31/2021	
Fully consolidated companies		**Direct**	**Indirect**	**Direct**	**Indirect**
Petro Rio O&G Exploração e Produção de Petróleo Ltda.	"PrioOG"	**100.00%**	**-**	100.00%	-
Petro Rio Internacional S.A.	"PrioIntl"	**0.86%**	**99.14%**	1.23%	98.77%
Petrorio Luxembourg Holding Sarl	"Lux Holding"	**-**	**100.00%**	-	100.00%
Walvis Petroleum (Pty) Ltd.	"Walvis"	**-**	**100.00%**	-	100.00%
Petrorio Luxembourg Trading Sarl	"Lux TradingTrading"	**-**	**100.00%**	-	100.00%
Kunene Energy (Pty) Ltd.	"Kunene"	**-**	**100.00%**	-	100.00%
Orange Petroleum Ltd.	"Orange"	**-**	**100.00%**	-	100.00%
Petro Rio OPCO Exploração Petrolífera Ltda.	"Opco"	**-**	**100.00%**	-	100.00%
Petro Rio Coral Exploração Petrolífera Ltda.	"Coral"	**-**	**100.00%**	-	100.00%
Petro Rio Energia Ltda.	"PrioEnergia"	**-**	**100.00%**	-	100.00%
Brasoil Finco LLC	"Finco"	**-**	**100.00%**	-	100.00%
Petro Rio Jaguar Petróleo Ltda	"Jaguar"	**-**	**100.00%**	-	100.00%
Prio Bravo Ltda.(Petro Rio Sardinha Participações Não Operadas Ltda.)	"Bravo"	**-**	**100.00%**	-	100.00%

2.4. Functional and presentation currency

Presentation currency

In compliance with Brazilian legislation, the individual and consolidated financial statements are presented in *reais*, translated from the consolidated information prepared in the Company's functional currency, which on January 1, 2022 was changed to the US dollar, as highlighted:

- Assets and liabilities are translated into reais at the exchange rate on the reporting date (closing rate);
- Statements of income, comprehensive income, cash flows and added value are translated at the exchange rate on the date of operations (daily rate); and
- Shareholders' equity is translated at the historical rate.

Foreign exchange differences resulting from said translation are accounted for separately in shareholders' equity, in comprehensive statement of income, in line of "Accumulated translation adjustments".

Functional currency

The Company's Management periodically monitors the primary and secondary indicators that define the functional currency to be used.

With the gradual increase in the representativeness of operations in dollars, considering the acquisition of new fields, investments in new wells, which increased the billing, debts raised in Dollar, in addition to other factors analyzed, the evaluation indicated that the US dollar is the most significant currency in the underlying transactions, events and conditions. As a result, the Company changed its functional currency as of January 1, 2022, the date on which the US dollar was defined as the Company's functional currency.

The exchange rate was R$ 5.5805, and the translation was carried out prospectively, according to item 35 of CPC 02 (R2) - Effects of changes in foreign exchange rates and translation of financial statements. Thus, there is no need to open historical values prior to the date of definition of the functional currency. The amounts resulting from the translation, in the case of non-monetary items, were treated as if they were their historical costs.

Transactions involving monetary assets and liabilities in currencies other than the functional currency are translated into the functional currency at the exchange rate prevailing on the settlement date or at the rate prevailing at the end of the reporting period. The exchange change incurred between the transaction's initial recording date and the date of settlement or presentation of the financial statements is recorded in income for the period.

All the Company's subsidiaries had their functional currency translated changed to the US dollar as of January 1, 2022, except for the subsidiary Coral, which did not meet the necessary requirements for the change.

2.5. Cash and cash equivalents

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

2.6. Current and non-current assets and liabilities

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

2.7. Oil and gas exploration, development, and production expenditures

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

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

bonuses corresponding to the offers for obtaining a concession for oil or natural gas exploration. They are recorded at acquisition cost and adjusted, when applicable, to their recovery value and are amortized using the produced unit in relation to the total proven reserves when they enter the production phase.

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

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

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

2.8. Business combination

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

Goodwill is measured as being the excess of total consideration to net assets acquired (acquired identifiable assets, nets and assumed liabilities). If consideration is lower than fair value of net assets acquired, the difference is recognized as gain in statement of operations.
For impairment testing purposes, goodwill acquired in a business combination is, from the acquisition date, allocated to each cash-generating units of the Group that are expected to benefit by the synergies of combination, regardless of other

assets or liabilities of the acquiree being allocated to those units.

2.9. Analysis of Recoverable amount of assets

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

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

2.10. Non-current assets held for sale

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

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

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

2.11. Inventories

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

2.12. Income tax and social contribution

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

2.13. Statement of income

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

2.14. Transactions involving payment in shares

Share-based remuneration plan for employees, to be settled with equity instruments, is measured at fair value on grant date, as described in Note 242.2.

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

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

2.15. Financial instruments

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

2.16. Financial assets

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

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

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

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

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

For all other financial assets, an objective evidence may include:

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

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

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

2.17. Loans and financing

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

2.18. Derivative financial instruments

The Company uses derivative financial instruments to hedge against its exposure to the risk of fluctuations in oil prices (Note 32) and hedge against exchange rate and rate exposure in the non-convertible debentures agreement (Note 18). The derivative financial instruments designated in hedging operations are initially recognized at fair value on the date on which the derivative contract is signed, and are subsequently measured also at fair value. Derivatives are presented as financial assets when the fair value of the instrument is positive; and as financial liabilities when the value is negative.

Any gains or losses arising from changes in the fair value of derivatives during the year are recorded directly in the income (loss) for the year, except when they are designated as a hedge, where gains and losses are accounted for in shareholders' equity until their settlement, when they are transferred to income (loss).

The Company does not operate with speculative derivative financial instruments.

2.19. Statements of cash flows ("DFC")

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

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

2.20. Use of estimates and judgments

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

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

Information on assumptions and estimates that may result in adjustments within the next financial year are included in the following notes:

- Note 9 – Non-current assets classified as held for sale.
- Note 11 – Property, plant and equipment, primarily those relating to written-off, amortizations and impaired oil & gas assets.
- Note 12 – Intangible assets, primarily those relating to written-off, amortization and impaired oil & gas assets.
- Note 20 - Current and deferred income tax and social contribution.
- Note 19 - Leases, CPC 06 (R2)/IFRS 16.
- Note 21 – Provision for abandonment of facilities.

- Note 24 - Shareholders' equity / Share-based remuneration plan.
- Note 32 - Objectives and policies for financial risk management.
- Note 34 - Contingencies.

2.21. Net earnings per share

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

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

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

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

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

Lease liabilities were measured at present value of the remaining lease payments, using the surcharge rate on the Company's loan at first-time adoption date.
The right-of-use asset is recognized based on the value of the lease liability, adjusted for any anticipated or accumulated lease payment related to that lease, recognized in the balance sheet immediately before the date of initial adoption.

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

Change in accounting estimate

The Company, through its internal geology and reserves area,, estimated the reserves for the Fields in operation projected as of December 31, 2022.
For the Polvo, Tubarão Martelo and Manati fields, the Company did not identify any material changes in relation to the reserves certified by D&M in April 2022.

However, for the Frade field, with four wells drilled in 2022, where two of which are producers and two are injectors, the Company estimates a significant increase in proved developed producing reserves (PDP), the basis for field depreciation, and in the useful life of the Field, which is used to calculate both the provision for abandonment and lease agreements under CPC 06 – IFRS 16.

According to the new estimate, the useful life Frade Field would increase until the end of 2041, with proved developed producing reserves of approximately 78 million barrels, accounting for an increase of approximately 47 million barrels compared to the last certification.

(In thousands of dollars, unless otherwise indicated)

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

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

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

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

2.26. Standards and new and reviewed interpretations already issued

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

Standards	Description	Mandatory application: years starting on or after
CPC 50	Insurance contracts	January 1, 2023
Amendments to CPC 26	Classification of liabilities as current or non-current	January 1, 2023
Amendments to CPC 23	Definition of accounting estimates	January 1, 2023
Amendments to CPC 10 -Practice statement	Disclosure of accounting policies	(January 1, 2023) - Practice Statement (no effective date or transition requirement)

2.27. New or reviewed pronouncements applied for the first time in 2022

The Company adopted certain standards and amendments for the first time, which are effective for annual periods beginning on or after January 1, 2022 (unless when otherwise indicated). These amendments had no impact on the financial statements of the Company. The Company decided not to early adopt any other standard, interpretation or change that has been issued but is not yet effective.

Amendments to standards	Description	Mandatory application: years starting on or after
CPC 37 (R1), CPC 48; CPC 29, CPC 27, CPC 15 (R1)	The amendments to the described pronouncements are due to the annual change related to the cycle of improvements between 2018 and 2020, such as: Onerou Contracts – Costs of Fulfilling a Contract; (2) Property, Plant and Equipment Proceeds before Intended Use; and (3) References to Conceptual Framework.	January 1, 2022

PRIO

Notes to the financial statements
December 31, 2022
(In thousands of dollars, unless otherwise indicated)

3. Cash and cash equivalents

	Parent company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Cash	**-**	-	**15**	9
Banks	**3,287**	4,226	**1,842,360**	173,933
	3,287	4,226	**1,842,375**	173,942
Domestic	**656**	646	**512,076**	3,243
Abroad	**2,631**	3,580	**1,330,299**	170,699

The balance of cash and cash equivalents consists of funds for the purpose of business working capital and mainly for the settlement of commitments assumed with the acquisition of assets disclosed in Note 35, invested in highly liquid instruments in Brazil (purchase and sale commitments, Bank Deposit Certificates and investment fund) and abroad (remunerated current account deposits), without risk of significant change of principal and yields upon redemption.

4. Securities

	Parent company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Bank Deposit Certificates	**-**	-	**-**	13,343
Time Deposit	**-**	63	**-**	550,186
Bond	**-**	-	**-**	95,943
Financial assets - fair value through profit or loss	**-**	63	**-**	659,472
Total	**-**	63	**-**	659,472

All investments classified as securities were redeemed in December 2022 to settle the commitments assumed with the acquisition of assets mentioned in the previous note.

5. Accounts receivable

	Consolidated	
	12/31/2022	12/31/2021
Petrobras (i)	**3,418**	3,707
Repsol (ii)	**24,058**	77,145
Total Energies (iii)	**-**	82,942
Petrochina (iv)	**4,396**	-
Other	**-**	176
Total	**31,872**	**163,970**
Total local currency	**3,418**	3,793
Total foreign currency	**28,455**	160,177

(i) Balance receivable referring to sales of gas and condensed oil carried out by Manati, Jaguar and Bravo in December2022, of which US$ 2,890 for Manati, US$ 431 for Jaguar and US$ 96 for Bravo.

(ii) Balance receivable referring to the sales of oil from Polvo, Tubarão Martelo Fields, carried out in December 2022, received in January 2023.

(iii) Balance related to the sale of oil in December 2021 from Frade Field, received in February 2022.

(iv) Balance receivable referring to the sale of oil from Polvo, Tubarão Martelo and Frade Fields, carried out in December 2022, received in January 2023.

(In thousands of dollars, unless otherwise indicated)

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

6. Inventory of consumables

In 2022, the Company changed its way of treating the inventory of consumables for the operation. Inventories previously referred only to specific items that were difficult to replace, with the other materials being purchased and used directly. With the increase in operations and fields, the Company decided to increase the list of items kept as minimum inventory, and currently has an inventory balance. The total inventory balance of consumables is US$ 20,833 (US$ 5,028 as of December 31, 2021).

7. Recoverable taxes

	Parent company		Consolidated	
	12/31/2022	**12/31/2021**	**12/31/2022**	**12/31/2021**
Income tax and social contribution (i)	**299**	398	**4,507**	3,226
PIS and COFINS (ii)	**2**	-	**8,206**	7,529
ICMS (iii)	**-**	-	**4,637**	4,888
Foreign taxes (VAT) (iv)	**-**	-	**2,200**	417
Other	**1**	4	**179**	856
Total	**302**	402	**19,728**	16,916
Current assets	**302**	402	**14,568**	15,382
Non-current assets	**-**	**-**	**5,160**	1,534

(i) Primarily refers to withholding income tax on financial investments and negative balance of IRPJ/CSLL (Corporate Income Tax / Social Contribution on Net Revenue) and prepaid income tax and social contribution;
(ii) PIS/COFINS credits on inputs used in operation;
(iii) ICMS recoverable referring to oil loans between Frade Field partners and movement of materials upon acquisition of Polvo.
(iv) Taxes (VAT and NWT) in the process of refund of the Luxembourg subsidiaries.

8. Advances to suppliers

	Parent company		Consolidated	
	12/31/2022	**12/31/2021**	**12/31/2022**	**12/31/2021**
Advance to domestic suppliers	**7**	-	**18,058**	5,599
Advance to foreign suppliers	**-**	-	**17,664**	9,456
	7	-	**35,722**	15,055
Total current assets	7	-	35,676	15055
Total non-current assets	-	-	46	-

The Company has advances with BW (Prosafe) – US$ 5,671 and US$ 712 (R$ 3,717) refer to contractual commitments and were held as a financial collateral from lease agreements and operation of FPSO Polvo. Upon the end of the contract with BW in July 2021, the amounts shall be released or offset with possible amounts payable.

Other advances derive from the Company's regular transactions.

(In thousands of dollars, unless otherwise indicated)

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

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

The total amount of the transaction was US$ 27,765 (R$ 144,400) thousand and included the transfer of all the Company's liabilities in the field, including its interest in the abandonment of said Field. The transaction was subject to precedent conditions, among which the success of Gas Bridge in the acquisition of Manati operation from Petrobras, which was not obtained within the period defined in the contract. Thus, the Company decided not to proceed with the sale agreement and, as of April 19, 2022, announced it to Gas Bridge and to the market and, following the guidelines of CPC 31, the related assets were once again presented as if there was no sale agreement. Moreover, the depreciation, which was no longer calculated since the sale was announced, was recalculated and recorded in the Company's income.

As of November 3, 2022, the Company signed a new agreement with Gas Bridge S.A. ("Gas Bridge"), for the disposal of its 10% interest in Manati Field.

The new amount negotiated is US$ 24 million (R$ 124 million), with 10% paid upon signing, 10% one month after signing and the remaining amount upon conclusion of the operation. Completion is subject to the usual precedent conditions, such as the approval by CADE and the ANP. Unlike the previous transaction, this one does not depend on any transaction by the counterparty with other consortium members. The effective date of the sale is December 1, 2022, that is, the revenues and expenses related to Manati Field, as of this date, will adjust the acquisition price, when closing the transaction.

The Company accounts for this asset in accordance with CPC 31, as non-current assets classified as held for sale.

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

	Consolidated	Consolidated
	12/31/2022	12/31/2021
Assets		
Advances to partners	**167**	1,163
Property, plant and equipment	**370**	600
Intangible assets	**11,755**	11,589
Total assets	**12,291**	13,351
Liabilities		
Provision for abandonment (ARO)	**(2,802)**	(1,090)
Other liabilities	**283**	283
Total liabilities	**(2,519)**	(807)
Non-current assets classified as held for sale	**14,810**	14,158

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

	Consolidated	
	12/31/2022	**12/31/2021**
Net revenue from services	**19,640**	20,184
Costs of services	**(7,983)**	(5,939)
Gross revenue	**11,656**	14,245
Operating revenues (expenses)		
Personnel expenses	**(2,794)**	(4,018)
General and administrative expenses	**(1,343)**	(669)
Expenses with Outsourced Services	**(938)**	(372)
	-	-
Depreciation and amortization expenses	**(354)**	-
Other operating revenues (expenses), net	**1,026**	763
Operating income (loss) before financial income (loss)	**7,253**	9,948
Financial revenues	**4,596**	2,430
Financial expenses	**(2,416)**	(3,159)
Income before income tax and social contribution	**9,432**	9,219
Current income tax and social contribution	**(1,483)**	(1,610)
Deferred income tax and social contribution	**(90)**	168
Income (loss) from discontinued operation	**7,860**	7,777

Incurred net cash flows are:

	12/31/2022	**12/31/2021**
Net cash (invested in) from operating activities	**6,476**	8.965
Net cash (invested in) from investment activities	**158**	52
Translation adjustment	**-**	-
Net increase in cash and cash equivalents	**6,634**	9,017

Earnings per share

Basic and diluted earnings per share	**12/31/2022**	**12/31/2021**
Numerator (US$'000)		
Income from discontinued operation	**7,860**	7,777
Denominator (in thousands of shares)		
Weighted average number of common shares adjusted by dilution effect	**843,819**	825,228
Basic and diluted earnings per share from discontinued operations:	***0.0093***	*0.0094*

10. Investments

As of December 31, 2022, the Company presented the following main interest held in direct subsidiaries:

- **Petro Rio O&G Exploração e Produção de Petróleo Ltda. (“PrioOG”)**

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

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

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

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

The subsidiary, headquartered in Rio de Janeiro is engaged in: (i) exploration, development and production of oil and natural gas; (ii) import, export, refining, sale and distribution of oil, natural gas, fuel and oil by-products; (iii) generation, sale and distribution of electric power; and (iv) interest in other companies.
All Group’s companies located outside of Brazil, except for PrioUSA, are consolidated under a single corporate structure having PrioIntl as head office in Brazil.

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

As mentioned in Note 1, Prio, through its subsidiary Lux Holding, entered into purchase and sale agreements for the acquisition of a 18.26% and 51.74% interest on October 26, 2018 and January 30, 2019, respectively, in the Frade Field concession and Field operating assets, through the acquisition of companies Frade Japão Petrõleo Ltda, Inpex Offshore North Campos, Ltd., Chevron Brasil Upstream Frade Ltda. and Chevron Frade LLC., becoming the operator of Frade Field, with 70% of interest.

In February 2021, the Company now holds a 100% interest in the asset, after the conclusion of the purchase and sale transaction signed on November 28, 2019 with Petrobrás (Notes 1 and 11).

(In thousands of dollars, unless otherwise indicated)

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

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

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

Portfolio of concessions

As of December 31, 2022, the Company's subsidiaries were participants in the following concessions in Brazilian basins:

Country	Basin	Block	Field	Concessionaire	%	Status	Phase	PEM (*)
Brazil	Fields	BM-C-8	Polvo	PrioOG	100%	Operator	Production	-
Brazil	Camamu	BCAM-40	Manati	Coral	10%	Non-operator	Production	-
Brazil	Fields	Frade	Frade	Jaguar	100%	Operator	Production	-
Brazil	Fields	C-M-466	Tubarão Martelo	PrioOG	80%	Operator	Production	-
Brazil	Camamu	BCAM-40	Camarão Norte	Coral	10%	Non-operator	Development	-
Brazil	Foz do Amazonas	FZA-M-254	-	Coral	100%	Operator	Exploration	US$ 113
Brazil	Foz do Amazonas	FZA-M-539	Pirapema	Coral	100%	Operator	Exploration	US$ 2,025
Brazil	Fields	BM-C-30	Wahoo	Jaguar	64%	Operator	Development	-
Brazil	Fields	BM-C-32	Itaipu	Jaguar	60%	Operator	Exploration	-

(*) Minimum exploratory program remaining.

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

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

Furthermore, the CE-M-715 Exploratory Block Consortium completed the return process with the National Agency of Petroleum, Natural Gas and Biofuels (ANP). The Company has a 50% interest in the Block, and after the evaluation, the consortium concluded that the area was not economically feasible and decided to return it. As a result, in July 2022, the Company paid the fine for not carrying out the minimum exploratory program in the amount of R$ 10,044 and recorded the loss of the subscription bonus in the intangible assets, in the amount of R$ 5,851. The previously mentioned fine and loss bonus amounts had already been provisioned for in the second quarter of 2022.

(In thousands of dollars, unless otherwise indicated)

a) Relevant information on investees as of December 31, 2022

	PrioOG	PrioIntl
Direct interest	100.00%	0.86%
Indirect interest	-	99.14%
Shareholders' equity	1,905,038	1,452,156
Income (loss) for the year	720,043	505,181
Total assets	2,130,279	1,452,157

b) Breakdown of investments

	Parent company	
	12/31/2022	**12/31/2021**
PrioOG	**1,905,038**	1,203,333
PrioIntl	**12,512**	9,197
	1,917,550	1,212,530

c) Changes in investment

	PrioOG	PrioIntl	Total
Balance at December 31, 2021	**1,203,333**	**9,197**	**1,212,530**
Equity in income of subsidiaries	720,042	3,952	723,994
Conversion adjustments	2,172	(458)	1,714
Treasury shares - reflex	(3,540)	(31)	(3,571)
Equity evaluation adjustments	(16,969)	(148)	(17,117)
Balance at December 31, 2022	**1,905,038**	**12,512**	**1,917,550**

11. Property, plant and equipment (Consolidated)

a) Breakdown of the balance

	Depreciation rate %	Cost	Depreciation	Balance at 12/31/2022	Balance at 12/31/2021
In operation					
Polvo A platform and drilling rig	UOP*	42,561	(38,849)	3,712	4,408
Oil & gas assets - Frade	UOP*	570,326	(156,946)	413,380	306,422
FPSO Bravo	UOP*	138,009	(41,893)	96,116	113,886
Machinery and equipment	10	1,436	(1,435)	1	431
Furniture and fixtures	10	397	(217)	180	203
Communication equipment	20	189	(98)	91	74
IT equipment	20	1,476	(984)	492	378
Leasehold improvements	4	1,254	(153)	1,101	1,151
Oil and Gas Assets – Polvo and TBMT	UOP*	157,036	(57,080)	99,956	117,206
Maintenance of wells	3	41,924	(19,032)	22,892	1,993
In progress					
Property, plant and equipment in progress**		462	-	462	-
Maintenance of wells***		6,707	-	6,707	16,643
Capex Poços (i)		142,102	-	142,102	18,725
Spare parts		10,654	-	10,654	10,654
West Capricorn**** drilling rig		41,844	-	41,844	-
Material for well revitalization/re-entry – Frade*****		54,421	-	54,421	43,570
Material for use and consumption (wells)		-	-	-	229
Total		**1,210,798**	**(316,687)**	**894,111**	**635,973**

* UOP - Units of Production (Unit-of-production depreciation method);
** Construction in progress refers basically to expenditures with administrative facilities;
*** Well Maintenance (workover) for the resumption and/or improvement of wells;
**** The acquisition was concluded on July 22, 2022 2022;
***** Materials acquired as part of the Frade Field Revitalization Plan.

(In thousands of dollars, unless otherwise indicated)

b) Changes in balance

	Balance at 01/01/2022	Additions	Write-offs	Depreciation	Transfers	Translation adjustment	Balance at 12/31/2022
In operation							
Polvo A platform and drilling rig	4,408	-	-	(696)	-	-	3,712
Oil & gas assets - Manati	-	-	-	(252)	227	25	-
Oil & gas assets - Frade	306,422	-	-	(63,491)	170,449	-	413,380
FPSO Tubarão Martelo	113,886	-	-	(18,035)	265	-	96,116
Machinery and equipment	431	-	-	(165)	(265)	-	1
Furniture and fixtures	203	6	-	(29)	-	-	180
Communication equipment	74	29	-	(12)	-	-	91
IT equipment	378	289	(14)	(161)	-	-	492
Leasehold improvements	1,151	-	-	(50)	-	-	1,101
Oil and Gas Assets – Polvo and TBMT	117,206	-	-	(18,755)	1,505	-	99,956
Maintenance of wells	1,993	-	-	(9,274)	30,173	-	22,892
In progress							
Property, plant and equipment in progress	-	462	-	-	-	-	462
Maintenance of wells	16,643	20,237	-	-	(30,173)	-	6,707
Capex wells	18,725	226,050	(1,438)	-	(101,235)	-	142,102
Spare parts	10,654	-	-	-	-	-	10,654
West Capricorn drilling rig	-	41,844	-	-	-	-	41,844
Material for well revitalization/re-entry - Frade	43,570	91,836	-	-	(80,985)	-	54,421
Material for use and consumption (wells)	229	-	-	-	(229)	-	-
Total	**635,973**	**380,753**	**(1,452)**	**(110,920)**	**(10,268)**	**25**	**894,111**

The Company started the redevelopment of Frade Field in 2022, which includes the drilling of 7 wells, 4 of which are production wells and 3 are water injection wells, divided into two phases. The first phase was completed in October 2022, with the drilling of two production wells and two injection wells, which increased the field's production by approximately 18,000 barrels per day. Phase 2, previously scheduled for 2023, with the speed of execution of Phase 1, has already started, with the beginning of the drilling of 2 producing wells expected to be completed in February 2023. The last injection well is expected to start in January 2023, with completion estimated in two months.

As of July 22, 2022, the Company concluded the acquisition of the West Capricorn drilling rig, with the definitive transfer of the equipment to Prio and the payment of the remaining installment in the amount of US$ 35 million (R$ 189,231), completing the US$ 40 million (R$ 216,264), the total amount of the drilling rig. Furthermore, US$ 1,886 thousand (R$ 9,971) were paid for the transfer of the drilling rig. The drilling rig is located in Trinidad and Tobago, carrying out its technical activation, and will then be transported to Brazil for the start of operational activities.

(In thousands of dollars, unless otherwise indicated)

12. Intangible assets (Consolidated)

a) Breakdown of the balance

	Amortization rate (%)	Consolidated	
		12/31/2022	**12/31/2021**
Oil & Gas assets			
Acquisition cost - Polvo	(i)	**56,229**	56,229
Acquisition cost - TBMT	(i)	**35,009**	42,845
Acquisition cost - Frade	(i)	**14,389**	35,376
Acquisition cost - Wahoo	(i)	**151,560**	151,560
Subscription bonus - FZA-M-254	(i)	**-**	1,069
Subscription bonus - FZA-Z-539	(i)	**-**	1,438
Subscription bonus - Frade	(i)	**9,112**	9,112
Subscription bonus - Ceará	*	**-**	5,619
Capital gain in the acquisition of the Frade concession	(ii)	**143,580**	143,580
Advance for the acquisition of Albacora Leste	**	**292,650**	-
Software and others	20	**1,620**	1,619
		704,149	448,447
Accumulated amortization		**(161,008)**	(136,230)
Total		**543,141**	312,217

* A provision for bonus impairment was recorded due to the request to return the block, pursuant to Note 10.

** Amount referring to the advance for the acquisition of the block from Petrobras, pursuant to Note 1.

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

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

b) Changes in balance

	Balance at 01/01/2022	Additions	Write-offs	Amortization	Transfer	Translation adjustment	Balance at 12/31/2022
Acquisition cost - Polvo	4,404	-	-	(696)	-	-	**3,708**
Acquisition cost - Manati	-	-	(3,554)	(2,385)	5,705	234	**-**
Acquisition cost - TBMT	34,381	1,951	(9,787)	(5,740)	-	-	**20,805**
Acquisition cost - Frade	29,398	-	(20,987)	(3,776)	-	-	**4,635**
Acquisition cost - Wahoo	151,560	-	-	-	-	-	**151,560**
Goodwill on acquisition - Brasoil	-	-	(5,019)	-	5,019	-	**-**
Subscription bonus - FZA-M-254	1,069	-	(1,144)	-	-	75	**-**
Subscription bonus - FZA-Z-539	1,438	-	(1,537)	-	-	99	**-**
Subscription bonus - Frade	584	-	-	(101)	-	-	**483**
Subscription bonus - Ceará	5,619	-	(5,619)	-	-	-	**-**
Client portfolio - Manati	-	-	(500)	(364)	864	-	**-**
Software and others	49	-	-	-	-	1	**50**
Capital gain in the acquisition of the Frade concession	83,715	-	-	(14,465)	-	-	**69,250**
Advance for acquisition – Albacora Leste	0	292,650	-	-	-	-	**292,650**
	312,217	**294,601**	**(48,147)**	**(27,527)**	**11,588**	**409**	**543,141**

(In thousands of dollars, unless otherwise indicated)

c) Acquisition of assets

1. Frade - 30%

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

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

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

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

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

Moreover, a provision for abandonment was recorded, proportional to the 30% acquisition, in the amount of US$ 29,682 (R$ 159,937), recorded in the "Concession" account under intangible assets, against the provision for abandonment, in liabilities (Note 21).

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

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

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

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

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

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

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

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

3. Albacora Leste field

As of April 28, 2022, the Company signed a purchase and sale agreement with Petrōleo Brasileiro S.A. for the acquisition of a 90% interest and operation of Albacora Leste Field, with Repsol Sinopec Brasil as the partner holding the remaining 10%.

As informed in Note 35.2, on January 26, 2023, the acquisition of a 90% interest in Albacora Leste Field ("Field" or "Albacora Leste") with Petrōleo Brasileiro S.A. ("Petrobras") was concluded, with the payment of the transaction balance. As of this date, PRIO took over the operation of the asset.

The fixed portion of the transaction was US$ 1,951 million (R$ 10,180 million), of which US$ 293 million (R$ 1,528 million) was paid upon signature of the agreement in April 28, 2022, and the remainder will be paid on January 26, 2023, restated by due price adjustments. Furthermore, an additional payment (earnout) of up to US$ 250 million may be made, depending on future Brent oil quotations.

(In thousands of dollars, unless otherwise indicated)

Albacora Leste is located at a water depth of 1,200 meters, in the north of the Campos Basin, 23 km from the Frade field. Discovered in 1986, the field had its first oil in 1998 and currently has a production of approximately 32 kbpd (average of the last 30 days) and net 27.2 kbbld to PRIO, API 19º with low levels of Sulphur, through its 10 production wells and 6 injection wells currently in operation.

According to Certification of Reserves requested by PRIO and prepared by DeGolyer & MacNaughton ("D&M") on the base date of October 2022, the field had an economically recoverable reserve (1P) with approximately 280 million barrels with a net reserve of over 240 million barrels for PRIO, expected to be abandoned after 2050. Estimates consider a long-term price of US$ 60 per barrel of oil.

13. Suppliers

	Parent company		Consolidated	
	12/31/2022	**12/31/2021**	**12/31/2022**	**12/31/2021**
Domestic suppliers	**42**	39	**51,441**	5,450
Foreign suppliers	**-**	-	**57,310**	46,984
	42	39	**108,751**	52,434
Total current liabilities	42	39	108,463	52,362
Total non-current liabilities	-	-	288	72

14. Labor obligations

	Parent company		Consolidated	
	12/31/2022	**12/31/2021**	**12/31/2022**	**12/31/2021**
Salary	**-**	15	**705**	653
Provision for bonus	**3,562**	4,835	**22,664**	20,353
Charges	**16**	27	**590**	529
Vacation / 13th salary	**16**	19	**2,490**	2,024
	3,594	4,896	**26,449**	23,559

15. Taxes and social contributions payable

	Parent company		Consolidated	
	12/31/2022	**12/31/2021**	**12/31/2022**	**12/31/2021**
IRPJ and CSLL payable	**-**	-	**16,670**	22,636
PIS/COFINS/CSLL	**1**	2	**862**	1,933
IRRF on services	**121**	102	**2,169**	567
ICMS	**-**	10	**472**	103
INSS	**-**	26	**600**	707
Taxes on shareholders' equity	**-**	-	**25**	271
Royalties	**-**	-	**9,524**	6,382
Other	**-**	9	**96**	316
	122	149	**30,418**	32,914

PRIO

Notes to the financial statements
December 31, 2022
(In thousands of dollars, unless otherwise indicated)

16. Other accounts payable - Acquisition of Wahoo

In the negotiation for the acquisition of a 35.7% interest in Wahoo Field with BP Energy do Brasil Ltda, the payment of the acquisition amount in installments was agreed. Of the total price of US$ 100 million, US$ 17.5 million was paid up to the closing date, July 1, 2021. The first installment, in the amount of US$ 15 million (R$ 87,596) was paid as of December 23, 2021, the second one in the amount of US$ 30 million (R$ 151,833) was paid on February 24, 2022 and the remainder, US$ 37.5 million (R$ 179,876 thousand) was paid on May 30, 2022.

17. Loans and financing

			Additions		Payments			
		12/31/2021	Principal	Interest	Principal	Interest	Allocation	12/31/2022
Citibank	(i)	-	100,000	3,899	-	(2,407)	-	**101,492**
CCB	(ii)	-	28,000	940	-	-	-	**28,940**
BTG	(iii)	-	70,000	2,639	-	(1,444)	-	**71,195**
ABC	(iv)	-	30,000	918	-	-	-	**30,918**
Itaú	(v)	-	100,000	3,371	-	(2,222)	-	**101,149**
Safra	(vi)	-	35,000	1,151	-	-	-	**36,151**
Santander	(vii)	-	100,000	2,409	-	(1,239)	-	**101,170**
Bank of China	(viii)	-	15,000	367	-	-	-	**15,367**
Subtotal		**-**	**478,000**	**15,694**	**-**	**(7,312)**	**-**	**486,382**
BOND	(ix)	602,246	-	36,648	-	(36,750)	-	**602,144**
Fundraising expenses - Bond	*	(9,482)	-	-	-	-	2,154	**(7,328)**
Total		**592,764**	**478,000**	**52,342**	**-**	**(44,062)**	**2,154**	**1,081,198**
Current		99						75,370
Non-current		592,665						1,005,828

* Costs with banks, lawyers, and consultants for issuing the BOND.

(i) In March 2022, Petro Rio Jaguar contracted an Export Prepayment Agreement ("PPE") with Banco Citibank in the amount of US$ 100 million, with full amortization at maturity, at the rate of 4.71% p.a., semi-annual interest payments and final maturity in 36 months.

This contract has financial covenants linked to the leverage ratio. The ratio is calculated by dividing the net debt for the period by the Adjusted EBITDA of the last 12 months (EBITDA minus other revenues and expenses). The maximum limit of the ratio is 2.5x. However, any non-compliance with this index results in a restriction on taking on new debts. The measurement of this ratio will be carried out quarterly, and as of December 31, 2022, the calculated indicator was below the established limit, complying with the contract clause.

(ii) In March 2022, Petro Rio Jaguar contracted an Advance on Exchange Contract ("ACC") with China Construction Bank (CCB) in the amount of US$ 28 million, with total amortization and interest at maturity, rate of 4.30% p.a. and maturing in 24 months.

(iii) In February 2022, Petro Rio contracted an Advance on Exchange Contract ("ACC") with BTG in the amount of US$ 70 million, with full amortization at maturity, at the rate of 4.15% p.a., semi-annual interest payments and final maturity in 18 months.

This contract has financial covenants linked to the leverage ratio. The ratio is calculated by dividing the net debt for the period by the Adjusted EBITDA of the last 12 months (EBITDA minus other revenues and expenses). The maximum limit of the ratio is 2.5x. However, any non-compliance with this index results in a restriction on taking on new debts. The measurement of this ratio will be carried out quarterly, and as of December 31, 2022, the calculated indicator was below the established limit, complying with the contract clause.

(iv) In April 2022, Petro Rio Jaguar contracted two Advances on Exchange Contract ("ACC") with Banco ABC Brasil (ABC) in the total amount of US$ 30 million, with total amortization and interest at maturity, at a rate of 4.48% p.a. and maturing in 22 and 23 months.

(v) In April 2022, Petro Rio Jaguar contracted an Export Prepayment Agreement ("PPE") with Banco Itaú in the amount of US$ 100 million, with full amortization at maturity, at the rate of 4.65% p.a., semi-annual interest payments and final maturity in 24 months.

(vi) In April 2022, Petro Rio Jaguar contracted an Export Prepayment Agreement ("PPE") with Banco Safra in the amount of US$ 35 million, with total amortization and interest at maturity, at a rate of 4.4% p.a. and final maturity in 24 months.

(vii) In April 2022, Petro Rio Jaguar contracted an Export Prepayment Agreement ("PPE") with Banco Santander in the amount of US$ 100 million, with full amortization at maturity, at the rate of 4.9% p.a., quarterly interest payments and final maturity in 36 months.

This contract has financial covenants linked to the leverage ratio. The ratio is calculated by dividing the net debt for the period by the Adjusted EBITDA of the last 12 months (EBITDA minus other revenues and expenses). The maximum limit of the ratio is 2.5x. However, any non-compliance with this index results in a restriction on taking on new debts. The measurement of this ratio will be carried out quarterly, and as of December 31, 2022, the calculated indicator was below the established limit, complying with the contract clause.

(viii) In July 2022, Petro Rio contracted an Advance on Exchange Contract ("ACC") with Banco da China (Brazil) in the amount of US$ 15 million, with full amortization at maturity, at the rate of 4.95% p.a., semi-annual interest payments and final maturity in 30 months.
(ix) On June 9, 2021, the Company issued debt in the international capital market in the amount of US$ 600 million at a cost of 6.125% p.a. and a final term of 5 years, with a repurchase option as of the 3rd year. The principal will be repaid on maturity, June 9, 2026, while interest will be repaid semiannually, and the first amortization took place in December 2021.

This contract has financial covenants linked to the leverage ratio. The ratio is calculated by dividing the net debt for the period by the Adjusted EBITDA of the last 12 months (EBITDA minus other revenues and expenses). The maximum limit of the ratio is 2.5x. However, any non-compliance with this index results in a restriction on taking on new debts. The measurement of this ratio will be carried out quarterly, and as of December 31, 2022, the calculated indicator was below the established limit, complying with the contract clause. Additionally, this contract has non-financial obligations that are monitored quarterly and are fully met.

18. Local debentures (includes conversion swaps)

As of August 24, 2022, the first issue of simple, non-convertible debentures, in two series, of the unsecured type, with additional personal guarantee from Jaguar, in the total amount of R$ 2,000,000 in the date of its issuance, which was the object of a public offering with restricted placement efforts, carried out under the terms of CVM Instruction 476, with 1,500,000 Debentures issued in the First Series, maturing as of August 15, 2032; and 500,000 Debentures issued in the Second Series, maturing on August 15, 2027.

The First Series Debentures will bear interest equivalent to IPCA+ 7.41% per annum, and the Second Series Debentures will bear interest of 100% of the DI Rate, plus a spread of 2.05% p.a. Both series have semiannual interest, with payment dates on February 15 and August 15.

On the same date, Jaguar entered into derivative instruments (swap contracts) to hedge the risks of foreign exchange exposures of debentures, issued in Brazil (in Reais), and the volatility of the debentures' indexes, ICPA and CDI.

These swap contracts, which were contracted with terms and interest rates identical to the 1st and 2nd series debentures, practically exchange the amounts in Reais and interest rates of IPCA+7.41% p.a. and CDI+ 2.05% p.a., respectively, on a debt denominated in US$ at a fixed rate of 6.79% p.a.

The company designated the debentures as hedged items, and the swap contracts with hedging instruments. Moreover, it decided to use hedge accounting, qualifying such hedging contracts according to CPC 48, item 6.4.1, as cash flow hedge. As they were contracted with identical terms and rates, the operation is fully effective, with no risk of mismatching as to the amounts practiced in the settlement of each interest or principal installment.

Moreover, according to CPC 48, item 6.5.11, the cash flow hedge must account for the adjustment to fair value (or mark-to-market) of the hedging instruments in shareholders' equity, under other comprehensive income. This represents the amount that would be paid and transferred to income (loss) in the event of early settlement of the swap contracts. In December 2022, the amount recorded in Shareholders' Equity was US$ 17,117 (R$ 89,310).

Furthermore, the expenses for the issuance of debentures were capitalized and are being allocated to income (loss) for the term of maturity of the debentures. The Company capitalized US$ 14,018 (R$ 72,601).

(In thousands of dollars, unless otherwise indicated)

Changes in linked debentures and swaps are presented below, including mark-to-market:

		Additions					
	12/31/2021	**Principal**	**Interest**	**Allocation**	**Foreign exchange**	**12/31/2022**	**Mark-to-market**
Debentures	-	391,926	14,339	-	(8,503)	**397,762**	-
Swap contracts - Assets	-	(386,780)	(14,339)	-	3,357	**(397,762)**	(40,523)
Swap contracts - Liabilities	-	386,780	9,411	-	(1,331)	**394,860**	57,640
Funding costs	-	(14,018)	-	605	85	**(13,328)**	-
Total	**-**	**377,908**	**9,411**	**605**	**(6,392)**	**381,533**	**17,117**
Current	-					7,765	**-**
Non-current	-					373,768	17,117

The debentures have financial covenants linked to the leverage ratio. The ratio is calculated by dividing the net debt for the period by the Adjusted EBITDA of the last 12 months (EBITDA minus other revenues and expenses). The maximum limit of the ratio is 2.5x. However, any non-compliance with this index results in a restriction on taking on new debts. The measurement of this ratio will be carried out quarterly, and as of December 31, 2022, the calculated indicator was below the established limit, complying with the contract clause. Additionally, these contracts have non-financial obligations that are monitored quarterly and are fully met.

19. Leases CPC 06 (R2) / IFRS 16

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

Right-of-use assets	**Cost**	**Amortization**	**Balance**
Support Vessels	218,090	(23,771)	194,319
Helicopters	41,526	(4,598)	36,928
Buildings/Support Bases	33,778	(7,923)	25,855
Equipment	30,700	(5,883)	24,817
Total	**324,095**	**(42,175)**	**281,920**

To calculate the cost, the terms in which the assets will be needed for the operation and the incremental rate on the loans in force at the time of contracting the equipment lease were considered. The dollar-denominated contracts in force since the beginning were discounted at rates of 5.63% p.a., recalculated to 5.90% p.a. when the useful life of the Polvo Field increased. Contracts in reais are discounted at the rate of 10% p.a. For a dollar-denominated contract for a vessel that entered 2020, in dollars, the discount rate used was 8.95% p.a., and for two contracts that entered in the first quarter of 2022, the installment in dollars, the rate used was 4.45% p.a., for the installment in reais the rate used was CDI+2,05% p.a., the average of loans contracted in the period. Furthermore, a new aircraft charter contract in US dollars was included using the rate of 6.93% p.a.

As disclosed in Note 2.25, the new estimate of the Frade Field reserve, with the lengthening of the production curve, changed the lease discount rates, CDI+2,05% p.a. for contracts in Reais and 6.93% p.a. for contracts in US$.

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

(In thousands of dollars, unless otherwise indicated)

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

The effects presented in the year were:

	Assets	Liabilities
Balance at December 31, 2021	**76,313**	**(106,330)**
Additions/Reversals	224,075	(203,661)
Currency adjustment	-	9,434
Price-level restatement	-	(11,086)
Payments made	-	23,900
Amortization	(18,467)	-
Translation adjustment	39,398	18
Balance at December 31, 2022	**281,920**	**(287,743)**
Current	**-**	**(12,371)**
Non-current	**281,920**	**(275,372)**

In the first quarter of 2022, two vessels supporting the operation were replaced by more modern vessels with greater capacity, but at a higher cost. Moreover, the new estimate of Frade reserve, mentioned above, increased the Company's liabilities by US$ 203,661, assets by US$ 224,075 and the difference was recorded in income (loss) under other operating revenues and expenses.

Contract maturity **Maturity of installments**	**Amount R$**	**PIS/COFINS** **Amount R$**
2023	(31,489)	(2,981)
2024	(30,027)	(2,777)
2025	(29,959)	(2,771)
2026	(29,959)	(2,771)
2027	(29,959)	(2,771)
2028	(30,027)	(2,777)
2029	(29,959)	(2,771)
2030	(29,959)	(2,771)
2031	(29,959)	(2,771)
2032	(30,027)	(2,777)
2033–2041	(233,960)	(21,641)
Undiscounted amounts	(535,284)	(49,579)
Embedded interest	247,541	
Lease liability balance	(287,743)	

20. Current and deferred income tax and social contribution

	Tax loss		Tax credit	
Companies	**12/31/2022**	**12/31/2021**	**12/31/2022**	**12/31/2021**
Prio	**35,092**	32,696	**11,931**	11,117
PrioIntl	**2,842**	2,655	**966**	903
PrioOG	**151,967**	201,139	**51,669**	68,387
Jaguar	**192,370**	235,310	**65,406**	80,006
Bravo	**140,865**	146,613	**47,894**	49,849
Brasoil Group (Coral, Opco and Energia)	**13,751**	15,382	**4,675**	5,230
Lux Holding	**852,588**	613,186	**212,635**	152,929
Lux Trading	**142,896**	123,492	**35,638**	30,799
	1,532,371	1,370,473	**430,814**	399,220

(In thousands of dollars, unless otherwise indicated)

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

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

	Parent company		Consolidated	
	12/31/2022	**12/31/2021**	**12/31/2022**	**12/31/2021**
Negative goodwill/surplus in business combination	**-**	**-**	**24,893**	30,092
Temporary differences	**(2,102)**	(3,322)	**4,408**	(10,704)
Temporary differences - Translation adjustments *	**-**	-	**(12,187)**	-
Tax losses	**-**	-	**(149,754)**	(87,246)
Net balance of (Assets) Liabilities	**(2,102)**	(3,322)	**(132,640)**	(67,858)

* Changes in the exchange rate gave rise to temporary differences that resulted in a deferred tax asset, which was credited to income (loss) as per item 38 of CPC 32.

Realization estimate	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033–2041**	**Total**
Negative goodwill/surplus in business combination	2,775	2,341	1,991	1,754	1,586	1,460	1,348	1,254	1,182	1,127	8,075	**24,893**
Temporary differences	4,408	-	-	-	-	-	-	-	-	-	-	**4,408**
Tax losses	(89,872)	(9,002)	(7,029)	(6,066)	(5,235)	(4,612)	(4,055)	(3,586)	(3,224)	(3,011)	(14,062)	**(149,754)**

21. Provision for abandonment (ARO)

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

	Polvo	**Manati**	**Tubarão Martelo**	**Frade**	**Total**
Balance at December 31, 2021	**31,391**	**9,781**	**33,978**	**91,988**	**167,138**
Decrease	(7,419)	(1,643)	(7,836)	(68,119)	(85,017)
Currency adjustment	-	-	-	-	-
Price-level restatement	2,789	970	2,747	6,327	12,833
Balance at December 31, 2022	**26,761**	**9,108**	**28,889**	**30,196**	**94,954**
(-) Maersk's guarantee / Manati's abandonment fund	(34,479)	(11,910)	-	-	(46,389)
Transfer to liabilities directly linked to non-current assets classified as held for sale	-	2,802	-	-	2,802
Net balance of liabilities	**(7,718)**	**-**	**28,889**	**30,196**	**51,367**

With the acquisition of the complementary 30% of the Frade field in February 2021, as described in Notes 1 and 12, a supplement was made to the provision for abandonment of the field, in the amount of US$ 29,682 (R$ 159,937), proportional to the amount previously recorded in the company, of 70%.

(In thousands of dollars, unless otherwise indicated)

For the Polvo and Tubarão Martelo Fields, with abandonment forecast in 2032, the abandonment estimates, both in dollars, are discounted to present value at the rate of 10.81% per annum. The Frade Field, with the abandonment forecast extended to 2041 and estimated in dollars, uses the rate of 11.07% per annum, while Manati Field uses 11.15% per annum for the estimated portion in Dollars and 12.38% per annum for the amount in Reais. The inflation rates used, when necessary, are an average of 2.0% per annum for amounts in dollars and 3.87% per annum for the portion in *reais*.

As highlighted in Note 2.25, there was a change in the present values of the provisions for abandonment due to the updating of discount and inflation rates of the fields and to the extension of the useful life of the Frade Field with a reduction of US$ 85,018. Of these, the amount of US$ 17,630, referring to Tubarão Martelo and Frade Fields, reduced intangible assets and the remainder was recorded in income (loss) in the amount of US$ 67,388.

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

	Consolidated	
Operated blocks	**12/31/2022**	**12/31/2021**
Blocks operated (GALP - PEL 23 Namibia)	-	(116)
Dommo - TBMT	**(5,615)**	(5,887)
Total - Wahoo/Itaipu	**(209)**	(70)
IBV - Wahoo	**(176)**	120
Ecopetrol - Ceará	**(16)**	-
Total operated blocks	**(6,016)**	(5,953)
Petrobras - Coral/Cavalo Marinho/Manati	**(386)**	(1,153)
Total non-operated blocks	**(6,402)**	(7,106)
Liabilities associated with non-current assets held for sale	**167**	1,154
Total advances to/from partners	**(6,235)**	(5,952)

23. *Impairment*

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

With the current scenario of the oil market, with prices above those practiced in recent years, the Company assessed that there were no indications of impairment that would result in the need to carry out calculations to verify the recoverable value of the assets against the amounts recorded in the year.

(In thousands of dollars, unless otherwise indicated)

24. Shareholders' equity

24.1. Capital

As of December 31, 2022, the Company's subscribed and paid-in capital totaling US$ 993,411 is composed of 882,646,385 nominative, book-entry shares with no par value.

The Company recorded US$ 40,031 referring to share issuance costs in a capital reducing account and which comprise the balance shown of US$ 953,380.

Shareholder	Quantity of common shares	% of Interest
Aventti Strategic Partners LLP	133,287,200	15%
Truxt Investimentos	66,511,733	8%
Blackrock, INC.	44,229,389	5%
Other Shareholders	638,618,063	72%
Total	**882,646,385**	**100%**

*According to information disclosed in reference form.

The Company's Capital underwent changes in January 2022, with an increase of US$ 3,096 through the issuance of shares upon the exercise of stock options granted to employees, as described in Note 24.2.

The Company maintains the balance of Petro Rio S.A. common shares in Treasury Shares account, rectifying Shareholders' Equity, in the amount of 39,152,365 shares at acquisition cost of US$ 10,804.

24.2. Share-based remuneration plan

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

	Program IV	Program VI	Program VII	Program VIII
Grant date by Board of Directors	11/05/2018	02/28/2019	02/28/2019	03/20/2020
Total stock options granted	122,923	84,129	64,220	439,156
Share price on granting date	118.00	150.98	150.98	12.40
Strike Price	54.7	86.27	97.06	17.36
Weighted fair value on concession date	69.06	77.29	81.97	3.52
Estimated volatility of share price	72.41%	53.09%	69.46%	77.01%
Risk-free rate of return	8.75%	7.78%	8.25%	5.60%
Option validity (in years)	4	3	4	2

	Program IX	Program X	Program XI	Program XII	Program XIII
Grant date by Board of Directors	03/20/2020	04/30/2021	04/30/2021	08/03/2022	08/03/2022
Total stock options granted	995,235	271,935	638,670	1,119,029	3,704,829
Share price on granting date	12.40	91.86	91.86	23.76	23.76
Strike Price	19.53	35.27	39.68	16.7	18.79
Weighted fair value on concession date	4.49	62.03	65.92	9.68	13.45
Estimated volatility of share price	66.17%	92.13%	73.64%	52.67%	74.19%
Risk-free rate of return	7.65%	6.41%	7.86%	13.28%	12.40%
Option validity (in years)	4	2	4	2	4

The Company has a balance recorded in shareholders' equity under "income (loss) from share-based remuneration", the amount of R$ 316,777, and the counterparty is in the statement of income as personnel cost since the grant.

Out of the options granted, 1,280,509 options were exercised on January 1, 2022, with the full payment of US$ 3,096 in the Company's capital.

24.3. Earnings per share

Pursuant to CPC 41 (IAS 33), the Company presents information on earnings per share for the years ended as of December 31, 2022 and 2021. Basic earnings per share are calculated by dividing income (loss) for the year attributed to the Parent Company's common and preferred shareholders by the weighted average number of common and preferred shares available in the year.

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

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

Basic and diluted earnings per share	12/31/2022	12/31/2021
Numerator (R$'000)		
Income (loss) for the year attributable to Group's shareholders	**716,257**	247,063
Denominator (in thousands of shares)		
Weighted average of number of common shares for basic earnings per share *	**843,819**	825,228
Basic earnings per share	**0.849**	0.299
Diluted earnings per share	**0.841**	0.296
Potentially dilutive shares in future periods with profit	***7,973***	*9,230*

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

24.4. Allocation of income for the year

Pursuant to the provisions of the Group's Bylaws, the minimum mandatory dividend is 0.001% of adjusted net income, in accordance with Article 202 of Law 6404/76. As this profit is fully composed of a positive equity result, the full amount is classified as Unrealized Income, pursuant to Article 197 of Law 6404/76. Additionally, there is a provision for a Statutory investment reserve of up to 100% of the balance to be paid after calculating the minimum dividend. Thus, the proposal for the allocation of net income for the year is as follows:

	12/31/2022
Net income for the year	716,257
Formation of legal reserve (5%)	(35,813)
Balance to be distributed	680,444
Statutory minimum mandatory dividends (0.001%)	7
Allocation to unrealized profit reserve (art. 197, Law 6404/76)	**(7)**
Allocation to investment reserve (statutory 100%)	**(680,437)**

(In thousands of dollars, unless otherwise indicated)

25. Related party transactions (Parent company)

	Parent company	
	12/31/2022	**12/31/2021**
Loan Prio x PrioIntl	**-**	2
Accounts Payable PrioO&G x Prio (i)	**12,037**	7,143
Service agreement Prio x Lux Holding (ii)	**-**	180
Apportionment of Brasoil's administrative expenses	**643**	351
Apportionment administrative expenses Frade	**4,292**	2,530
Loan Prio x Lux Trading (iii)	**(40,692)**	(39,443)
	(23,720)	(29,240)
Total non-current assets	**18,568**	10,204
Total non-current liabilities	**(42,288)**	(39,443)

(i) Balance of share-based remuneration plan between Prio and PrioOG.
(ii) Refers to contract entered into by Prio and Petrorio Lux Energy S.ã.r.l. (subsequently merged by Lux Holding), which established that Petrorio Lux Energy S.ã.r.l. should reimburse Prio of all expenses incurred for management of its assets (platform), such as salaries, rent of physical space and equipment, telephone, Internet and software.
(iii) Balance referring to loan contracts executed into since the second semester of 2019 by Prio and Lux Trading, with indefinite period and Libor interest rate + 2.9% p.a., which will be settled upon distribution of dividends by Lux Trading itself.

Management remuneration

The Company's management remuneration in the year ended December 31, 2022 was US$ 3,344 (US$ 1,144 as of December 31, 2021) as detailed below:

Management remuneration	12/31/2022	12/31/2021
Short-term employee benefits	**396**	**321**
Share-based payment	**2,948**	**823**
Total	**3,344**	**1,144**

26. Net revenue

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

	01/01/2022–12/31/2022			
	Polvo/TBMT	**Manati**	**Frade**	**Total**
Gross revenue	553,581	23,605	676,438	1,253,624
Deductions	-	(3,965)	-	(3,965)
Net revenue	**553,581**	**19,640**	**676,438**	**1,249,659**

(In thousands of dollars, unless otherwise indicated)

27. Costs of products sold and services rendered

	Consolidated	
	12/31/2022	**12/31/2021**
Logistics	(10,721)	(16,523)
Consumables	(32,647)	(32,564)
Operation and maintenance	(32,553)	(39,718)
Personnel	(25,772)	(23,394)
Purchase of oil for resale	(62,233)	(21,570)
Other costs	(5,451)	(9,973)
Royalties and special interest	(97,425)	(57,538)
Amortization CPC 06 (R2)	(14,125)	(25,813)
Depreciation and amortization	(116,741)	(110,396)
Total	**(397,668)**	**(337,489)**

Oil stock (unaudited quantity by independent auditors)

	12/31/2022		12/31/2021	
	Amount	**Quantity**	**Amount**	**Quantity**
Polvo	1,751	52	11,048	361
Tubarão Martelo	12,123	387	8,596	239
Frade	8,542	123	14,309	687
Lux Trading	43,653	194	-	-
Total	**66,069**	**756**	**33,953**	**1,287**

Additionally, the Company has been investing in the inventory of materials for use in the operation of the fields and forming a minimum inventory for essential items, seeking to reduce costs on emergency purchases and the response time for the availability of these materials.

28. Other revenues and expenses

	Parent company		Consolidated	
	12/31/2022	**12/31/2021**	**12/31/2022**	**12/31/2021**
(Increase)/decrease in the provision for abandonment (rate/curve change)	-	-	**67,813**	28,393
Reversal (Provision) for labor contingencies	-	-	**337**	(1,809)
Reversal (Provision) for tax contingencies	-	-	**(140)**	768
Reversal (Provision) for civil contingencies	-	-	**515**	(9,775)
Tax credits (PIS and COFINS/INSS/ICMS)	-	-	**2,501**	1,156
Asset acquisition success rate	-	-	-	(3,173)
Labor indemnities from previous years	-	(46)	-	(590)
Decommissioning - Tubarão Azul	-	-	**(3,382)**	(3,204)
Indirect Overhead - Frade	-	-	**360**	(2)
Sponsorships	-	-	**(4,544)**	(806)
Inventory write-off due to FPSO return	-	-	-	(5,164)
Tieback - BW Demobilization	-	-	**(8,116)**	(5,992)
Withholding income tax (IRRF) on subsea lease	-	-	-	(6,239)
Maintenance of the Valente FPSO keel	-	-	-	(2,923)
Administrators' bonus not recorded	-	(851)	-	(3,620)
Write-off (Loss) of material inventory - Frade	-	-	-	(252)
Write-off of translation adjustment of PrioUSA	-	974	-	974
Depreciation expense of Manati (asset held for sale) *	-	-	**(1,671)**	-
CE-M-715 Block return – Ceará Basin	-	-	**(15,895)**	-
Drilling rig preparation expenses	-	-	**(4,922)**	-
Oil freight and warehousing expenses	-	-	**(9,795)**	-
Arbitration expenditures	-	-	**(901)**	-
Expenses with fall of Frade's crane	-	-	**(2,380)**	-
Expenses with Albacora Transition	-	-	**(1,586)**	-
Other revenues (expenses)	**(66)**	314	**(1,104)**	(1,488)
Total from continued operations	**(66)**	391	**17,091**	(14,004)

* Depreciation related to the period in which Manati was classified as held for sale, pursuant to Note 9.

(In thousands of dollars, unless otherwise indicated)

29. Financial income (loss)

	Parent company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Financial revenues	**42**	21	**54,324**	13,248
Revenue from realized financial investment	**36**	16	**49,992**	12,831
Marked at fair value of derivatives	**-**	-	**-**	11
Other financial revenues	**6**	4	**4,332**	406
Financial expenses	**(1,323)**	(1,488)	**(108,738)**	(81,302)
Loss on realized financial investment	**-**	-	**(9,246)**	(5,042)
Interest on loans	**-**	(1,031)	**(65,759)**	(42,320)
Commission on bank guarantees	**-**	-	**-**	(577)
Marked at fair value - financial instruments	**-**	-	**-**	(1,214)
Marked at fair value - Derivatives	**-**	-	**2,753**	2,502
Loss in realization of derivatives	**-**	-	**(10,878)**	(21,545)
Fair value loss - Bond	**-**	-	**(1,118)**	-
Expenses with interest on leases	**-**	-	**(11,417)**	(6,564)
Other financial expenses	**(1,323)**	(457)	**(13,073)**	(6,543)
Net exchange-rate changes (*)	**597**	(2,426)	**10,407**	(47,286)
Revenue from exchange-rate change	**1,681**	6,309	**122,417**	162,181
Expense on foreign exchange rate	**(1,084)**	(8,735)	**(112,010)**	(209,466)

(*) With the change in the functional currency to the US dollar, foreign exchange variation revenues and expenses refer to amounts recorded in currencies other than the US dollar, which vary with the change in the rate, such as, mainly bank balances, recoverable taxes, suppliers, leases, labor obligations and taxes payable.

30. Income tax and social contribution

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

	Parent company		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Income before income tax and social contribution	**717,743**	246,255	**761,913**	277,843
Tax rate according to the current legislation	**34%**	34%	**34%**	34%
Income tax and social contribution based on the current rate	**244,033**	83,727	**259,050**	94,467
Non-deductible expenses/non-taxable revenue, net:				
Permanent differences	**1,056**	(5,262)	**(30,437)**	(729)
Temporary differences	**-**	-	**(11,636)**	(33)
Equity in income of subsidiaries	**(202,260)**	(85,648)	**(18,775)**	-
Other additions (exclusions)	**-**	-	**-**	(13)
Deduction / Tax benefits	**-**	-	**(2,599)**	(2,397)
(Use of) tax loss	**-**	-	**(164,297)**	(63,126)
Unrecognized tax losses	**(1,143)**	6,376	**(1,143)**	6,378
Effect of reduced tax rates in the USA and Luxembourg	**-**	-	**(1,320)**	(2,704)
Difference in tax base – Functional Currency	**(40,200)**	-	**16,813**	(1,064)
Total	**1,486**	(808)	**45,656**	30,780
Income tax and social contribution	**-**	-	**105,154**	63,907
Deferred income tax	**1,486**	(808)	**(59,498)**	(33,127)
Net expense (revenue) from income tax and social contribution in income (loss)	**1,486**	(808)	**45,656**	30,780
Effective rate on pre-tax profit	**0.21%**	-0.33%	**5.99%**	11.08%

(In thousands of dollars, unless otherwise indicated)

31. Segment reporting (Consolidated)

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

Segment reporting for continued operations:

	12/31/2022	12/31/2021
Current assets		
Brazil	642,466	108,421
Abroad	1,377,295	972,447
Non-current assets		
Brazil	1,783,095	949,258
Abroad	75,939	146,543

Revenue	12/31/2022	12/31/2021
Brazil	100,394	82,900
Abroad	1,149,265	731,845

32. Objectives and policies for financial risk management

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

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

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

Market risk

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

(In thousands of dollars, unless otherwise indicated)

Interest rate risk

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

Interest rate sensitivity

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

Operation	Risk	Probable scenario	Scenario (I) 25%	Scenario (II) 50%
Impact on the securities	Decrease in CDI	(0)	(88)	(176)

For the earnings from financial investments and securities the CDI projections disclosed by BM&FBOVESPA for the period of 12 months as of December 31, 2022 were taken into account under the probable scenario (CDI 13.64%), a 25% reduction in the projected CDI was taken into account under scenario I and a 50% reduction was taken into account under scenario II, both in relation to the probable scenario.

Exchange risk

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

Operation	Risk	Probable scenario	Scenario (I) 25%	Scenario (II) 50%
Impact on financial investments	USD decr.	1,869	(8,217)	(16,433)
Provision for abandonment (ARO)	USD incr.	(2,592)	(11,398)	(22,796)

For calculation of the amounts included in the above scenarios the average exchange rate projection disclosed by BM&FBOVESPA for the period of 12 months as of December 31, 2022 (US$ 1/R$ 5.5144). Under scenario I, this projection was increased by 25% and under scenario II, the curve was increased by 50%, both against the probable scenario.

Credit risk

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

As for the credit risk of its sales transactions, the Company is analyzing the financial and equity position of its customers together with the service provider (trader), which also intermediates the oil sale transactions. In the year ended December 31, 2022 oil net sales were decentralized, with sales to clients Trafigura and Petrochina and gas sales in other client (Petrobras); however, they present an irrelevant credit risk, considering that its background does not show any delays or defaults.

(In thousands of dollars, unless otherwise indicated)

PRIO

Liquidity risk

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

Consolidated

Year ended December 31, 2022	**up to 12 months**	**1–5 years**	**Total**
Liabilities			
Loans and financing	(75,370)	(1,005,828)	**(1,081,198)**
Suppliers	(108,463)	(288)	**(108,751)**
Labor obligations	(26,449)	-	**(26,449)**
Taxes and social contributions	(30,418)	-	**(30,418)**
Mark-to-market of debenture swaps	-	(17,117)	**(17,117)**
Local debentures (includes conversion swaps)	(7,765)	(373,768)	**(381,533)**
Provision for abandonment	-	(51,367)	**(51,367)**
Provision for contingencies	-	(4,475)	**(4,475)**
Contractual charges (Leases - IFRS 16)	(12,371)	(275,372)	**(287,743)**
Accounts payable – acquisition of Wahoo	(8,324)	(373)	**(8,697)**
	(269,160)	**(1,728,588)**	**(1,997,748)**

Year ended December 31, 2021	**up to 12 months**	**1–5 years**	**Total**
Liabilities			
Loans and financing	(99)	(592,665)	**(592,764)**
Suppliers	(52,362)	(72)	**(52,434)**
Labor obligations	(23,560)	-	**(23,560)**
Taxes and social contributions	(32,914)	-	**(32,914)**
Provision for abandonment	-	(124,055)	**(124,055)**
Provision for contingencies	-	(4,889)	**(4,889)**
Contractual charges (Leases - IFRS 16)	(18,978)	(87,352)	**(106,330)**
Other liabilities	(67,500)	(65)	**(67,565)**
	(195,413)	**(809,098)**	**(1,004,511)**

Parent company

Year ended December 31, 2022	**up to 12 months**	**1–5 years**	**Total**
Liabilities			
Suppliers and other	(42)	-	**(42)**
Labor obligations	(3.594)	-	**(3.594)**
Taxes and social contributions	(122)	-	**(122)**
Provision for contingencies	-	(96)	**(96)**
	(3.758)	**(96)**	**(3.854)**

Year ended December 31, 2021	**up to 12 months**	**1–5 years**	**Total**
Liabilities			
Suppliers and other	(39)	-	**(39)**
Labor obligations	(4,896)	-	**(4,896)**
Taxes and social contributions	(149)	-	**(149)**
Provision for contingencies	-	(90)	**(90)**
	(5,084)	**(90)**	**(5,174)**

(In thousands of dollars, unless otherwise indicated)

Fair value of financial assets and liabilities

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

a) Level 1: fair value measurement uses prices quoted (not corrected) in active markets, based on equal assets and liabilities.

b) Level 2: fair value measurement is derived from other inputs quoted included in Level 1, which are quoted through an asset or liability directly (i.e. as the prices) or indirectly (i.e. derivative of prices).

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

	12/31/2022				12/31/2021			
	Parent company		Consolidated		Parent company		Consolidated	
	Book value	Fair value	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets								
Amortized cost:								
Accounts receivable (i)	-	-	31,873	31,873	-	-	163,970	163,970
Related parties	18,568	18,568	-	-	10,204	10,204	-	-
Fair value through profit or loss								
Cash and cash equivalents (ii)	3,287	3,287	1,842,375	1,842,375	4,226	4,226	173,942	173,942
Securities (ii)	-	-	-	-	63	63	659,472	659,472
Financial liabilities								
Amortized cost:								
Suppliers (i)	42	42	108,751	108,751	39	39	52,434	52,434
Loans and financing	-	-	1,081,198	1,081,198	-	-	592,764	1,909,719
Debentures and Swap	-	-	381,533	398,649	-	-	-	-
Contractual charges (Leases - IFRS 16)	-	-	287,743	287,743	-	-	106,330	106,330
Other obligations	-	-	8,324	8,324	-	-	67,500	67,500

Market values ("fair value") estimated by management were determined by Level 1 for those financial instruments below, and there were no transfers between measurement levels in the fair value hierarchy for the year ended December 31, 2022.

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

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

(In thousands of dollars, unless otherwise indicated)

33. Insurance (Not audited by independent auditors)

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

The Company is covered against major risks such as P&I to FPSO Valente, FPSO Bravo and Sonda King Maker, Energy Package, which includes: Physical damage over offshore assets, Operator's extra expenses (OEE), Offshore Liability (TPL) and Cargo/equipment coverage related to the Polvo, Manati, Frade e Tubarão Martelo field operations and D&O (Directors & Officers Liability) policy for its administrators.

The insurance policies in force as of December 31, 2022 cover the Insured Amount of US$ 4,597,166. In addition, the Company also contracts insurance for Operator' Extra Expenses, whose main exposures covered are as follows:

Insurance/Modality	**Amount insured**
Physical damages (Oil inventories)	125,000
Fixed Platform	182,000
Offshore Platform	22,300
FPSO Frade	740,900
Subsea Equipment	175,131
Offshore property (Pipeline)	43,500
Onshore properties (Pipeline)	11,700
Onshore Treatment Station	17,400
OEE production (Well control)	125,500
OEE Production ODP-4	300,000
Offshore Civil Liability + Surplus	570,000
Cargo (Polvo)	958
D&O	7,666
P&I	1,450,000
General liability	958
Property	2,530
Legal guarantee	66,348
PEM guarantee insurance - ANP	50,000
Travel Insurance Travel Guard	275
FPSO OSX-3 Hull and Machine	680,000
Sonda King Maker	25,000
Total insured	**4,597,166**

34. Contingencies

Management of the Company and its subsidiaries, based on the opinion of its legal advisors regarding the possibility of success in several lawsuits, believes that the provisions recorded in the balance sheet on December 31, 2022 and December 31, 2021 in the amounts of US$ 4,475 and US$ 4,889, respectively, are sufficient to cover losses considered probable and reasonably estimated.

Nature of contingencies recorded

Currently, the Company is party to lawsuits with probable risk, which are basically labor claims that add up to US$ 1,993, tax claims of US$ 74, civil claims in the amount of US$ 2,407 (as of December 31, 2021, US$ 2,739, US$ 65 and US$ 2,085, respectively).

Other suits

According to the Group's legal advisors, the risk of loss in other lawsuits is classified as "possible" in the amount of US$ 221,325 (US$ 346,934 as of December 31, 2021), of which US$ 106,253 refers to tax claims, US$ 112,970 is related to civil claims and US$ 2,102 to labor claims (US$ 228,617, US$ 111,352 and US$ 6,965, respectively, as of December 31, 2021). The lawsuits with the most relevant values are: Federação dos Pescadores do Rio de Janeiro ("FEPERJ"), in the amount of US$ 78,936, requesting reparation for alleged losses suffered by fishermen as a result of the Oil Spills of Frade Field in 2011/2012, when operated by Chevron, which is currently in the knowledge phase; from the Attorney General's Office of the National Treasury in the amount of US$ 39,596, charging IRPJ and CSLL due to the transfer pricing rules used in Jaguar in 2010, when operated by Chevron, and is awaiting the decision of an Appeal in the higher court. The Company awaits the receipt of the records to close the lawsuit, which has a favorable decision for Prio Jaguar; Brazilian Federal Revenue Service, in the amount of US$ 15,773, referring to the collection of IRPJ and CSLL from Bravo related to taxable events that occurred in the calendar year 2012, related to the exchange rate change, non-deductible operating expenses and unsubstantiated deductions; Public Treasury Court in the amount of US$ 12,763, referring to the collection of ICMS on imports in the temporary admissions at Jaguar, which occurred in October and December 2007, when operated by Chevron; arbitration decision handed down by Tuscany, in the amount of US$ 12,462, referring to the reimbursement due to the early termination of the lease and operating agreements for helitransportable drilling rigs for O&G; National Agency of Petroleum, Natural Gas and Biofuels ("ANP") in the amount of US$ 10,247 charging a fine on Jaguar's special interest when it was still operated by Chevron. Additionally, the assessment by the Brazilian Federal Revenue Service ("RFB"), published in the first quarter of 2022, in the amount of US$ 123,744, related to federal taxes suspended on the temporary admission of the FPSO Polvo and its mooring system, had its loss likelihood changed by the lawyers to remote in June 2022. And Lawsuit filed by Geoquasar's bankrupt estate in the amount of US$ 23,755, requesting compensation due to the termination of the contract for the provision of seismic data collection services in the Solimões Basin, in 2013, assessed as a possible loss, receiving a final and unappealable decision in favor of Prio in the third quarter of 2022, thus annulling the process.

35. Subsequent events

35.1. Completion of the merger of Dommo's shares

On January 9, 2023, the Company completed the merger of all the shares of Dommo Energia S.A. ("Dommo"). On this date, all Dommo's shares were transferred to OPCO, in exchange for PNA shares that were redeemed on the same day for PRIO3 shares, and PNB, redeemed on January 13, 2023.

Eventual fractions of PRIO3 Call Options will be grouped into whole numbers to then be acquired by the OpCo for the amount of R$ 6.39 for each PRIO3 Call Option. The amounts paid by the OpCo in connection with said acquisition will be made available, net of fees and any taxes, to holders of subscription warrants issued by Dommo, holders of the respective fractions, in proportion to their equity interest in each PRIO3 Call Options acquired by the OpCo.

35.2. Acquisition of equity interest in Albacora Leste field

On January 26, 2023, the Company disclosed the payment related to the acquisition of a 90% interest in Campo de Albacora Leste ("Field" or "Albacora Leste") with Petróleo Brasileiro S.A. ("Petrobras"). As of this date, after completing the formal procedures, PRIO takes over the operation of the asset.

The fixed portion of the transaction was US$ 1,951 million (R$ 10,180 million), of which US$ 293 million (R$ 1,528 million) was paid upon signature of the agreement in April 28, 2022, and the remainder will be paid on January 26, 2023, restated by due price adjustments. Furthermore, an additional payment (earnout) of up to US$ 250 million may be made, depending on future Brent oil quotations.

Albacora Leste is located at a water depth of 1,200 meters, in the north of the Campos Basin, 23 km from the Frade field. Discovered in 1986, the field had its first oil in 1998 and currently has a production of approximately 32 kbpd (average of the last 30 days) and net 27.2 kbbld to PRIO, API 19º with low levels of Sulphur, through its 10 production wells and 6 injection wells currently in operation.

According to Certification of Reserves requested by PRIO and prepared by DeGolyer & MacNaughton ("D&M") on the base date of October 2022, the field had an economically recoverable reserve (1P) with approximately 280 million barrels with a net reserve of over 240 million barrels for PRIO, expected to be abandoned after 2050. Estimates consider a long-term price of US$ 60 per barrel of oil.

35.3. Capital increase

On January 2, 2023, the Board of Directors approved the Company's Capital Increase, resulting from the issuance of shares for the exercise of stock options granted to employees, in the amount of US$ 6,352, with the issuance of 4,582,762 new common shares.