

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

(Unaudited, thousands of United States dollars)

	Note	March 31, 2015	December 31, 2014
ASSETS			
Current			
Cash and cash equivalents		36,658	40,920
Restricted cash	3	4,875	3,373
Trade and other receivables		141	154
Prepaid expenditures		375	428
Total current assets		42,049	44,875
Restricted cash	3	8,222	9,749
Other assets	4	13	240
Exploration and evaluation assets	5	56,670	62,204
Property, plant and equipment	6	6,880	7,489
Non-current assets		71,785	79,682
Total assets		113,834	124,557
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		6,552	9,031
		6,552	9,031
Deferred tax liability		4,738	4,247
Decommissioning liabilities	7	2,877	3,454
		14,167	16,732
Shareholders' equity			
Share capital	8	151,937	151,937
Contributed surplus		1,087	975
Deficit		(36,951)	(35,388)
Accumulated other comprehensive loss		(16,406)	(9,699)
Total shareholders' equity		99,667	107,825
Total liabilities and shareholders' equity		113,834	124,557

Commitments and contingencies (Note 13)

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)

		Three Months Ended March 31,	
	Note	2015	2014
Revenue			
Oil sales		172	314
Royalties and production taxes		(15)	(34)
Oil revenue		157	280
Other income		31	152
Total revenue and other income		188	432
Expenses			
Production		248	324
Transportation		16	11
General and administrative		1,281	1,104
Depletion and depreciation	6	116	91
Accretion of decommissioning liabilities	7	19	23
Share-based compensation	8	89	162
Foreign exchange loss		248	2,534
Total expenses		2,017	4,249
Loss before taxes and non-controlling interest		(1,829)	(3,817)
Income tax (recovery) expense		(266)	204
Net loss		(1,563)	(4,021)
Exchange (loss) gain on translation of foreign operations		(6,707)	996
Comprehensive loss		(8,270)	(3,025)
Net loss per share			
	8		
Basic		(0.02)	(0.05)
Diluted		(0.02)	(0.05)

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)

		Three Months Ended March 31,	
	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	89	162
Share-based compensation capitalized	8	23	61
Balance, end of period		1,087	297
Deficit			
Balance, beginning of period		(35,388)	(3,679)
Net loss		(1,563)	(4,021)
Balance, end of period		(36,951)	(7,700)
Accumulated Other Comprehensive (Loss) Gain			
Balance, beginning of period		(9,699)	(1,750)
Other comprehensive (loss) gain		(6,707)	996
Balance, end of period		(16,406)	(754)

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)

		Three Months Ended March 31,	
	Note	2015	2014
Operating Activities			
Net loss		(1,563)	(4,021)
Adjustments for non-cash items:			
Depletion and depreciation	6	116	91
Accretion of decommissioning liability	7	19	23
Share-based compensation	8	89	162
Deferred tax		(266)	191
Unrealized foreign exchange loss		248	538
		(1,357)	(3,016)
Changes in non-cash working capital	11	(525)	184
		(1,882)	(2,832)
Investing Activities			
Expenditures on exploration and evaluation assets	5	(1,027)	(7,080)
Expenditures on property, plant and equipment	6	(262)	(291)
Expenditures on other assets	4	(65)	-
Change in restricted cash	3	-	(27,309)
Changes in non-cash working capital	11	(604)	2,234
		(1,958)	(32,446)
Change in cash and cash equivalents		(3,840)	(35,278)
Effect of foreign exchange on cash balances		(422)	(585)
Cash and cash equivalents, beginning of period		40,920	100,268
Cash and cash equivalents, end of period		36,658	64,405
Cash and cash equivalents consist of:			
Cash		25,166	64,405
Cash equivalents		11,492	-
Supplemental information:			
Cash income taxes paid		5	13
Cash interest income received		11	195

See accompanying notes to these interim condensed consolidated financial statements.

ALVOPETRO ENERGY LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2015

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 March 31, 2015 and December 31, 2014 and for the three months ended March 31, 2015 and March 31, 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.

These interim condensed consolidated financial statements were authorized for issuance by the Company’s Board of Directors on May 25, 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. All restricted cash and the majority of the cash and cash equivalents are located in Canada. The Company does not have any significant income in Canada other than interest earned on 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 standard as described in the 2014 annual consolidated financial statements as well as any new pronouncements from the International Accounting Standards Board.

NOTE 3 – RESTRICTED CASH AND CREDIT FACILITY

	As at	
	March 31, 2015	December 31, 2014
Restricted cash – current	4,875	3,373
Restricted cash – non-current	8,222	9,749
Balance, end of period	13,097	13,122

During 2014, the Company entered into a credit support facility (the “Facility”) with a Canadian bank for up to CAD\$45.0 million. 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 (“PSG”) the Company obtained from Export Development Canada (“EDC”) in December 2014. The EDC Account PSG supports up to \$15.5 million of LC’s issued under the Facility.

As at March 31, 2015 and December 31, 2014, the total amount of LC’s issued under the Facility was \$27.9 million, with \$15.1 million satisfied through EDC’s Account PSG and \$12.8 million satisfied through restricted cash deposits of Alvopetro. Of the \$12.8

ALVOPETRO ENERGY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2015

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

million restricted cash amount, \$4.6 million (December 31, 2014 - \$3.1 million) was classified as current as it relates to LC's expiring within one year and \$8.2 million (December 31, 2014 - \$9.7 million) was classified as non-current.

During the three months ended March 31, 2015, the Company earned floating-rate interest income on the restricted cash deposits under the Facility of approximately 0.30 percent per annum.

At March 31, 2015 and December 31, 2014 there is an additional \$0.3 million of cash collateral posted with respect to corporate credit cards, classified as current. The only change in the total restricted cash from December 31, 2014 to March 31, 2015 is as a result of foreign exchange fluctuations on this Canadian denominated restricted cash balance.

NOTE 4 – OTHER ASSETS

	As at	
	March 31, 2015	December 31, 2014
Balance, beginning of period	240	-
Deposits with suppliers for long lead items	65	1,429
Transfer to E&E assets (Note 5)	(272)	(1,090)
Foreign currency translation	(20)	(99)
Balance, end of period	13	240

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

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

	As at	
	March 31, 2015	December 31, 2014
Balance, beginning of period	62,204	45,002
Capital expenditures	1,027	42,160
Capitalized share-based compensation	19	215
Transfer from other assets (Note 4)	272	1,090
Change in decommissioning liabilities	-	491
Transfer to PP&E	-	(13)
Impairment	-	(20,330)
Foreign currency translation	(6,852)	(6,411)
Balance, end of period	56,670	62,204

General and administrative costs totaling \$0.3 million that were directly related to exploration and evaluation activities have been capitalized as exploration and evaluation assets.

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

As at and for the three months ended March 31, 2015

*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	
	March 31, 2015	December 31, 2014
Cost, beginning of period	10,717	10,529
Capital expenditures	262	777
Transferred from E&E	-	13
Capitalized share-based compensation	4	49
Change in decommissioning liabilities	-	459
Foreign currency translation	(1,155)	(1,110)
Cost, end of period	9,828	10,717
Accumulated depletion and depreciation, beginning of period	(3,228)	(832)
Depletion and depreciation for the period	(116)	(441)
Impairment	-	(2,261)
Foreign currency translation	396	306
Accumulated depletion and depreciation, end of period	(2,948)	(3,228)
Net book value, end of period	6,880	7,489

General and administrative costs totaling \$50,000 that were directly related to investing activities have been capitalized as property, plant and equipment.

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	
	March 31, 2015	December 31, 2014
Balance, beginning of period	3,454	2,833
Liabilities incurred	-	450
Revisions to obligations	-	500
Accretion	19	94
Foreign currency translation	(596)	(423)
Balance, end of period	2,877	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 \$5.3 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.

ALVOPETRO ENERGY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2015

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

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 March 31, 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 March 31, 2015 are as follows:

	Number of Options	Weighted Average Exercise Price (CAD \$)
Balance as at December 31, 2014	4,567,436	0.82
Granted	800,000	0.45
Forfeited	(17,500)	0.75
Outstanding at March 31, 2015	5,349,936	0.77

Options Outstanding at March 31, 2015				Options Exercisable at March 31, 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\$0.40 - \$0.50	2,222,500	0.42	4.80	-	-	-
CAD\$0.51 - \$1.00	40,000	0.57	4.56	-	-	-
CAD\$1.01 - \$1.24	3,087,436	1.02	3.73	1,497,719	1.02	3.72
CAD\$0.40 - \$1.24	5,349,936	0.77	4.18	1,497,719	1.02	3.72

ALVOPETRO ENERGY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2015

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

d) Share-Based Compensation

The fair value of the stock options granted under the Alvopetro stock option plan for the three months ended March 31, 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	
	March 31, 2015	2014
Risk free interest rate (%)	0.47	-
Expected term (years)	2.1	-
Expected volatility (%)	50.0	-
Dividend per share (%)	-	-
Forfeiture rate (%)	5.0	-
Weighted average fair value (CAD\$)	0.12	-

Total share-based compensation of \$0.1 million was computed for the three months ended March 31, 2015 (March 31, 2014 - \$0.2 million) related to the Alvopetro stock option plan. Of this amount, approximately \$23,000 (March 31, 2014 - \$61,000) was capitalized to exploration and evaluation assets and property, plant and equipment, with the remainder recognized as share-based compensation expense on the consolidated statements of operations and comprehensive loss.

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 Months Ended	
	March 31, 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 months ended March 31, 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	
	March 31, 2015	December 31, 2014
Working capital, including current restricted cash	35,497	35,844
Non-current restricted cash	8,222	9,749
Shareholders' equity	99,667	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.

ALVOPETRO ENERGY LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2015

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

The Company considers its capital structure to include working capital (including current restricted cash), non-current restricted cash, and shareholders' equity. At March 31, 2015, the Company's net working capital surplus of \$35.5 million (December 31, 2014 - \$35.8 million), included \$36.7 million (December 31, 2014 - \$40.9 million) of cash and \$4.9 million (December 31, 2014 - \$3.4 million) of current restricted cash, but excludes non-current restricted cash of \$8.2 million (December 31, 2014 - \$9.7 million).

The Company's current portion of restricted cash of \$4.9 million includes \$4.6 million of cash collateral pledged for letters of credit expiring within the next twelve months associated with work commitments in Brazil. The cash posted as collateral may be available earlier pending completion of the related work commitments. Additional current restricted cash relates to cash pledged for corporate credit cards (\$0.3 million).

Alvopetro has \$8.2 million of non-current restricted cash related to collateral posted for work commitments in Brazil for letters of credit with expiry dates subsequent to March 31, 2016. Funds may be made available to Alvopetro earlier pending completion of the related work commitments.

Alvopetro has recorded \$4.7 million (December 31, 2014 - \$5.7 million) in anticipated performance guarantees on five exploration blocks that were impaired to a value of \$nil at December 31, 2014. Of this amount, \$3.8 million (December 31, 2014 - \$4.6 million) relates to four exploration blocks that were relinquished subsequent to March 31, 2015. The performance guarantees on the four relinquished blocks was paid to the ANP on May 19, 2015 at a total cost of \$4.0 million, an increase from the March 31, 2015 balance due to an increase in the BRL relative to the U.S. dollar from the March 31, 2015 foreign exchange rate of 3.207 to the exchange rate on the date of payment of 3.028. A total of \$6.2 million of associated LC's for these performance guarantees are supported by the Account PSG from EDC and will be released following this payment. The associated LC's are in excess of the actual anticipated payment due to foreign currency risk margins required under the Facility as well as a decline in the BRL relative to the U.S. dollar from the date the original LC's were issued. Following the release of the \$6.2 million in LC's relating to the relinquished blocks, LC's on blocks currently supported by Alvopetro's restricted cash balances can be transitioned to the PSG from EDC.

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 \$99.7 million (December 31, 2014 - \$107.8 million). In the event that adjustments to the capital structure are necessary, the Company may consider issuing additional equity, 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.

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.

ALVOPETRO ENERGY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2015

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

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 Alvo Petro's financial instruments at March 31, 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.

	March 31, 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⁾	36,658	36,658	40,920	40,920
Restricted cash – current and non-current ⁽¹⁾⁽²⁾	13,097	13,097	13,122	13,122
	49,755	49,755	54,042	54,042
Carried at cost or amortized cost				
Trade and other receivables	141	141	154	154
Accounts payable and accrued liabilities	(6,552)	(6,552)	(9,031)	(9,031)
	(6,411)	(6,411)	(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 Alvo Petro'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 March 31, 2015:

	As at			
	March 31, 2015		December 31, 2014	
	CAD (000's)	BRL (000's)	CAD (000's)	BRL (000's)
Cash and cash equivalents	1,765	1,192	1,540	708
Restricted cash – current	355	-	354	-
Trade and other receivables	8	403	5	366
Accounts payable and accrued liabilities	(46)	(19,481)	(104)	(22,875)
Net exposure in foreign currency	2,082	(17,886)	1,795	(21,801)
Net exposure in USD (\$000s)	1,644	(5,576)	1,547	(8,209)

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

ALVOPETRO ENERGY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2015

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

NOTE 11 – CHANGES IN NON-CASH WORKING CAPITAL

	Three Months Ended	
	March 31, 2015	2014
Change in:		
Trade and other receivables	(13)	(212)
Prepaid expenditures	(3)	(7)
Accounts payable and accrued liabilities	(1,113)	2,637
	(1,129)	2,418
Changes relating to:		
Operating activities	(525)	184
Investing activities	(604)	2,234
	(1,129)	2,418

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	
	March 31, 2015	2014
Office rent and related costs	50	56
Administrative consulting fees	-	6

As at March 31, 2015, the Company owed Touchstone \$17,000 (December 31, 2014 - \$nil).

ALVOPETRO ENERGY LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2015

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

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The following is a summary of contractual commitments as at March 31, 2015:

Commitments	< 1 Year	1-3 Years	Thereafter	Total
Minimum work commitments ⁽¹⁾				
Block 182	949	-	-	949
Block 183 ⁽²⁾	945	-	-	945
Block 170	935	-	-	935
Block 106	-	355	-	355
Block 107	-	2,370	-	2,370
Block 177	-	2,242	-	2,242
Block 169	-	1,185	-	1,185
Block 198	-	1,185	-	1,185
Block 255	-	1,418	-	1,418
Block 256	-	315	-	315
Bom Lugar	-	-	109	109
Jiribatuba	-	-	109	109
Aracaju	-	-	78	78
Total minimum work commitments	2,829	9,070	296	12,195
Office leases ⁽³⁾	248	-	-	248
Total commitments	3,077	9,070	296	12,443

Notes:

- (1) Under the terms of the ANP concession contracts for each of our exploration blocks, the Company has work commitments which must be completed prior to the applicable phase expiry date. Performance guarantees associated with Blocks 131, 132, 144, 157 and 196 have been included in accounts payable and accrued liabilities as at March 31, 2015, and are therefore excluded from the table above
- (2) The Company completed drilling the first well on Block 183, which, subject to ANP approval, fulfils the majority of the well commitment amount for the first exploration phase included in the table above. This Block will now transition to the second exploration phase (which extends to June, 2017) and an additional work commitment of \$1.0 million will be applicable for this phase.
- (3) 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 March 31, 2015 was approximately \$0.1 million.

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 March 31, 2015, the potential estimated fine of \$61,000 (December 31, 2014 - \$74,000), is included in accounts payable and accrued liabilities in the consolidated statement of financial position.