ALVOPETRO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited, thousands of United States dollars)

	Note	**September 30, 2015**	December 31, 2014
ASSETS			
Current			
Cash and cash equivalents		**32,365**	40,920
Restricted cash	3	**2,288**	3,373
Trade and other receivables		**124**	154
Prepaid expenditures		**271**	428
Total current assets		**35,048**	44,875
Restricted cash	3	**-**	9,749
Other assets	4	**34**	240
Exploration and evaluation assets	5	**57,639**	62,204
Property, plant and equipment	6	**5,561**	7,489
Non-current assets		**63,234**	79,682
Total assets		**98,282**	124,557
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**2,898**	9,031
		2,898	9,031
Deferred tax liability		**3,455**	4,247
Decommissioning liabilities	7	**2,440**	3,454
		8,793	16,732
Shareholders' equity			
Share capital	8	**151,937**	151,937
Contributed surplus		**1,322**	975
Deficit		**(38,015)**	(35,388)
Accumulated other comprehensive loss		**(25,755)**	(9,699)
Total shareholders' equity		**89,489**	107,825
Total liabilities and shareholders' equity		**98,282**	124,557

Commitments and contingencies (Note 13)
Subsequent event (Note 14)

See accompanying notes to these interim condensed consolidated financial statements.

ALVOPETRO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

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

	Note	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Revenue					
Oil sales		**97**	257	**419**	894
Royalties and production taxes		**(7)**	(24)	**(28)**	(91)
Oil revenue		**90**	233	**391**	803
Other income		**19**	84	**73**	350
Total revenue and other income		**109**	317	**464**	1,153
Expenses					
Production		**180**	266	**692**	953
Transportation		**8**	9	**29**	35
General and administrative		**1,104**	1,274	**3,616**	4,031
Depletion and depreciation	6	**104**	77	**321**	257
Impairment	6	**968**	-	**968**	-
Accretion of decommissioning liabilities	7	**18**	21	**56**	73
Share-based compensation	8	**88**	158	**267**	474
Exploration and evaluation expenditures		**(9)**	-	**42**	-
Foreign exchange loss		**276**	47	**233**	2,462
Total expenses		**2,737**	1,852	**6,224**	8,285
Loss before taxes		**(2,628)**	(1,535)	**(5,760)**	(7,132)
Income tax (recovery) expense		**(2,544)**	187	**(3,133)**	(85)
Net loss		**(84)**	(1,722)	**(2,627)**	(7,047)
Exchange loss on translation of foreign operations		**(10,293)**	(4,767)	**(16,056)**	(2,997)
Comprehensive loss		**(10,377)**	(6,489)	**(18,683)**	(10,044)
Net loss per share	8				
Basic		**-**	(0.02)	**(0.03)**	(0.08)
Diluted		**-**	(0.02)	**(0.03)**	(0.08)

See accompanying notes to these interim condensed consolidated financial statements.

ALVOPETRO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited, thousands of United States dollars)

		Nine months ended September 30,	
	Note	**2015**	2014
Common Shares			
Balance, beginning of period		**151,937**	151,937
Net change		**-**	-
Balance, end of period		**151,937**	151,937
Contributed surplus			
Balance, beginning of period		**975**	74
Share-based compensation expense	8	**267**	474
Share-based compensation capitalized	8	**80**	206
Balance, end of period		**1,322**	754
Deficit			
Balance, beginning of period		**(35,388)**	(3,679)
Net loss		**(2,627)**	(7,047)
Balance, end of period		**(38,015)**	(10,726)
Accumulated Other Comprehensive Loss			
Balance, beginning of period		**(9,699)**	(1,750)
Other comprehensive loss		**(16,056)**	(2,997)
Balance, end of period		**(25,755)**	(4,747)

See accompanying notes to these interim condensed consolidated financial statements.

ALVOPETRO ENERGY LTD.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, thousands of United States dollars)

	Note	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Operating Activities					
Net loss		**(84)**	(1,722)	**(2,627)**	(7,047)
Adjustments for non-cash items:					
Depletion and depreciation	6	**104**	77	**321**	257
Impairment	6	**968**	-	**968**	-
Accretion of decommissioning liability	7	**18**	21	**56**	73
Non-cash E&E expenditures		**-**	-	**32**	-
Share-based compensation	8	**88**	158	**267**	474
Deferred tax		**(2,544)**	179	**(3,133)**	(118)
Unrealized foreign exchange loss (gain)		**210**	(44)	**167**	121
		(1,240)	(1,331)	**(3,949)**	(6,240)
Changes in non-cash working capital	11	**(974)**	172	**(889)**	(23)
		(2,214)	(1,159)	**(4,838)**	(6,263)
Investing Activities					
Expenditures on exploration and evaluation assets	5	**(2,490)**	(14,859)	**(9,652)**	(27,104)
Expenditures on property, plant and equipment	6	**(128)**	(39)	**(857)**	(381)
Expenditures on other assets	4	**(18)**	235	**(83)**	(642)
Change in restricted cash	3	**7,334**	(2,689)	**10,814**	(29,378)
Changes in non-cash working capital	11	**(818)**	5,111	**(3,098)**	5,169
		3,880	(12,241)	**(2,876)**	(52,336)
Change in cash and cash equivalents		**1,666**	(13,400)	**(7,714)**	(58,599)
Effect of foreign exchange on cash balances		**(580)**	(444)	**(841)**	(846)
Cash and cash equivalents, beginning of period		**31,279**	54,667	**40,920**	100,268
Cash and cash equivalents, end of period		**32,365**	40,823	**32,365**	40,823
Cash and cash equivalents consist of:					
Cash		**12,365**	40,823	**12,365**	40,823
Cash equivalents		**20,000**	-	**20,000**	-
Supplemental information:					
Cash income taxes paid		**-**	8	**16**	35
Cash interest income received		**14**	35	**54**	294

See accompanying notes to these interim condensed consolidated financial statements.

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, development and production of hydrocarbons in Brazil. Alvopetro is a publicly traded company listed on the TSX Venture Exchange (TSX: ALV.V), was incorporated under the Business Corporations Act (Alberta) on September 25, 2013 as 1774501 Alberta Ltd., and subsequently changed its name to Alvopetro Energy Ltd. on November 19, 2013. The Company's head office and records are located at 1175, 332 6th Avenue S.W., Calgary, Alberta, Canada, T2P 0B2.

The interim condensed consolidated financial statements as at September 30, 2015 and December 31, 2014 and for the three and nine months ended September 30, 2015 and September 30, 2014 have been prepared in accordance with International Financial Reporting 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, 2014. 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, 2014.

During the three months ended September 30, 2015, the Company was testing the 182(B1) well on Block 182. As Block 182 is in the exploration and evaluation phase, all directly attributable expenses, net of revenues are capitalized.

These interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on November 19, 2015.

Segmented Operations

All oil sales revenue is derived entirely from Brazilian operations. All material exploration and evaluation assets and property, plant and equipment are located in Brazil. The majority of the cash and cash equivalents and all restricted cash is located in Canada. The Company does not have any significant income in Canada other than interest earned on cash and restricted cash balances.

NOTE 2 – CHANGES IN ACCOUNTING STANDARDS

The interim condensed consolidated financial statements have been prepared following the same accounting policies and methods of computation as the 2014 annual consolidated financial statements. The Company continues to assess the impact of adopting the new standards and revised accounting pronouncements as described in the 2014 annual consolidated financial statements. In July 2015, the International Accounting Standards Board deferred the mandatory effective date of IFRS 15 – *Revenue from Contracts with Customers*, to January 1, 2018, with early adoption permitted.

NOTE 3 – RESTRICTED CASH AND CREDIT FACILITY

	As at	
	September 30, 2015	December 31, 2014
Restricted cash – current	**2,288**	3,373
Restricted cash – non-current	**-**	9,749
Balance, end of period	**2,288**	13,122

The Company has a credit support facility (the "Facility") with a Canadian bank for up to $45.0 million Canadian dollars ("CAD"). The Facility allows for the issuance of letters of credit ("LC's") and letters of guarantee in support of the financial guarantees required by the National Agency of Petroleum, Natural Gas and Biofuels (the "ANP") for Alvopetro's work commitments under the terms of its concession contracts as discussed further in Note 13. Letters of credit and letters of guarantee issued under the Facility are supported by either cash collateral posted by Alvopetro or through an Account Performance Security Guarantee the

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

Company obtained from Export Development Canada ("EDC") in December 2014. EDC supports up to $15.5 million of LC's issued under the Facility.

As at September 30, 2015, the total amount of LC's issued under the Facility was $16.5 million (December 31, 2014 - $27.9 million), with $14.2 million (December 31, 2014 - $15.1 million) satisfied through EDC and $2.3 million (December 31, 2014 - $12.8 million) satisfied through restricted cash deposits of Alvopetro. The entire restricted cash balance of $2.3 million at September 30, 2015 (December 31, 2014 - $3.1 million) was classified as current as it relates to LC's expiring within one year. There is no portion of the restricted cash balance at September 30, 2015 classified as non-current (December 31, 2014 - $9.7 million). The reduction in the overall restricted cash balance from December 31, 2014 was as a result of a $3.0 million reduction in the LC collateral requirements due to the declining Brazil real ("BRL") relative to the U.S. dollar, a transition of $6.3 million of LC's to EDC coverage throughout 2015, and a release of $1.2 million of LC's for completed work commitments.

During the three and nine months ended September 30, 2015, the Company earned floating-rate interest income on the restricted cash deposits under the Facility.

At December 31, 2014 there was an additional $0.3 million of cash collateral posted with respect to corporate credit cards, classified as current. This amount was released during the three months ended September 30, 2015.

NOTE 4 – OTHER ASSETS

	As at	
	September 30, 2015	December 31, 2014
Balance, beginning of period	**240**	-
Deposits with suppliers for long lead items	**83**	1,429
Transfer to E&E and PP&E assets (Notes 5 & 6)	**(273)**	(1,090)
Foreign currency translation	**(16)**	(99)
Balance, end of period	**34**	240

The balance outstanding at September 30, 2015 and December 31, 2014 relates to deposits with suppliers for long-lead items required for the Company's future exploration and development activities.

NOTE 5 – EXPLORATION AND EVALUATION (E&E) ASSETS

	As at	
	September 30, 2015	December 31, 2014
Balance, beginning of period	**62,204**	45,002
Capital expenditures	**9,652**	42,160
Capitalized share-based compensation	**73**	215
Transferred from other assets (Note 4)	**272**	1,090
Change in decommissioning liabilities	**112**	491
Transfer to PP&E	**-**	(13)
E&E expenditures	**(32)**	-
Impairment	**-**	(20,330)
Foreign currency translation	**(14,642)**	(6,411)
Balance, end of period	**57,639**	62,204

General and administrative costs totaling $0.8 million that were directly related to exploration and evaluation activities have been capitalized as exploration and evaluation assets.

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

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

	As at	
	September 30, 2015	December 31, 2014
Cost, beginning of period	**10,717**	10,529
Capital expenditures	**857**	777
Transferred from E&E	**-**	13
Transferred from other assets (Note 4)	**1**	-
Capitalized share-based compensation	**7**	49
Change in decommissioning liabilities	**-**	459
Foreign currency translation	**(2,304)**	(1,110)
Cost, end of period	**9,278**	10,717
Accumulated depletion and depreciation, beginning of period	**(3,228)**	(832)
Depletion and depreciation for the period	**(321)**	(441)
Impairment	**(968)**	(2,261)
Foreign currency translation	**800**	306
Accumulated depletion and depreciation, end of period	**(3,717)**	(3,228)
Net book value, end of period	**5,561**	7,489

General and administrative costs totaling $0.1 million that were directly related to investing activities have been capitalized as property, plant and equipment.

Impairment

As a result of the continued decline in current and forecasted commodity prices, an indication of impairment existed for all cash generating units of the Company as at September 30, 2015 and impairment tests were performed. The Company determined the carrying amount of the Bom Lugar field exceeded the estimated recoverable amount and an impairment loss of $1.0 million was recorded in the consolidated statements of operations and comprehensive loss for the three months ended September 30, 2015.

An estimated recoverable amount of $5.8 million was determined for the Bom Lugar field based on the estimated value in use of this field, computed on discounted future cash flows. The key assumptions used in determining the estimated recoverable amount for purposes of the impairment test were the discount rate, commodity prices, reserve volumes, future capital cost estimates, future well locations and timing of future capital investment. The Company has determined the estimated recoverable amount using the December 31, 2014 reserve report from our external reserves evaluators, updating internally for changes since the 2014 reserve estimates including the decline in forecasted commodity prices and expected lower future development costs.

The recoverable amount is sensitive to production volumes, production expenses and the amount and timing of future capital costs which are based on management's best estimates of future plans as approved by the Board of Directors. The future net cash flows were estimated based on a discount rate of 15%. A decrease to the discount rate of 2% would increase the recoverable amount by $0.9 million. Similarly, an increase to the discount rate of 2% would decrease the recoverable amount by $0.8 million.

In its assessment of commodity prices, the Company used the following assumptions of forecasted oil prices:

Year	Brent ($/bbl)
2016	55.09
2017	73.00
2018	78.00
2019	83.00
2020	84.25
Thereafter - escalated at	1.5%

Future changes to forecasted commodity prices for crude oil could result in additional impairment charges or impairment reversals. An increase or decrease of $5 per barrel in the estimated commodity price would increase or decrease the recoverable amount by $1.3 million, respectively. The Company will continue to update assumptions as appropriate in connection with future impairment analysis.

NOTE 7 – DECOMMISSIONING LIABILITIES

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

	As at	
	September 30, 2015	December 31, 2014
Balance, beginning of period	**3,454**	2,833
Liabilities incurred	**112**	450
Revisions to obligations	**-**	500
Accretion	**56**	94
Foreign currency translation	**(1,182)**	(423)
Balance, end of period	**2,440**	3,454

Total undiscounted cash flows, escalated at 6.5% (December 31, 2014- 6.5%) for inflation, required to settle the Company's decommissioning provision are estimated to be $3.7 million (December 31, 2014 - $5.3 million) and have been discounted using an average risk free rate of 2.5% (December 31, 2014 – 3.0%), which represents an estimated U.S. Treasury bill rate for a period of 20 years (December 31, 2014 – 20 years), the weighted-average remaining years to abandonment.

NOTE 8 – SHARE CAPITAL

a) Authorized

Alvopetro has an unlimited number of common shares authorized for issuance. The Company is also authorized to issue preferred shares in one or more series.

b) Issued and Outstanding Common Shares

	Number of Shares	Amount ($000s)
Balance as at September 30, 2015 and December 31, 2014	**85,166,871**	**$ 151,937**

c) Options to Purchase Common Shares

Alvopetro has a stock option plan whereby the Company may grant stock options to its directors, officers, employees and consultants. The plan allows for the issuance of up to ten percent of the outstanding common shares of the Company. The exercise price of each option is not less than the volume weighted five-day average price of the Company's common shares on the TSX Venture Exchange prior to the date of grant. Stock option terms are determined by the Company's Board of Directors but typically, options granted vest over a period of three years from the date of grant and expire five years from the date of grant. The options outstanding at September 30, 2015 are as follows:

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

	Number of Options	Weighted Average Exercise Price (CAD $)
Balance as at December 31, 2014	4,567,436	0.82
Granted	861,000	0.45
Forfeited	(27,500)	0.85
Outstanding at September 30, 2015	**5,400,936**	**0.76**

	Options Outstanding at September 30, 2015			Options Exercisable at September 30, 2015		
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$0.38 - $0.50	2,283,500	0.42	4.31	-	-	-
CAD$0.51 - $1.00	40,000	0.57	4.06	-	-	-
CAD$1.01 - $1.24	3,077,436	1.02	3.23	1,538,719	1.02	3.23
CAD$0.38 - $1.24	**5,400,936**	**0.76**	**3.69**	**1,538,719**	**1.02**	**3.23**

d) Share-Based Compensation

The fair value of the stock options granted under the Alvopetro stock option plan for the three and nine months ended September 30, 2015 has been estimated on the grant date using the Black-Scholes option pricing model. Weighted average assumptions and resultant fair values for stock options granted are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
Risk free interest rate (%)	**0.58**	1.31	**0.48**	1.31
Expected term (years)	**4.00**	4.00	**2.25**	4.00
Expected volatility (%)	**50.00**	50.00	**50.00**	50.00
Dividend per share (%)	**-**	-	**-**	-
Forfeiture rate (%)	**5.00**	5.00	**5.00**	5.00
Weighted average fair value (CAD$)	**0.16**	0.50	**0.13**	0.51

Total share-based compensation of $0.1 million and $0.3 million respectively was computed for the three and nine months ended September 30, 2015 (September 30, 2014 - $0.2 million and $0.7 million) related to the Alvopetro stock option plan. Of this amount, approximately $0.03 million and $0.08 million, respectively (September 30, 2014 - $0.1 million and $0.2 million) was capitalized to exploration and evaluation assets and property, plant and equipment, for the three and nine months ended September 30, 2015. The remainder is recognized as share-based compensation expense on the consolidated statements of operations and comprehensive loss.

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

e) Net Loss Per Share Attributable to Common Shareholders

Net loss per share is calculated by dividing net loss by the weighted average number of common shares outstanding during the applicable period. The following table provides the number of shares used in the basic and diluted per share computations:

	Three and nine months ended September 30,	
	2015	2014
Weighted average common shares outstanding, basic and diluted	**85,166,871**	85,166,871

In determination of the weighted average number of diluted common shares outstanding for the three and nine months ended September 30, 2015 and 2014, all stock options were excluded because the effect would be anti-dilutive.

NOTE 9 – CAPITAL MANAGEMENT

The Company's capital consists of the following:

	As at	
	September 30, 2015	**December 31, 2014**
Working capital, including current restricted cash	**32,150**	35,844
Non-current restricted cash	**-**	9,749
Shareholders' equity	**89,489**	107,825

Alvopetro manages its capital to support the Company's strategic growth objectives and maintain financial capacity and flexibility for the purpose of funding the Company's exploration and development activities.

The Company considers its capital structure to include working capital (including current restricted cash), non-current restricted cash, and shareholders' equity. At September 30, 2015, the Company's net working capital surplus of $32.2 million (December 31, 2014 - $35.8 million), included $32.4 million (December 31, 2014 - $40.9 million) of cash and $2.3 million (December 31, 2014 - $3.4 million) of current restricted cash.

The Company's current portion of restricted cash of $2.3 million represents cash collateral pledged for letters of credit expiring within the next twelve months associated with work commitments in Brazil. At September 30, 2015, the Company held no non-current restricted cash (December 31, 2014 - $9.7 million).

Alvopetro has the ability to adjust its capital structure by issuing new equity or debt and making adjustments to its capital expenditure program, other than with respect to work commitments. The Company considers its capital structure at this time to include shareholders' equity of $89.5 million (December 31, 2014 - $107.8 million). In the event that adjustments to the capital structure are necessary, the Company may consider monetizing assets, issuing additional equity, farming out prospects, raising debt or revising its capital investment programs.

The Company has not paid or declared any dividends since the date of incorporation.

NOTE 10 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, restricted cash, trade and other receivables and accounts payable and accrued liabilities. The nature of Alvopetro's operations exposes the Company to credit risk, liquidity risk, and market risk. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management.

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

Fair Value of Financial Instruments

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment that may affect the placement within the fair value hierarchy level. Due to the short-term nature of accounts receivable and accounts payable and accrued liabilities, their carrying value approximates their fair value. The carrying values and respective fair values of Alvopetro's financial instruments at September 30, 2015 is set forth in the table below. The Company does not currently have any fair value measurements classified as Level 2 or Level 3.

	September 30, 2015		December 31, 2014	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Carried at fair value through profit or loss				
Cash and cash equivalents[(1)]	**32,365**	**32,365**	40,920	40,920
Restricted cash – current and non-current[(1)(2)]	**2,288**	**2,288**	13,122	13,122
	34,653	**34,653**	54,042	54,042
Carried at cost or amortized cost				
Trade and other receivables	**124**	**124**	154	154
Accounts payable and accrued liabilities	**(2,898)**	**(2,898)**	(9,031)	(9,031)
	(2,774)	**(2,774)**	(8,877)	(8,877)

(1) Level 1
(2) Restricted cash balances include amounts pledged as collateral for work commitments (Note 3).

Risks Associated with Financial Assets and Liabilities

The nature of Alvopetro's operations exposes the Company to credit risk, foreign currency risk, commodity price risk, interest rate risk, and liquidity risk. The Company has several practices and policies in place to help mitigate these risks. A description of the nature and extent of risks arising from the Company's financial instruments can be found in the notes to the audited consolidated financial statements for the year ended December 31, 2014 and there has been no significant change to the Company's exposure to these risks. The following financial instruments were denominated in currencies other than U.S. dollars as at September 30, 2015:

	As at			
	September 30, 2015		December 31, 2014	
	CAD (000's)	**BRL (000's)**	CAD (000's)	BRL (000's)
Cash and cash equivalents	**624**	**2,154**	1,540	708
Restricted cash – current	**-**	**-**	354	-
Trade and other receivables	**4**	**480**	5	366
Accounts payable and accrued liabilities	**(104)**	**(9,792)**	(104)	(22,875)
Net exposure in foreign currency	**524**	**(7,158)**	1,795	(21,801)
Net exposure in USD equivalent ($000s)	**393**	**(1,802)**	1,547	(8,209)

The Company had no forward exchange rate contracts in place as at or during the periods ended September 30, 2015 or December 31, 2014.

NOTE 11 – CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended September 30,		**Nine months ended September 30,**	
Change in:	**2015**	2014	**2015**	2014
Trade and other receivables	**(11)**	72	**(21)**	(48)
Prepaid expenditures	**58**	125	**52**	(62)
Accounts payable and accrued liabilities	**(1,839)**	5,086	**(4,018)**	5,256
	(1,792)	5,283	**(3,987)**	5,146
Changes relating to:				
Operating activities	**(974)**	172	**(889)**	(23)
Investing activities	**(818)**	5,111	**(3,098)**	5,169
	(1,792)	5,283	**(3,987)**	5,146

NOTE 12 – RELATED PARTY TRANSACTIONS

Alvopetro is party to non-material office-related administrative transactions with Touchstone Exploration Inc. ("Touchstone"), a related party of the Company due to common directors. These transactions include administrative consulting fees and office sub-lease expenses charged to Alvopetro, summarized as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
	2015	**2014**	**2015**	2014
Office rent and related costs	**50**	57	**151**	170
Administrative consulting fees	**-**	-	**-**	7
Total	**50**	57	**151**	177

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

As at September 30, 2015 and December 31, 2014 the amount owed by the Company to Touchstone was $nil.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The following is a summary of contractual commitments as at September 30, 2015:

Commitments	< 1 Year	1-3 Years	Thereafter	Total
Minimum commitments(1)				
Block 182**(2)**	766	-	-	766
Block 183	-	839	-	839
Block 170	755	-	-	755
Block 106	287	-	-	287
Block 107	1,913	-	-	1,913
Block 177	1,810	-	-	1,810
Block 169	-	957	-	957
Block 198	-	957	-	957
Block 255	-	1,145	-	1,145
Block 256	-	254	-	254
Bom Lugar	-	-	88	88
Jiribatuba	-	-	88	88
Aracaju	-	-	63	63
Total minimum commitments(3)	**5,531**	**4,152**	**239**	**9,922**
Office leases(4)	**178**	**76**	**-**	**254**
Total commitments	**5,709**	**4,228**	**239**	**10,176**

Notes:

(1) Under the terms of the ANP concession contracts for each of our exploration blocks, the Company has commitments which must be completed prior to the applicable phase expiry date. The Company is required to post a performance guarantee with the ANP for all commitments in the table above. The performance guarantee associated with Block 196 has been included in accounts payable and accrued liabilities as at September 30, 2015 and is therefore excluded from the table above.

(2) The Company completed drilling the first well on Block 182, which, subject to ANP approval, fulfils the commitment included in the table above.

(3) Subsequent to September 30, 2015, in partnership with ENGIE (GDF SUEZ E&P Brasil Participações Limitada), Alvopetro was awarded four additional blocks in the Recôncavo Basin in Brazil's 13th Bid Round (Blocks 57, 62, 71, and 145). Alvopetro will operate these four additional blocks and hold a 65% participating interest in each block with the remaining 35% held by ENGIE. Alvopetro's share of the commitments for these blocks is approximately $0.8 million.

(4) The Company is committed to future minimum payments for office space in Canada and Brazil. In Brazil, the Company is required to provide a guarantee for certain office rental payments. The total amount of the guarantee provided as at September 30, 2015 was approximately $0.1 million.

As is customary in the oil and gas industry, we may at times have work plans in place to reserve or earn certain acreage positions or wells. If we do not complete such work plans in a timely manner, the acreage positions or wells may be lost, or penalties may be applied.

Alvopetro's activities in Brazil are subject to minimum local content requirements with respect to materials and supplies utilized. The specific local content requirements for the exploration phase were determined during the bidding process for each particular block and are assessed at the phase expiry date. Management undertakes considerable effort to adhere to these requirements; however, there may be circumstances when it is not advantageous or reasonably possible for the Company to do so. If the Company does not meet the local content requirements for a particular phase as specified according to the respective concession contract, a fine, which varies by concession depending on exploration phase and type of cost, will be incurred. The Company is continually monitoring its local content compliance and actual or potential fines and, as of September 30, 2015, the potential estimated fine of $0.1 million (December 31, 2014 - $0.1 million), is included in accounts payable and accrued liabilities in the consolidated statement of financial position.

NOTE 14 – SUBSEQUENT EVENT

On October 1, 2015, Alvopetro agreed to sell 100% of its Aracaju mature field in exchange for cash proceeds of $1 and a release of all future liabilities associated with this field, including the future abandonment obligations. The disposition has an effective date of October 1, 2015. The transaction will close on the date the ANP approves the transfer. During the period from October 1, 2015 until the date the transfer is approved by the ANP, Alvopetro will continue to operate the Aracaju field; however, any associated operating costs (net of any revenues received) will be reimbursed by the purchaser.