



April 20, 2015

To: Our Shareholders,

I would like to take this opportunity to update you on our progress throughout 2014, our first year of operations, and share with you our vision and strategy for 2015 and beyond. Alvo Petro combines a world-class resource opportunity in Brazil, with an exceptional team of technical professionals, and significant financial resources providing the flexibility to pursue the opportunities in front of us. We find ourselves in a challenging time for the global oil and gas industry, however we have maintained our focus on adding shareholder value and are uniquely positioned to capitalize in this business environment:

- At the end of 2014 we had US\$45.6 million of financial resources at our disposal,
- Brazil offers a compelling fiscal regime, making investments attractive even at current commodity prices,
- In 2014, we invested strategically in the Gomo resource play and made a significant conventional natural gas discovery at our 197(2) well, both of which will be advanced in 2015 at a relatively low cost,
- We doubled our inventory of conventional exploration opportunities,
- The pace of our capital program is highly flexible, and
- We are an active independent operator onshore Brazil, enabling us to capitalize on the service sector environment with the goal of improving our capital and operating efficiencies.

Strong Financial Resources and Balanced Commitments

Our large asset base in Brazil consists of 127,670 acres of land, primarily in the underexplored Recôncavo Basin onshore Brazil, comprising 12 exploration blocks and three mature fields. Our financial resources remain strong with US\$45.6 million at year-end. The recent relinquishment in early 2015 of less prospective blocks (131, 132, 144, and 157), and the elimination of the associated four well work commitment, allows us to focus our capital on higher impact and more prospective areas. Of our 12 remaining exploration blocks, seven were acquired in the 11th and 12th Brazil Bid Rounds, providing us with a timeframe for completion of commitments extending out to May 2017. Alvo Petro remains committed to a disciplined and balanced approach to our business during this period of volatility allowing us to preserve our considerable financial flexibility and remain well-positioned to execute on opportunities.

Vision and Strategy

Alvo Petro's vision is to be the premier independent exploration and production company in Brazil, maximizing shareholder value by applying innovation to underexploited opportunities, while maintaining our focus on being a low cost operator. Our strategy targets three core opportunities:

Proving the Commercial Viability of the Gomo Resource:

The largest prize for Alvo Petro is the potential of the deep Gomo resource play. From a land perspective, we have secured the majority of the prospective deep Gomo resource play fairway. Our aim is to prove the commercial viability of the play and commence a repeatable, low-risk, multi-well development program. Our early capital expenditures were dedicated to drilling our 197(1) and 183(1) wells that have advanced our initial Gomo resource play concepts and proved up a significant deep, tight, natural gas opportunity. These two initial wells have delineated an area that is estimated to contain 1.3 Tcf of natural gas-in-place, a tremendous resource especially when compared to our Cdn.\$45 million market capitalization. In 2015, we plan to build on these investments at a relatively low cost. Our work in 2015 is focused on defining the deliverability of the wells in a commercial roll out. We have completed initial phases of laboratory tests, completion and reservoir enhancement modelling, and submitted the regulatory applications necessary to complete and fracture stimulate our 183(1) well. Together, these efforts provide the foundation for a large scale commercial development.

Shallow Conventional Exploration:

What started as a strategic concept in 2013, has evolved into an expanding inventory of high-impact conventional exploration prospects. During 2014, Alvo Petro focused significant effort on reprocessing and interpreting our extensive 3D

seismic database, enabling us to build an early 9-well inventory of conventional exploration opportunities and expand it into what is currently an 18-well inventory. We drilled the first of our prospects late in 2014, resulting in a significant natural gas discovery on Block 197 with our 197(2) well. Three of our 18 prospects are analogous to this discovery.

We tested the first and second intervals of our 197(2) well, which flowed natural gas, on an unstimulated basis, at an average rate of 101,000 m³/d (3.6 MMcfpd or 600 boepd) from the first interval and 53,000 m³/d (1.9 MMcfpd or 310 boepd) from the second interval. The initial pressure transient analysis of the first interval alone forecasts potential post-stimulation rates at 261,000 m³/d (9.2 MMcfpd or 1,530 boepd) after three months of continuous production and 125,000 m³/d (4.4 MMcfpd or 730 boepd) after one year of continuous production. We are now proceeding to test the third interval in this well.

The 197(2) well provides the foundation for building a significant natural gas business in Bahia, Brazil. In this region, the fundamentals for natural gas are compelling, with high energy prices throughout the country, a persistent energy shortage and consumers paying between US\$7.66 to US\$14.26/MMBtu for natural gas (November 2014). This compares favourably to prices ranging from US\$3.52 to US\$3.73/MMBtu in North America.

The results from our 197(2) well and the industry environment where our natural gas discoveries are located, underscore why we chose to explore in Brazil. The combination of fiscal terms and the potential deliverability of this shallow sweet natural gas discovery represents a very unique opportunity, one that is simply no longer available today in the Western Canadian Sedimentary Basin. Commercializing our 197(2) discovery not only has the potential of providing Alvo Petro with a significant base of reserves, production, and cash flow, it also supports our ability to pursue our broader exploration inventory and commercialize the potential present within our Gomo hydrocarbon play. By any measure, this is an extremely exciting discovery for Alvo Petro shareholders.

In 2015, we plan to drill two additional conventional exploration prospects focusing on adding a base of oil production and reserves.

Lower Risk Development Drilling on our Mature Fields:

We plan to drill our first Bom Lugar oil development well in the second half of 2015, targeting near-term cash flow. The original Bom Lugar discovery well came on production at over 500 bopd and has cumulatively produced 300,000 barrels of oil. With early success at Bom Lugar, we have the flexibility to expand our development drilling program and apply excess cash flow to our shallow conventional exploration program.

Looking Ahead

Since Alvo Petro's inception, we have made significant progress in a short period of time and are extremely pleased with our initial results. This progress is an example of what I deem an impressive first year, one that would not have been possible without the excellent team effort of our employees. I want to thank these dedicated individuals, whose hard work drives our success and fuels our future growth. I also want to thank our Board of Directors for their strategic input and guidance over the past year and during these turbulent times. Despite challenging commodity prices, the opportunity before us in Brazil has grown considerably over the past year and we are well positioned to capitalize on it.

We look forward to delivering on our plans in 2015 and beyond. It is an exciting time to be an Alvo Petro shareholder. Our team is strongly aligned with our shareholders, and we are very focused on adding shareholder value by delivering per share production and reserve growth. We have a tremendous opportunity in front of us and I am confident our team can deliver on the full potential of our asset base.

We look forward to updating you on our progress throughout 2015.



President, Chief Executive Officer and Director