

ALVOPETRO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
As at and Three and Nine Months Ended September 30, 2025



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

(Unaudited, thousands of United States dollars)

	Note	September 30, 2025	December 31, 2024
ASSETS			
Current			
Cash and cash equivalents		12,081	21,697
Trade and other receivables		5,396	4,356
Prepaid expenditures		525	931
Assets held for sale	4	580	-
Total current assets		18,582	26,984
Exploration and evaluation assets	5	17,959	14,640
Property, plant and equipment	6	77,691	52,985
Right-of-use assets	7	5,886	5,623
Deferred tax asset		128	791
Non-current assets		101,664	74,039
Total assets		120,246	101,023
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		10,947	9,217
Dividend payable	9	3,673	3,283
Lease liabilities	7	1,173	1,069
Decommissioning liabilities	8	283	234
Liabilities held for sale	4	297	-
Total current liabilities		16,373	13,803
Lease liabilities	7	6,090	6,794
Decommissioning liabilities	8	1,211	1,064
Total liabilities		23,674	21,661
Shareholders' equity			
Share capital	9	43,656	43,269
Contributed surplus		53,881	53,423
Retained earnings		42,396	36,229
Accumulated other comprehensive loss		(43,361)	(53,559)
Total shareholders' equity		96,572	79,362
Total liabilities and shareholders' equity		120,246	101,023

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 September 30,		Nine Months Ended September 30,	
	Note	2025	2024	2025	2024
Revenue					
Natural gas, oil and condensate sales	10	14,175	12,879	42,198	35,303
Royalties	2	(763)	(367)	(3,095)	(966)
Net natural gas, oil and condensate revenue		13,412	12,512	39,103	34,337
Other income	11	645	455	1,466	1,297
		14,057	12,967	40,569	35,634
Expenses					
Production	11	1,314	1,043	3,671	3,094
Transportation		48	-	79	-
General and administrative	11	1,582	1,572	4,573	4,565
Depletion and depreciation	6,7	3,559	2,020	9,517	5,568
Impairment	5,6	1,859	-	1,865	91
Finance expenses	11	357	361	1,184	1,115
Share-based compensation		273	283	927	885
Exploration & evaluation expenditures		-	-	-	96
(Gain) loss on disposition of assets		-	(50)	4	(50)
Foreign exchange (gains) losses		(302)	(616)	(1,571)	3,758
Total expenses		8,690	4,613	20,249	19,122
Income before taxes		5,367	8,354	20,320	16,512
Income tax					
Current		714	503	2,054	1,606
Deferred		40	699	753	854
Total		754	1,202	2,807	2,460
Net income		4,613	7,152	17,513	14,052
Exchange gain (loss) on translation of foreign operations		2,094	1,124	10,198	(5,513)
Comprehensive income		6,707	8,276	27,711	8,539
Net income per share					
	9				
Basic		0.12	0.19	0.47	0.38
Diluted		0.12	0.19	0.46	0.37

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, 2024		43,269	53,423	36,229	(53,559)	79,362
Issue of common shares	9	573	(573)	-	-	-
Share-based compensation		-	1,031	-	-	1,031
Net income		-	-	17,513	-	17,513
Other comprehensive gain		-	-	-	10,198	10,198
Dividends declared	9	-	-	(10,976)	-	(10,976)
Shares repurchased	9	(186)	-	(370)	-	(556)
Balance, September 30, 2025		43,656	53,881	42,396	(43,361)	96,572
Balance, December 31, 2023		43,461	52,235	33,570	(41,058)	88,208
Issue of common shares	9	8	(8)	-	-	-
Share-based compensation		-	850	-	-	850
Net income		-	-	14,052	-	14,052
Other comprehensive loss		-	-	-	(5,513)	(5,513)
Dividends declared	9	-	-	(9,887)	-	(9,887)
Share restructuring		(75)	-	(176)	-	(251)
Balance, September 30, 2024		43,394	53,077	37,559	(46,571)	87,459

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 September 30,		Nine Months Ended September 30,	
	Note	2025	2024	2025	2024
Operating Activities					
Net income		4,613	7,152	17,513	14,052
Adjustments:					
Depletion and depreciation	6,7	3,559	2,020	9,517	5,568
Impairment	5,6	1,859	-	1,865	91
Finance expenses	11	328	361	1,030	1,115
Share-based compensation		273	283	927	885
(Gain) loss on disposition of assets		-	(50)	4	(50)
Foreign exchange		(224)	(579)	(1,573)	3,794
Deferred tax		40	699	753	854
Funds flow from operations		10,448	9,886	30,036	26,309
Changes in non-cash working capital	14	1,705	828	1,407	1,478
		12,153	10,714	31,443	27,787
Financing Activities					
Dividends paid	9	(3,660)	(3,296)	(10,586)	(11,719)
Issue of common shares	9	-	-	-	-
Repurchase of common shares	9	(32)	(251)	(556)	(251)
Lease liabilities payments	7	(568)	(573)	(1,692)	(1,707)
Changes in non-cash working capital	14	(1)	-	(106)	(35)
		(4,261)	(4,120)	(12,940)	(13,712)
Investing Activities					
Expenditures on exploration and evaluation assets	5	(635)	(370)	(3,254)	(947)
Expenditures on property, plant and equipment	6	(10,614)	(4,377)	(25,356)	(9,676)
Proceeds on disposition		209	147	217	351
Change in restricted cash		-	-	-	(3)
Changes in non-cash working capital	14	649	2,705	99	3,265
		(10,391)	(1,895)	(28,294)	(7,010)
Change in cash and cash equivalents		(2,499)	4,699	(9,791)	7,065
Effect of foreign exchange on cash balances		(421)	135	175	(876)
Cash and cash equivalents, beginning of period		15,001	19,681	21,697	18,326
Cash and cash equivalents, end of period		12,081	24,515	12,081	24,515
Cash and cash equivalents consist of:					
Cash		4,821	1,856	4,821	1,856
Cash equivalents		7,260	22,659	7,260	22,659
Supplemental information:					
Cash income taxes paid		770	454	1,883	1,803
Cash interest income received		292	322	866	961

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 and nine months ended September 30, 2025 and 2024

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

NOTE 1 – NATURE OF OPERATIONS

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 PREPARATION

Basis of Measurement and Statement of Compliance

The interim condensed consolidated financial statements as at September 30, 2025 and December 31, 2024 and for the three and nine months ended September 30, 2025 and September 30, 2024 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, 2024. 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, 2024.

The interim condensed consolidated financial statements are presented in U.S dollars (“USD”) which is the parent Company’s functional currency.

These interim condensed consolidated financial statements were authorized for issuance by the Company’s Board of Directors on November 5, 2025.

Use of Judgments, Estimates and Assumptions

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, 2024. Actual results may differ from estimated amounts and those differences may be material.

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 had expected to successfully defend its position however, the dispute resolution procedures advanced the matter to arbitration under the rules of the International Chamber of Commerce (“ICC”) and in April 2025 the arbitral tribunal found in favour of the GORR holders, requiring Alvopetro to utilize a higher sales price in the computation of the GORR. The amount recorded for historical periods up to December 31, 2024, as well as the ongoing GORR calculations for the three and nine months ended September 30, 2025 represent management’s best estimates however the actual calculation will be determined by the tribunal which 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.

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

As at and for the three and nine months ended September 30, 2025 and 2024

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NOTE 3 – SEGMENTED INFORMATION

As at September 30, 2025 Alvopetro had two reportable operating segments which are consistent with the Company's geographic organization: 1) exploration, development and production assets in Brazil; and 2) development assets in Canada.

	As at and Three Months Ended September 30,							
	Brazil		Canada		Corporate		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
Operating netbacks:								
Natural gas, oil and condensate sales	13,544	12,879	631	-	-	-	14,175	12,879
Royalties	(664)	(367)	(99)	-	-	-	(763)	(367)
Production expenses	(1,259)	(1,043)	(55)	-	-	-	(1,314)	(1,043)
Transportation costs	-	-	(48)	-	-	-	(48)	-
Total	11,621	11,469	429	-	-	-	12,050	11,469
Other income	375	134	-	-	270	321	645	455
Finance expenses	348	359	1	-	8	2	357	361
Depletion and depreciation	3,192	1,986	326	-	41	34	3,559	2,020
Impairment	1,859	-	-	-	-	-	1,859	-
Income tax expense	754	1,202	-	-	-	-	754	1,202
Net income (loss)	5,401	6,662	77	-	(865)	490	4,613	7,152
Property, plant & equipment	73,458	59,268	3,807	-	426	70	77,691	59,338
Capital expenditures	9,693	4,739	1,515	-	41	8	11,249	4,747

	As at and Nine Months Ended September 30,							
	Brazil		Canada		Corporate		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
Operating netbacks:								
Natural gas, oil and condensate sales	40,977	35,303	1,221	-	-	-	42,198	35,303
Royalties	(2,900)	(966)	(195)	-	-	-	(3,095)	(966)
Production expenses	(3,556)	(3,094)	(115)	-	-	-	(3,671)	(3,094)
Transportation costs	-	-	(79)	-	-	-	(79)	-
Total	34,521	31,243	832	-	-	-	35,353	31,243
Other income	671	442	-	-	795	855	1,466	1,297
Finance expenses	1,171	1,110	1	-	12	5	1,184	1,115
Depletion and depreciation	8,892	5,478	521	-	104	90	9,517	5,568
Impairment	1,865	91	-	-	-	-	1,865	91
Income tax expense	2,807	2,460	-	-	-	-	2,807	2,460
Net income (loss)	19,950	18,791	161	-	(2,598)	(4,739)	17,513	14,052
Property, plant & equipment	73,458	59,268	3,807	-	426	70	77,691	59,338
Capital expenditures	24,025	10,609	4,246	-	339	14	28,610	10,623

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

As at and for the three and nine months ended September 30, 2025 and 2024

*Unaudited, all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted***NOTE 4 – ASSETS & LIABILITIES HELD FOR SALE**

	As at	
	September 30, 2025	December 31, 2024
Assets		
Balance, beginning of period	-	-
Transfer from PP&E (Note 6)	580	-
Balance, end of period	580	-
Liabilities		
Balance, beginning of period	-	-
Transfer from Decommissioning Liabilities (Note 8)	297	-
Balance, end of period	297	-

During the nine months ended September 30, 2025, Alvopetro entered into an assignment agreement to dispose of its interests in the Bom Lugar and Mãe da Lua oil fields in Brazil. The carrying value of these properties was reduced to the recoverable amount prior to the transfer from property, plant and equipment ("PP&E"). The purchaser will assume all decommissioning obligations related to these properties upon closing, which is contingent on customary regulatory approvals.

NOTE 5 – EXPLORATION AND EVALUATION ASSETS

	As at	
	September 30, 2025	December 31, 2024
Balance, beginning of period	14,640	13,785
Capital expenditures	3,254	4,361
Capitalized share-based compensation	9	40
Change in decommissioning liabilities	-	39
Transfer to PP&E (Note 6)	(1,949)	(238)
Asset dispositions & other transfers	(231)	(325)
Impairment	(6)	(91)
Foreign currency translation	2,242	(2,931)
Balance, end of period	17,959	14,640

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

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

As at and for the three and nine months ended September 30, 2025 and 2024

*Unaudited, 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**

	As at	
	September 30, 2025	December 31, 2024
Cost, beginning of period	79,327	86,766
Capital expenditures	25,356	10,944
Capitalized share-based compensation	191	127
Transfer from E&E assets (Note 5)	1,949	238
Change in decommissioning liabilities	177	286
Transfer to Assets Held for Sale (Note 4)	(2,431)	-
Other dispositions	-	(97)
Foreign currency translation	13,684	(18,937)
Cost, end of period	118,253	79,327
Accumulated depletion, depreciation and impairment, beginning of period	(26,342)	(26,954)
Depletion and depreciation	(8,631)	(6,406)
Impairment	(1,859)	-
Transfer to Assets Held for Sale (Note 4)	1,851	-
Foreign currency translation	(5,581)	7,018
Accumulated depletion, depreciation and impairment, end of period	(40,562)	(26,342)
Net book value, end of period	77,691	52,985

Impairment for the nine months ended September 30, 2025 relates to the Company's Bom Lugar and Mãe da Lua assets which were transferred to held for sale (note 4). Prior to transfer the carrying values of these properties were reduced to the recoverable amounts, based on the estimated disposal proceeds, resulting in impairment expense of \$1.9 million.

There were no indications of impairment or impairment reversal on any other properties held in PP&E as at and during the nine months ended September 30, 2025.

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	
	September 30, 2025	December 31, 2024
Net book value, beginning of period	5,623	8,240
Additions	147	114
Depreciation	(886)	(1,186)
Foreign currency translation	1,002	(1,545)
Net book value, end of period	5,886	5,623

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

As at and for the three and nine months ended September 30, 2025 and 2024

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

Net Book Value by Asset Class		
Natural gas facility	5,709	5,515
Office space	139	64
Surface land access	38	44
Total net book value	5,886	5,623

The Company's lease liabilities are as follows:

	As at	
	September 30, 2025	December 31, 2024
Lease liabilities, beginning of period	7,863	8,681
Additions	147	114
Finance expense	936	1,370
Lease payments	(1,692)	(2,278)
Foreign currency translation	9	(24)
Lease liabilities, end of period	7,263	7,863
Current	1,173	1,069
Non-current	6,090	6,794
Total	7,263	7,863

NOTE 8 – DECOMMISSIONING LIABILITIES

The decommissioning liabilities were 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	
	September 30, 2025	December 31, 2024
Balance, beginning of period	1,298	1,147
Liabilities incurred	177	128
Revisions to obligations	-	197
Accretion	94	100
Transfer to Assets Held for Sale (Note 4)	(297)	-
Foreign currency translation	222	(274)
Balance, end of period	1,494	1,298
Current	283	234
Non-current	1,211	1,064
Total	1,494	1,298

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

As at and for the three and nine months ended September 30, 2025 and 2024

*Unaudited, all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted***NOTE 9 – SHARE CAPITAL****a) Issued and Outstanding Common Shares**

	Number of Shares	Amount (\$000s)
Balance as at December 31, 2023	36,617,940	43,461
Exercise of stock options	44,956	32
Repurchase and cancellation of shares	(189,000)	(224)
Balance as at December 31, 2024	36,473,896	43,269
Exercise of stock options	58,570	20
Exercise of Restricted Share Units and Deferred Share Units	350,631	553
Repurchase and cancellation of shares	(151,000)	(186)
Balance as at September 30, 2025	36,732,097	43,656

Alvopetro's normal course issuer bid was valid from August 13, 2025 to its expiry on August 12, 2025, pursuant to which 151,000 common shares were repurchased and subsequently cancelled during the nine months ended September 30, 2025.

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, 2023	1,801,440	6.07
Granted	352,000	4.75
Exercised	(77,777)	2.31
Forfeited	(66,000)	7.52
Expired	(5,555)	2.25
Balance as at December 31, 2024	2,004,108	5.95
Granted	50,000	5.58
Exercised	(94,444)	2.46
Forfeited	(90,000)	6.85
Balance as at September 30, 2025	1,869,664	6.07
Percentage of common shares outstanding	5.1%	

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

As at and for the three and nine months ended September 30, 2025 and 2024

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

Options Outstanding at September 30, 2025				Options Exercisable at September 30, 2025		
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	0.9	196,665	2.43	0.9
CAD\$4.00 - \$5.99	636,666	4.85	2.9	260,666	4.84	1.1
CAD\$6.00 - \$7.99	479,333	6.94	2.2	198,671	6.92	2.2
CAD\$8.00 - \$8.01	557,000	8.01	3.1	125,999	8.01	3.1
CAD\$2.40 - \$8.01	1,869,664	6.07	2.6	782,001	5.27	1.7

c) Restricted Share Units and Deferred Share Units

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

	Number of RSUs & DSUs
Balance as at December 31, 2023	881,541
Granted	355,039
Balance as at December 31, 2024	1,236,580
Granted	80,551
Exercised	(350,631)
Forfeited	(21,549)
Balance at September 30, 2025	944,951
Percentage of common shares outstanding	2.6%
Weighted average remaining contractual life (years)	3.5

d) Share-Based Compensation

The fair value of the RSUs and DSUs is estimated based on the share price on the grant date. The fair value of the stock options is estimated on the grant date using the Black-Scholes option pricing model. Weighted average assumptions and resultant fair values for stock options granted were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Risk free interest rate (%)	3.3	-	3.0	3.5
Expected term (years)	4.0	-	4.0	4.0
Expected volatility (%)	30.0	-	30.0	30.0
Expected annual dividend per share (CAD\$)	0.55	-	0.56	0.49
Forfeiture rate (%)	7.5	-	7.5	7.5
Weighted average fair value (CAD\$)	0.59	-	0.51	0.40

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

As at and for the three and nine months ended September 30, 2025 and 2024

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

Share-based compensation that was directly related to exploration and evaluation assets and property, plant and equipment has been capitalized with the remainder recognized as share-based compensation expense on the consolidated statements of operations and comprehensive income.

e) 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. The following reconciles the number of shares used in the basic and diluted net earnings per share calculations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Weighted average basic	37,262,737	37,300,451	37,273,022	37,286,262
Dilutive securities				
Stock options	177,454	88,766	144,521	144,089
RSUs	410,841	272,439	383,576	240,962
Weighted average diluted	37,851,032	37,661,656	37,801,119	37,671,313

f) Dividends

Dividends declared and paid were as follows:

		Nine Months Ended September 30, 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	3,643	April 15, 2025
Three months ended June 30, 2025	0.10	3,660	3,660	July 15, 2025
Three months ended September 30, 2025	0.10	3,673	-	October 15, 2025
Total		10,976	10,586	

		Nine Months Ended September 30, 2024		
Period Declared	Dividend per share (\$)	Total Declared	Total Paid	Date Paid
Three months ended December 31, 2023	0.14	-	5,127	January 15, 2024
Three months ended March 31, 2024	0.09	3,296	3,296	April 15, 2024
Three months ended June 30, 2024	0.09	3,296	3,296	July 15, 2024
Three months ended September 30, 2024	0.09	3,295	-	October 15, 2024
Total		9,887	11,719	

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.

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

As at and for the three and nine months ended September 30, 2025 and 2024

*Unaudited, all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted***NOTE 10 – REVENUE FROM CONTRACTS WITH CUSTOMERS**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Natural gas	12,489	12,044	38,021	33,053
Condensate	1,003	757	2,828	2,021
Oil	683	78	1,349	229
Total	14,175	12,879	42,198	35,303

For the nine months ended September 30, 2025, natural gas revenue from Brazil represented 90% of total revenue 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. Payments for condensate are often made in advance of shipment. For the nine months ended September 30, 2025 natural gas sales revenue has been collected within the timing expected and there is no indication of potential collection issues with Bahiagás, the local distribution company in the state of Bahia in Brazil and sole customer of the Company's Brazil natural gas production. Amounts receivable from contracts with customers by commodity are as follows:

	As at	
	September 30, 2025	December 31, 2024
Natural gas	4,621	3,720
Oil	259	19
Total	4,880	3,739

NOTE 11 – NATURE OF OTHER INCOME AND EXPENSES**a) Other Income**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Interest income	278	320	803	941
Tax recoveries from operations & other	367	135	663	356
Total	645	455	1,466	1,297

b) Production Expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Personnel	321	232	1,023	543
Facility and infrastructure costs	426	401	1,237	1,272
Other fixed	253	290	693	764
Variable	314	120	711	388
Workover	-	-	7	127
Total	1,314	1,043	3,671	3,094

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

As at and for the three and nine months ended September 30, 2025 and 2024

*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		Nine Months Ended	
	September 30,		September 30,	
	2025	2024	2025	2024
Personnel	1,135	1,028	3,173	2,833
Travel	41	45	120	115
Office and IT	92	89	265	230
Professional fees	278	346	728	798
General corporate	465	383	1,460	1,439
Gross G&A expenses	2,011	1,891	5,746	5,415
Capitalized to E&E	-	(44)	(41)	(60)
Capitalized to PP&E	(429)	(275)	(1,132)	(790)
Net G&A expenses	1,582	1,572	4,573	4,565

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2025	2024	2025	2024
Lease interest (Note 7)	307	336	936	1,040
Accretion of decommissioning liabilities (Note 8)	21	25	94	75
Other	29	-	154	-
Total finance expenses	357	361	1,184	1,115

NOTE 12 – CAPITAL MANAGEMENT

The Company’s capital consists of the following:

	As at	
	September 30, 2025	December 31, 2024
Cash and cash equivalents	12,081	21,697
Working capital deficit, excluding cash and cash equivalents	(9,872)	(8,516)
Working capital ⁽¹⁾	2,209	13,181
Lease liabilities – non-current	(6,090)	(6,794)
Shareholders’ equity	96,572	79,362

(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 dividend and capital programs to the extent the capital expenditures are not committed. There are no external restrictions on how the Company manages its capital.

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

As at and for the three and nine months ended September 30, 2025 and 2024

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

NOTE 13 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT*Foreign Currency Risk*

Alvopetro's gas sales agreement is exposed to fluctuations in the USD to the BRL as the natural gas price, although benchmarked to USD, is set quarterly 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 September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Increase (decrease) to natural gas revenues from:				
5% Appreciation of BRL to USD	713	634	2,157	1,740
10% Appreciation of BRL to USD	1,505	1,338	4,553	3,673
5% Depreciation of BRL to USD	(645)	(574)	(1,951)	(1,574)
10% Depreciation of BRL to USD	(1,231)	(1,095)	(3,725)	(3,005)

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			
	September 30, 2025		December 31, 2024	
	CAD\$ (000's)	BRL (000's)	CAD\$ (000's)	BRL (000's)
Cash and cash equivalents	259	23,477	461	20,527
Trade and other receivables	446	26,917	71	26,228
Accounts payable and accrued liabilities	(1,491)	(49,560)	(1,864)	(43,248)
Net exposure in foreign currency	(786)	834	(1,332)	3,507
Net exposure in USD (\$000s)	(565)	157	(926)	566

In addition, the Company's receivable from its Brazilian subsidiary is considered to be an investment that is not permanent in nature. As a result, the Brazilian subsidiary recorded a foreign exchange gain of \$0.5 million recognized in the Company's net income for the nine months ended September 30, 2025 (September 30, 2024 – \$2.9 million loss) related to the change in the BRL to USD exchange rate on this intercompany balance. An additional foreign exchange gain of \$1.1 million from the Brazilian subsidiary is recognized in net income for the nine months ended September 30, 2025 (September 30, 2024 – \$1.0 million loss) relating to the USD-denominated lease liability on the natural gas facility.

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

As at and for the three and nine months ended September 30, 2025 and 2024

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

Given the short term to maturity of the Company's current financial assets and liabilities the carrying values approximate their fair values.

NOTE 14 – CHANGES IN NON-CASH WORKING CAPITAL

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Change in:				
Trade and other receivables	1,953	(98)	(39)	1,068
Prepaid expenditures	(7)	145	420	190
Accounts payable and accrued liabilities	407	3,486	1,019	3,450
	2,353	3,533	1,400	4,708
Changes relating to:				
Operating activities	1,705	828	1,407	1,478
Financing activities	(1)	-	(106)	(35)
Investing activities	649	2,705	99	3,265
	2,353	3,533	1,400	4,708