

ALVOPETRO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

**As at and Three Months Ended
March 31, 2026 and 2025**

ALVOPETRO ENERGY LTD.**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited, thousands of United States dollars)

	Note	March 31, 2026	December 31, 2025
ASSETS			
Current			
Cash and cash equivalents		32,450	32,372
Restricted cash		50	22
Trade and other receivables	11	7,892	6,426
Prepaid expenditures		804	487
Assets held for sale	4	617	585
Total current assets		41,813	39,892
Non-current assets			
Exploration and evaluation assets	5	18,290	17,278
Property, plant and equipment	6	81,845	77,475
Right-of-use assets	7	5,491	5,471
Total non-current assets		105,626	100,224
Total assets		147,439	140,116
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		10,672	11,257
Dividend payable	10	4,408	4,408
Bank debt	8	8,000	4,000
Lease liabilities	7	1,278	1,247
Decommissioning liabilities	9	256	243
Liabilities held for sale	4	303	287
Total current liabilities		24,917	21,442
Non-current liabilities			
Bank debt	8	12,000	16,000
Lease liabilities	7	5,468	5,782
Decommissioning liabilities	9	1,351	1,167
Deferred tax liability		1,553	351
Total non-current liabilities		45,289	44,742
Shareholders' equity			
Share capital	10	43,656	43,656
Contributed surplus		54,364	54,189
Retained earnings		47,224	43,573
Accumulated other comprehensive loss		(43,094)	(46,044)
Total shareholders' equity		102,150	95,374
Total liabilities and shareholders' equity		147,439	140,116

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

ALVOPETRO ENERGY LTD.**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

(Unaudited, thousands of United States dollars, except per share amounts)

		Three Months Ended March 31,	
	Note	2026	2025
Revenue			
Natural gas, oil and condensate sales	11	17,392	14,013
Royalties	2	(1,181)	(1,673)
Net natural gas, oil and condensate revenue		16,211	12,340
Other income	12	750	403
		16,961	12,743
Expenses			
Production	12	1,479	1,167
Transportation		58	-
General and administrative	12	1,736	1,526
Depletion and depreciation	6,7	3,734	3,122
Impairment		-	6
Finance	12	693	456
Share-based compensation		167	329
Foreign exchange (gains)		(1,310)	(865)
Loss on disposition of assets		-	4
		6,557	5,745
Income before taxes		10,404	6,998
Income tax expense			
Current		1,153	640
Deferred		1,192	288
Total		2,345	928
Net income		8,059	6,070
Exchange gain on translation of currencies		2,950	4,386
Comprehensive income		11,009	10,456
Net income per share			
	10		
Basic		0.22	0.16
Diluted		0.21	0.16

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

ALVOPETRO ENERGY LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited, thousands of United States dollars)

		Common Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Note					
Balance, December 31, 2025		43,656	54,189	43,573	(46,044)	95,374
Share-based compensation		-	175	-	-	175
Net income		-	-	8,059	-	8,059
Other comprehensive income		-	-	-	2,950	2,950
Dividends declared	10	-	-	(4,408)	-	(4,408)
Balance, March 31, 2026		43,656	54,364	47,224	(43,094)	102,150
Balance, December 31, 2024		43,269	53,423	36,229	(53,559)	79,362
Share-based compensation		-	320	-	-	320
Exercise of restricted share units		55	(55)	-	-	-
Net income		-	-	6,070	-	6,070
Other comprehensive income		-	-	-	4,386	4,386
Dividends declared	10	-	-	(3,643)	-	(3,643)
Share repurchase		(102)	-	(195)	-	(297)
Balance, March 31, 2025		43,222	53,688	38,461	(49,173)	86,198

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

ALVOPETRO ENERGY LTD.**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited, thousands of United States dollars)

		Three Months Ended March 31,	
	Note	2026	2025
Operating Activities			
Net income		8,059	6,070
Adjustments:			
Depletion and depreciation	6,7	3,734	3,122
Impairment		-	6
Finance expenses	12	658	354
Share-based compensation		167	329
Foreign exchange		(1,305)	(951)
Deferred tax		1,192	288
Loss on disposition of assets		-	4
Funds flow from operations		12,505	9,222
Changes in non-cash working capital	15	(1,788)	(405)
		10,717	8,817
Financing Activities			
Dividends paid	10	(4,408)	(3,283)
Interest paid on bank debt	8	(354)	-
Repurchase of common shares	10	-	(297)
Lease liabilities payments	7	(569)	(563)
Changes in non-cash working capital	15	(34)	(67)
		(5,365)	(4,210)
Investing Activities			
Expenditures on exploration and evaluation assets	5	(334)	(1,393)
Expenditures on property, plant and equipment	6	(4,815)	(6,982)
Proceeds on asset disposition		6	8
Changes in non-cash working capital	15	(707)	(896)
		(5,850)	(9,263)
Change in cash and cash equivalents		(498)	(4,656)
Effect of foreign exchange on cash balances		576	223
Cash and cash equivalents, beginning of period		32,372	21,697
Cash and cash equivalents, end of period		32,450	17,264
Cash and cash equivalents consist of:			
Cash		13,754	3,025
Cash equivalents		18,696	14,239
Supplemental information:			
Cash income taxes paid		841	609
Cash interest income received		508	283

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

ALVOPETRO ENERGY LTD.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2026

Unaudited, all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted

NOTE 1 – CORPORATE INFORMATION AND BASIS OF PRESENTATION

Alvopetro Energy Ltd. (“Alvopetro” or “the Company”) is engaged in the exploration for, and the acquisition, development and production of, hydrocarbons in Brazil and Canada. Alvopetro is incorporated under the Business Corporations Act (Alberta) and is a publicly traded company listed on the TSX Venture Exchange (TSX: ALV.V) and is also traded on the OTCQX® Best Market in the United States (OTCQX: ALVOF).

The Company’s head office and records are located at 401, 255 – 17th Avenue SW, Calgary, Alberta, Canada, T2S 2T8.

NOTE 2 – BASIS OF PRESENTATION

The interim condensed consolidated financial statements as at March 31, 2026 and for the three months ended March 31, 2026 and March 31, 2025 have been prepared in accordance with IFRS Accounting Standards (“IFRS”) applicable to the presentation of interim financial statements, including International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements are prepared using the same accounting policies and methods of computation as disclosed in the audited consolidated financial statements as at and for the year ended December 31, 2025, except as noted below. These statements do not contain all disclosures required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2025.

In 2026, the Company adopted the new classification and measurement requirements in IFRS 9 *Financial Instruments*. The amendments had no material effect on the amounts recorded in the financial statements.

The interim condensed consolidated financial statements are presented in U.S dollars (“USD”).

These interim condensed consolidated financial statements were authorized for issuance by the Company’s Board of Directors on May 7, 2026.

Use of Estimates, Judgments and Assumptions and Estimation Uncertainty

The timely preparation of the interim condensed consolidated financial statements requires management to make estimates, judgments and assumptions that may affect the reported amounts of assets and liabilities, disclosures of contingencies and the reported amounts of expenses during the period. Details on these estimates, judgments and assumptions are included in the audited consolidated financial statements as at and for the year ended December 31, 2025. Actual results may differ from estimated amounts and those differences may be material.

Under the terms of the Unit Operating Agreement (“UOA”) with respect to Alvopetro’s interest in the unitized area, which includes its Caburé natural gas field (the “Unit”), the working interest assigned to each party is subject to redeterminations. The first redetermination was completed in 2024, whereby Alvopetro was successful, resulting in an increase in its working interest from 49.1% to 56.2% however this decision was disputed by Alvopetro’s partner. An emergency arbitration process granted Alvopetro the redetermined interest effective June 1, 2024; provisional and contingent until reviewed by an arbitral tribunal (the “Tribunal”) pursuant to the Rules of Arbitration of the International Chamber of Commerce (“ICC”). On April 27, 2026, Alvopetro was notified that the Tribunal found in favour of Alvopetro, stating that the decision of the independent expert in the redetermination process is final, valid, and effective, definitively binding the Parties, pursuant to the UOA and maintaining Alvopetro’s 56.2% working interest in the Unit. The Tribunal also determined that the disputing partner shall reimburse Alvopetro for 90% of costs incurred in respect of the proceeding. As such, Alvopetro has recorded a \$0.1 million recovery in general and administrative expenses for the three months ended March 31, 2026. This represents the estimated, inflated costs recovered less the success fee owing to Alvopetro’s legal counsel. Alvopetro’s working interest in the Unit remains subject to future redeterminations which may have a material impact to Alvopetro.

As initially reported in the interim condensed consolidated financial statements for the three months ended March 31, 2025, Alvopetro recognized an incremental dispute-related royalty expense for the period July 2020 to March 31, 2025, along with associated finance expenses. The dispute was filed by gross overriding royalty (“GORR”) holders regarding the Company’s computation of the natural gas GORR for Block 197. There was no provision for this dispute prior to March 31, 2025 as Alvopetro

ALVOPETRO ENERGY LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2026

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had expected to successfully defend its position. However, the dispute resolution procedures advanced the matter to arbitration under the rules of the ICC and in April 2025 the arbitral tribunal agreed with the GORR holders that Alvo Petro is required to use a different sales price in the royalty computation. The final calculation has not yet been determined and the amount recorded by Alvo Petro to March 31, 2026 represents management's best estimates, however the actual amount determined by the tribunal may be materially different. In addition, the timing of this decision is uncertain and with the GORR award subject to inflation and interest adjustments, the balance owing will increase with the passage of time.

NOTE 3 – SEGMENTED INFORMATION

As at March 31, 2026 Alvo Petro had two reportable operating segments which are consistent with the Company's geographic structure: 1) exploration, development and production assets in Brazil; and 2) development and production assets in Canada.

	As at and three months ended March 31,							
	Brazil		Canada		Corporate		Total	
	2026	2025	2026	2025	2026	2025	2026	2025
Operating netbacks:								
Natural gas, oil and condensate sales	16,426	14,013	966	-	-	-	17,392	14,013
Royalties	(1,050)	(1,673)	(131)	-	-	-	(1,181)	(1,673)
Production expenses	(1,334)	(1,167)	(145)	-	-	-	(1,479)	(1,167)
Transportation expenses	-	-	(58)	-	-	-	(58)	-
Total	14,042	11,173	632	-	-	-	14,674	11,173
Other income	250	161	-	-	500	242	750	403
Finance expense	346	454	1	-	346	2	693	456
Depletion and depreciation	3,335	3,117	348	-	51	5	3,734	3,122
Impairment	-	6	-	-	-	-	-	6
Income tax expense	1,547	928	-	-	798	-	2,345	928
Net income (loss)	8,903	6,958	694	(88)	(1,538)	(800)	8,059	6,070
Property, plant & equipment	72,597	58,442	9,162	2,663	86	303	81,845	61,408
Capital expenditures	3,141	5,514	1,946	2,636	62	225	5,149	8,375

NOTE 4 – ASSETS AND LIABILITIES HELD FOR SALE

	March 31, 2026	December 31, 2025
Assets		
Balance, beginning of period	585	-
Transfer from PP&E (Note 6)	-	580
Impairment reversal	-	(26)
Foreign exchange	32	31
Balance, end of period	617	585
Liabilities		
Balance, beginning of period	287	-
Transfer from Decommissioning Liabilities (Note 9)	-	297
Foreign exchange	16	(10)
Balance, end of period	303	287

ALVOPETRO ENERGY LTD.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As at and for the three months ended March 31, 2026

*Unaudited, all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted***NOTE 5 – EXPLORATION AND EVALUATION (“E&E”) ASSETS**

	As at	
	March 31, 2026	December 31, 2025
Balance, beginning of period	17,278	14,640
Capital expenditures	334	3,384
Capitalized share-based compensation	-	9
Transfer to PP&E (Note 6)	(144)	(2,096)
Asset dispositions & other transfers	(12)	(316)
Impairment	-	(6)
Foreign currency translation	834	1,663
Balance, end of period	18,290	17,278

All E&E assets relate to the Company’s Brazil segment.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT (“PP&E”)

	As at	
	March 31, 2026	December 31, 2025
Cost, beginning of period	108,395	79,327
Capital expenditures	4,815	30,109
Capitalized share-based compensation	34	257
Transfer from E&E Assets (Note 5)	144	2,096
Transfer to Assets Held for Sale (Note 4)	-	(13,557)
Change in decommissioning liabilities	94	321
Foreign currency translation	4,271	9,842
Cost, end of period	117,753	108,395
Accumulated depletion, depreciation and impairment, beginning of period	(30,920)	(26,342)
Depletion and depreciation	(3,442)	(11,779)
Impairment	-	(1,859)
Transfer to Assets Held for Sale (Note 4)	-	12,977
Foreign currency translation	(1,546)	(3,917)
Accumulated depletion, depreciation and impairment, end of period	(35,908)	(30,920)
Net book value, end of period	81,845	77,475

There were no indications of impairment or impairment reversal on any properties as at and for the three months ended March 31, 2026.

ALVOPETRO ENERGY LTD.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As at and for the three months ended March 31, 2026

*Unaudited, all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted***NOTE 7– RIGHT-OF-USE (“ROU”) ASSETS AND LEASE LIABILITIES**

The Company’s contracts that contain leases or lease components include equipment for processing natural gas and access to land for midstream development in Brazil as well as office space in both Canada and Brazil. The net book value of the Company’s ROU assets is as follows:

	As at	
	March 31, 2026	December 31, 2025
Net book value, beginning of period	5,471	5,623
Additions	-	159
Depreciation	(292)	(1,184)
Foreign currency translation	312	873
Net book value, end of period	5,491	5,471
<i>Net Book Value by Asset Class</i>		
Natural gas facility	5,339	5,289
Office space	122	149
Surface land access	30	33
Total net book value	5,491	5,471

The Company’s lease liabilities are as follows:

	As at	
	March 31, 2026	December 31, 2025
Lease liabilities, beginning of period	7,029	7,863
Additions	-	159
Finance expense	286	1,232
Lease payments	(569)	(2,262)
Foreign currency translation	-	37
Lease liabilities, end of period	6,746	7,029
Current	1,278	1,247
Non-current	5,468	5,782
Total	6,746	7,029

NOTE 8 – BANK DEBT

	March 31, 2026	December 31, 2025
Current	8,000	4,000
Non-current	12,000	16,000
Total	20,000	20,000

During the year ended December 31, 2025 the Company’s wholly-owned subsidiary in Brazil entered into a \$20 million loan agreement (the “Loan”) with an international branch of a Brazilian chartered financial institution. In connection with the Loan, the Company’s Brazilian subsidiary entered into a standby letter of credit with the Brazil chartered financial institution to guarantee the obligations under the Loan. The Loan is also guaranteed by Alvo Petro’s parent company. The Loan matures on November 29, 2027 with quarterly repayments of \$4 million scheduled to commence on November 30, 2026. The Loan bears interest at a fixed rate of 7% per annum (including all applicable charges), payable quarterly.

ALVOPETRO ENERGY LTD.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As at and for the three months ended March 31, 2026

Unaudited, all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted

Under the terms of the Loan agreement, Alvo Petro is subject to certain customary financial and non-financial covenants, standard representations and warranties, and events of default. All financial covenants are with respect to the distribution of dividends as follows:

- 1) the total amount of dividends declared by Alvo Petro in the four fiscal quarters immediately preceding the date of declaration of such dividend, does not exceed the Adjusted Cash Flow from Operations for the same period where Adjusted Cash Flow from Operations is defined as Cash Flow from Operating Activities calculated on a consolidated basis, before changes in non-cash working capital, less the total of all interest accrued during the period and principal payments due under the Loan during the same period; and
- 2) on a consolidated basis, Alvo Petro Energy Ltd. maintains a minimum cash or cash equivalents balance of \$3.0 million on the closing date of the fiscal quarter immediately preceding the declaration of such dividend.

The Company was in compliance with all financial and non-financial covenants with respect to the dividend declared in March 2026 and is in compliance with all loan covenants at March 31, 2026. There are no facts or circumstances which indicate to management that the Company will not comply with the debt covenants in the twelve months following the date of these financial statements.

NOTE 9 – DECOMMISSIONING LIABILITIES

Decommissioning liabilities are estimated based on the net ownership interest of wells, facilities and pipelines, management's estimates of costs to abandon and reclaim those wells and infrastructure, and the potential future timing of the costs to be incurred.

	As at	
	March 31, 2026	December 31, 2025
Balance, beginning of period	1,410	1,298
Liabilities incurred	71	198
Revisions to obligations	23	123
Obligations settled - cash	-	(216)
Obligations settled – non cash	-	(2)
Transfer to Assets Held for Sale (Note 4)	-	(297)
Accretion	30	127
Foreign currency translation	73	179
Balance, end of period	1,607	1,410
Current	256	243
Non-current	1,351	1,167
Total	1,607	1,410

NOTE 10 – SHARE CAPITAL**a) Issued and Outstanding Common Shares**

	Number of Shares	Amount (\$000s)
Balance as at December 31, 2024	36,473,896	43,269
Exercise of stock options	58,570	20
Exercise of Deferred Share and Restricted Share Units	350,631	553
Repurchase and cancellation of shares	(151,000)	(186)
Balance as at March 31, 2026 and December 31, 2025	36,732,097	43,656

ALVOPETRO ENERGY LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2026

Unaudited, all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted
b) Options to Purchase Common Shares

Alvopetro has a share-based compensation plan whereby the Company may grant stock options to its directors, officers, employees and consultants as part of the Company's long-term incentive plan to align compensation with shareholders' interests. The options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price (CAD\$)
Balance as at December 31, 2024	2,004,108	5.95
Granted	50,000	5.59
Exercised	(94,444)	2.46
Forfeited	(90,750)	6.84
Balance as at December 31, 2025	1,868,914	6.07
Forfeited	(10,500)	6.77
Balance as at March 31, 2026	1,858,414	6.07
Percentage of common shares outstanding	5.1%	

Options Outstanding at March 31, 2026				Options Exercisable at March 31, 2026			
Exercise Price	Number of Options	Weighted Average Exercise Price (CAD\$)	Weighted Average Remaining Contractual Life (Years)	Number of Options	Weighted Average Exercise Price (CAD\$)	Weighted Average Remaining Contractual Life (Years)	
CAD\$2.40 - \$3.99	196,665	2.43	0.6	196,665	2.43	0.6	
CAD\$4.00 - \$5.99	632,416	4.85	2.4	260,666	4.84	0.6	
CAD\$6.00 - \$7.99	477,333	6.94	1.7	477,333	6.94	1.7	
CAD\$8.00 - \$8.01	552,000	8.01	2.6	231,998	8.01	2.6	
CAD\$2.40 - \$8.01	1,858,414	6.07	2.1	1,166,662	5.92	1.5	

c) Restricted Share Units and Deferred Share Units

Alvopetro has a share-based compensation plan whereby the Company may grant RSUs, DSUs and performance share units ("PSUs") to purchase common shares of the Company.

	Number of RSUs & DSUs
Balance as at December 31, 2024	1,236,580
Granted	80,551
Exercised	(350,631)
Forfeited	(21,549)
Balance at March 31, 2026 and December 31, 2025	944,951
Percentage of common shares outstanding	2.6%
Weighted average remaining contractual life (years)	3.0

ALVOPETRO ENERGY LTD.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2026

Unaudited, all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted
d) Net Income Per Share

Net income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the applicable period as follows:

	Three Months Ended March 31, 2026	2025
Weighted average basic	37,418,537	37,312,011
Dilutive securities		
Stock options	372,571	77,362
RSUs & DSUs	258,511	362,748
Weighted average diluted	38,049,619	37,752,121

e) Dividends

Dividends declared and paid were as follows:

		Three Months Ended March 31, 2026		
Period Declared	Dividend per share (\$)	Total Declared	Total Paid	Date Paid
Three months ended December 31, 2025	0.12	-	4,408	January 15, 2026
Three months ended March 31, 2026	0.12	4,408	-	April 15, 2026
Total		4,408	4,408	

		Three Months Ended March 31, 2025		
Period Declared	Dividend per share (\$)	Total Declared	Total Paid	Date Paid
Three months ended December 31, 2024	0.09	-	3,283	January 15, 2025
Three months ended March 31, 2025	0.10	3,643	-	April 15, 2025
Total		3,643	3,283	

The declaration, timing, amount and payment of future dividends remain at the discretion of the Board of Directors and there is no certainty that dividends will be paid at the intended rate or at any rate in the future.

NOTE 11 – REVENUE FROM CONTRACTS WITH CUSTOMERS

	Three Months Ended March 31, 2026	2025
Natural gas – Brazil	15,050	12,969
Condensate – Brazil	1,305	983
Oil – Brazil & Canada	1,037	61
Total	17,392	14,013

ALVOPETRO ENERGY LTD.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As at and for the three months ended March 31, 2026

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For the three months ended March 31, 2026, natural gas sales in Brazil represented 87% of total revenues from contracts with customers. Payment terms for natural gas are on or before the 10th business day of the month following satisfaction of the performance obligation. All natural gas revenues have been collected within the timing expected and there is no indication of potential collection issues. Amounts receivable from contracts with customers by commodity were as follows:

	As at	
	March 31, 2026	December 31, 2025
Natural gas – Brazil	6,679	5,553
Condensate – Brazil	-	69
Oil – Brazil & Canada	647	238
Total	7,326	5,860

NOTE 12 – NATURE OF OTHER INCOME AND EXPENSES**a) Other Income**

	Three Months Ended	
	March 31, 2026	2025
Interest income	500	242
Tax recoveries from operations & other	250	161
Total other income	750	403

b) Production Expenses

	Three Months Ended	
	March 31, 2026	2025
Personnel	461	370
Facility and pipeline	455	400
Other fixed	230	197
Variable	325	200
Workover	8	-
Total production expenses	1,479	1,167

ALVOPETRO ENERGY LTD.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

As at and for the three months ended March 31, 2026

*Unaudited, all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted***c) General and Administrative (“G&A”) Expenses**

	Three Months Ended	
	March 31,	
	2026	2025
Personnel	1,273	1,121
Travel	40	36
Office and IT costs	206	85
Professional fees	132	209
General corporate	435	444
Gross G&A expenses	2,086	1,895
Capitalized to E&E (Note 5)	-	(41)
Capitalized to PP&E (Note 6)	(350)	(328)
Net G&A expenses	1,736	1,526

General corporate expenses include public company costs, corporate insurance, directors’ fees and other miscellaneous expenses. G&A expenses directly attributable to exploration and development projects, primarily being personnel costs, are capitalized.

d) Finance Expenses

Finance expenses by nature are as follows:

	Three Months Ended	
	March 31,	
	2026	2025
Lease interest (Note 7)	286	324
Loan interest (Note 8)	342	-
Accretion of decommissioning liabilities (Note 9)	30	30
Other	35	102
Total finance expenses	693	456

NOTE 13 – CAPITAL MANAGEMENT

The Company’s capital consists of the following:

	As at	
	March 31, 2026	December 31, 2025
Cash and cash equivalents	32,450	32,372
Working capital ⁽¹⁾ deficit, excluding cash and cash equivalents	(15,554)	(13,922)
Working capital ⁽¹⁾	16,896	18,450
Bank debt, non-current	(12,000)	(16,000)
Working capital, net of debt	4,896	2,450
Lease liabilities – non-current	(5,468)	(5,782)
Shareholders’ equity	102,150	95,374

(1) Working capital is calculated as total current assets less total current liabilities.

Alvopetro has the ability to adjust its capital structure by issuing new equity or debt and making adjustments to its capital and dividend programs to the extent the capital expenditures are not committed. There are no external restrictions on how the

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Unaudited, all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted

Company manages its capital, except as to certain requirements under the terms of the debt agreement with respect to the payment of dividends (see Note 8).

NOTE 14 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT*Foreign Currency Risk*

Alvopetro's gas sales agreement (the "GSA") is exposed to fluctuations in the USD to the BRL as the natural gas price, although benchmarked to USD, is invoiced in BRL (based on historical foreign exchange rates) and billed monthly in the set BRL price until the next price redetermination. The following table denotes the overall impact on natural gas revenues of a 5% and 10% appreciation and depreciation of the BRL relative to the USD:

	Three Months Ended	
	March 31,	
	2026	2025
Increase (decrease) to natural gas revenues from:		
5% Appreciation of BRL to USD	792	683
10% Appreciation of BRL to USD	1,672	1,441
5% Depreciation of BRL to USD	(717)	(618)
10% Depreciation of BRL to USD	(1,368)	(1,179)

Management closely monitors foreign exchange rates and will determine the currency and location of cash held based on funding needs and opportunities to optimize on foreign currency and local interest rates. The following financial instruments are denominated in currencies other than the USD:

	As at			
	March 31, 2026		December 31, 2025	
	CAD\$ (000's)	BRL (000's)	CAD\$ (000's)	BRL (000's)
Cash and cash equivalents	513	71,492	147	51,812
Restricted cash	-	261	-	123
Trade and other receivables	939	37,588	645	32,630
Accounts payable and accrued liabilities	(3,068)	(42,393)	(6,047)	(34,930)
Net exposure in foreign currency	(1,616)	66,948	(5,255)	49,635
Net exposure in USD (\$000s)	(1,160)	12,827	(3,834)	9,021

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	Three Months Ended	
	March 31,	
	2026	2025
Change in:		
Restricted cash	(27)	-
Trade and other receivables	(1,284)	(1,636)
Prepaid expenditures	(289)	(231)
Accounts payable and accrued liabilities	(929)	499
	(2,529)	(1,368)
Changes relating to:		
Operating activities	(1,788)	(405)
Financing activities	(34)	(67)
Investing activities	(707)	(896)
	(2,529)	(1,368)