INTERIM FINANCIAL STATEMENTS
MARCH 31, 2017

NOTICE TO READER

Management has compiled the unaudited interim consolidated financial information of Alvopetro Energy Ltd. consisting of the Interim Condensed Consolidated Statements of Financial Position at March 31, 2017 and December 31, 2016 and the Interim Condensed Consolidated Statements of Operations and Comprehensive Gain (Loss) and the Interim Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2017 and 2016. Please note the interim financial statements have not been reviewed or audited by external auditors.

ALVOPETRO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited, thousands of United States dollars)

	Note	March 31, 2017	December 31, 2016
ASSETS			
Current			
Cash and cash equivalents		**14,552**	17,788
Restricted cash	3	**111**	108
Trade and other receivables		**304**	431
Prepaid expenditures		**189**	196
Assets held for sale	4	**-**	410
Total current assets		**15,156**	18,933
Exploration and evaluation assets	5	**56,973**	53,259
Property, plant and equipment	6	**4,874**	4,860
Non-current assets		**61,847**	58,119
Total assets		**77,003**	77,052
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**1,652**	1,878
Current portion of decommissioning liabilities	7	**81**	78
Total current liabilities		**1,733**	1,956
Decommissioning liabilities	7	**1,444**	1,321
Total liabilities		**3,177**	3,277
Shareholders' equity			
Share capital		**151,937**	151,937
Contributed surplus		**1,590**	1,558
Deficit		**(61,283)**	(60,390)
Accumulated other comprehensive loss		**(18,418)**	(19,330)
Total shareholders' equity		**73,826**	73,775
Total liabilities and shareholders' equity		**77,003**	77,052

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 GAIN (LOSS)

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

	Note	Three Months Ended March 31, 2017	2016
Revenue			
Oil sales		**171**	153
Royalties and production taxes		**(17)**	(18)
Oil revenue		**154**	135
Other income		**46**	26
Total revenue and other income		**200**	161
Expenses			
Production	12	**215**	359
Transportation		**9**	10
General and administrative	12	**703**	942
Depletion and depreciation	6	**68**	98
Impairment	5	**-**	2,989
Accretion of decommissioning liabilities	7	**9**	6
Exploration and evaluation expenditures		**63**	-
Share-based compensation		**25**	11
Foreign exchange loss (gain)		**1**	(39)
Total expenses		**1,093**	4,376
Loss before taxes		**(893)**	(4,215)
Income tax expense		**-**	300
Net loss		**(893)**	(4,515)
Exchange gain on translation of foreign operations		**912**	3,208
Comprehensive gain (loss)		**19**	(1,307)
Net loss per share	8		
Basic		**(0.01)**	(0.05)
Diluted		**(0.01)**	(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)

	Note	Three Months Ended March 31, 2017	2016
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		**1,558**	1,444
Share-based compensation expense	8	**25**	11
Share-based compensation capitalized	8	**7**	5
Balance, end of period		**1,590**	1,460
Deficit			
Balance, beginning of period		**(60,390)**	(47,812)
Net loss		**(893)**	(4,515)
Balance, end of period		**(61,283)**	(52,327)
Accumulated Other Comprehensive Loss			
Balance, beginning of period		**(19,330)**	(24,837)
Other comprehensive gain		**912**	3,208
Balance, end of period		**(18,418)**	(21,629)

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,	
		2017	2016
Operating Activities			
Net loss		**(893)**	(4,515)
Adjustments for non-cash items:			
Depletion and depreciation	6	**68**	98
Impairment	5	**-**	2,989
Accretion of decommissioning liabilities	7	**9**	6
Share-based compensation	8	**25**	11
Deferred tax		**-**	300
Unrealized foreign exchange loss (gain)		**6**	(31)
Settlement of decommissioning liabilities	7	**(12)**	(83)
		(797)	(1,225)
Changes in non-cash working capital	11	**115**	125
		(682)	(1,100)
Investing Activities			
Expenditures on exploration and evaluation assets	5	**(2,365)**	(3,058)
Expenditures on property, plant and equipment	6	**(8)**	(8)
Proceeds on disposition of assets held for sale	4	**27**	-
Change in restricted cash	3	**-**	2,288
Changes in non-cash working capital	11	**(224)**	413
		(2,570)	(365)
Change in cash and cash equivalents		**(3,252)**	(1,465)
Effect of foreign exchange on cash balances		**16**	159
Cash and cash equivalents, beginning of period		**17,788**	28,733
Cash and cash equivalents, end of period		**14,552**	27,427
Cash and cash equivalents consist of:			
Cash		**3,315**	5,113
Cash equivalents		**11,237**	22,314
Supplemental information:			
Cash income taxes paid		**-**	-
Cash interest income received		**34**	24

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 1700, 525 8^{th} Avenue S.W., Calgary, Alberta, Canada, T2P 1G1.

The interim condensed consolidated financial statements as at March 31, 2017 and December 31, 2016 and for the three months ended March 31, 2017 and March 31, 2016 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, 2016, except as discussed in Note 2 below with respect to the adoption of revised accounting standards. 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, 2016.

These interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on May 16, 2017.

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

Segmented Operations

All oil sales revenue is derived entirely from Brazilian operations. All exploration and evaluation assets and all material property, plant and equipment are located in Brazil. The majority of the cash and cash equivalents are located in Canada and all of the restricted cash at March 31, 2017 and December 31, 2016 is in Brazil. The Company does not have any significant income in Canada other than interest earned on cash balances.

NOTE 2 – CHANGES IN ACCOUNTING STANDARDS

New and Revised Accounting Standards

The interim condensed consolidated financial statements have been prepared following the same accounting policies and methods of computation as the 2016 annual consolidated financial statements with the exception of the following standard which was amended effective January 1, 2017.

Standard and Description	Date of Adoption	Adoption Impact on Consolidated Financial Statements
IAS 7 *Statement of Cash Flows* – was amended to require additional disclosures relating to changes in liabilities arising from financing activities, including changes arising from cash flow and non-cash changes.	January 1, 2017	The amendment to this standard did not impact these interim condensed consolidated financial statements.

Standards issued but not yet effective

The Company continues to assess the impact of adopting the new and revised accounting pronouncements that have been issued but are not yet effective as described in the 2016 annual consolidated financial statements.

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

NOTE 3 – RESTRICTED CASH AND CREDIT FACILITY

	As at	
	March 31, 2017	December 31, 2016
Restricted cash – current	**111**	108
Restricted cash – non-current	**-**	-
Balance, end of period	**111**	108

The Company has a credit support facility (the "Facility") with a Canadian bank which 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 must be supported by either cash collateral posted by Alvopetro or through an Account Performance Security Guarantee from Export Development Canada ("EDC"). EDC currently supports up to $15.5 million of Alvopetro's LC's issued under the Facility.

As at March 31, 2017, the total amount of LC's issued under the Facility was $14.1 million (December 31, 2016 - $14.1 million), the full balance of which was satisfied by EDC. The current restricted cash as at December 31, 2016 and March 31, 2017 relates to cash posted for abandonment guarantees in Brazil for the Bom Lugar and Jiribatuba fields. These guarantees are posted locally in Brazil, are not part of the Facility and are not eligible for EDC coverage.

NOTE 4 – ASSETS HELD FOR SALE

	As at	
	March 31, 2017	December 31, 2016
Balance, beginning of period	**410**	-
Transferred from E&E	**-**	410
Disposal – cash proceeds	**(27)**	-
Disposal – in exchange for drilling services	**(396)**	-
Foreign currency translation	**13**	-
Balance, end of period	**-**	410

During the three months ended March 31, 2017 the Company sold all its equipment inventory classified at December 31, 2016 as held for sale. The inventory was written down by $0.1 million to the estimated recoverable amount of $0.4 million at December 31, 2016, resulting in no gain or loss on these dispositions in 2017. Both dispositions were to third parties of Alvopetro and the services received were measured at fair value.

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

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

	As at	
	March 31, 2017	December 31, 2016
Balance, beginning of period	**53,259**	48,409
Capital expenditures - cash	**2,365**	7,625
Capital expenditures - in exchange for assets held for sale (Note 4)	**396**	-
Capitalized share-based compensation	**6**	27
Change in decommissioning liabilities	**87**	164
Transfer to operations and PP&E (Note 6)	**(1)**	(185)
Transfer to assets held for sale (Note 4)	**-**	(410)
Farmout	**-**	(300)
Impairment	**-**	(7,531)
Foreign currency translation	**861**	5,460
Balance, end of period	**56,973**	53,259

General and administrative costs totaling $0.3 million (December 31, 2016 - $1.0 million) that were directly related to exploration and evaluation activities have been capitalized as exploration and evaluation assets.

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

	As at	
	March 31, 2017	December 31, 2016
Cost, beginning of period	**9,599**	8,120
Capital expenditures	**8**	769
Transferred from E&E (Note 5)	**-**	114
Asset dispositions	**-**	(68)
Capitalized share-based compensation	**1**	7
Change in decommissioning liabilities	**-**	73
Foreign currency translation	**314**	584
Cost, end of period	**9,922**	9,599
Accumulated depletion and depreciation and impairment, beginning of period	**(4,739)**	(3,827)
Depletion and depreciation for the period	**(68)**	(416)
Asset dispositions	**-**	16
Impairment	**-**	(292)
Foreign currency translation	**(241)**	(220)
Accumulated depletion and depreciation and impairment, end of period	**(5,048)**	(4,739)
Net book value, end of period	**4,874**	4,860

General and administrative costs that were directly related to property, plant, and equipment activities have been capitalized.

NOTE 7 – DECOMMISSIONING LIABILITIES

The decommissioning liabilities were estimated based on the net ownership interest in wells and facilities, 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, 2017	December 31, 2016
Balance, beginning of period	**1,399**	1,079
Liabilities incurred	**87**	320
Revisions to obligations	**-**	(83)
Obligations settled	**(12)**	(175)
Accretion	**9**	28
Foreign currency translation	**42**	230
Balance, end of period	**1,525**	1,399

Total undiscounted cash flows, escalated at 6.5% (December 31, 2016 - 6.5%) for inflation, required to settle the Company's decommissioning provision are estimated to be $2.2 million (December 31, 2016 - $2.1 million) and have been discounted using an average risk free rate of 2.5% (December 31, 2016 – 2.5%), which represents an estimated U.S. Treasury bill rate for a period of 15 years (December 31, 2016 – 15 years), the approximate weighted-average remaining years to abandonment.

The Company expects to incur $0.1 million (December 31, 2016 - $0.1 million) of decommissioning costs within one year from March 31, 2017 and accordingly this amount is classified as current on the consolidated statements of financial position.

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 ($000s)
Balance as at March 31, 2017 and December 31, 2016	**85,166,871**	**$ 151,937**

c) Options to Purchase Common Shares

The options outstanding at March 31, 2017 are as follows:

	Number of Options	Weighted Average Exercise Price (CAD$)
Balance as at December 31, 2015	6,843,436	0.66
Granted	2,461,500	0.24
Expired	(1,141,330)	0.84
Forfeited	(1,289,504)	0.42
Balance as at December 31, 2016	6,874,102	0.53
Expired	(279,166)	0.72
Balance as at March 31, 2017	**6,594,936**	**0.52**

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

	Options Outstanding at March 31, 2017			Options Exercisable at March 31, 2017		
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$0.21 - $0.39	3,094,500	0.25	4.24	835,670	0.29	3.79
CAD$0.40 - $0.75	1,528,000	0.42	2.80	1,169,330	0.43	2.81
CAD$1.01 - $1.10	1,972,436	1.02	1.73	1,960,412	1.02	1.73
CAD$0.21 - $1.10	**6,594,936**	**0.52**	**3.15**	**3,965,412**	**0.69**	**2.48**

Share-Based Compensation

The fair value of the stock options granted under the Alvopetro stock option plan for the three months ended March 31, 2017 and 2016 has been estimated on the grant date using the Black-Scholes option pricing model. No options were granted in the three months ended March 31, 2017. Weighted average assumptions and resultant fair values for stock options granted are as follows:

	Three Months Ended March 31,	
	2017	2016
Risk free interest rate (%)	-	0.43
Expected term (years)	-	2.0
Expected volatility (%)	-	50.0
Dividend per share (%)	-	-
Forfeiture rate (%)	-	5.0
Weighted average fair value (CAD$)	-	0.10

Total share-based compensation of $0.03 million was computed for the three months ended March 31, 2017 (March 31, 2016 - $0.02 million) related to the Alvopetro stock option plan. 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 gain (loss).

d) 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,	
	2017	2016
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, 2017 and 2016, all stock options were excluded because the effect would be anti-dilutive.

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

NOTE 9 – CAPITAL MANAGEMENT

The Company's capital consists of the following:

	As at	
	March 31, 2017	December 31, 2016
Working capital	**13,504**	17,055
Shareholders' equity	**73,826**	73,775

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 and assets held for sale) and shareholders' equity. At March 31, 2017, the Company's net working capital surplus of $13.5 million (December 31, 2016 - $17.1 million), included $14.6 million (December 31, 2016 - $17.8 million) of cash, $0.1 million (December 31, 2016 - $0.1 million) of current restricted cash, and, at December 31, 2016, assets held for sale of $0.4 million.

The Company has performance security guarantees with EDC which support up to $15.5 million of LC's provided in respect of work commitments in Brazil. As at March 31, 2017 and December 31, 2016, a total of $14.1 million of LC's were satisfied by EDC and the Company had $1.4 million in available capacity for new LC's. Additional capacity may become available as work commitments are met and the related LC's are released. LC's supported by EDC at March 31, 2017 include $0.4 million with respect to Block 256, $3.1 million with respect to Block 107, and $1.5 million with respect to Block 198. The work commitments for Blocks 256 and 198 were satisfied with wells drilled in 2016 and 2017, respectively, subject to ANP approval. The work commitment associated with Block 107 was farmed out to a third party in 2016.

The current restricted cash of $0.1 million (December 31, 2016 - $0.1 million) relates to cash posted in Brazil in support of abandonment guarantees on the Bom Lugar and Jiribatuba fields. The Company does not have any other restricted cash balances as at March 31, 2017 or December 31, 2016.

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 $73.8 million (December 31, 2016 - $73.8 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.

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 March 31, 2017 and December 31, 2016 is set forth in the table below. The Company does not currently have any financial instruments classified as Level 2 or Level 3.

	March 31, 2017		December 31, 2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Carried at fair value through profit or loss				
Cash and cash equivalents(1)	**14,552**	**14,552**	17,788	17,788
Restricted cash – current(1)(2)	**111**	**111**	108	108
	14,663	**14,663**	17,896	17,896
Carried at cost or amortized cost				
Trade and other receivables	**304**	**304**	431	431
Accounts payable and accrued liabilities	**(1,652)**	**(1,652)**	(1,878)	(1,878)
	(1,348)	**(1,348)**	(1,447)	(1,447)

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

Risks Associated with Financial Assets and Liabilities

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, 2016 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, 2017:

	As at			
	March 31, 2017		December 31, 2016	
	CAD (000's)	**BRL (000's)**	CAD (000's)	BRL (000's)
Cash and cash equivalents	**364**	**1,144**	208	1,064
Restricted cash – current	**-**	**351**	-	351
Trade and other receivables	**-**	**849**	-	1,403
Accounts payable and accrued liabilities	**(70)**	**(4,577)**	(248)	(4,434)
Net exposure in foreign currency	**294**	**(2,233)**	(40)	(1,616)
Net exposure in USD ($000s)	**221**	**(705)**	(30)	(496)

The Company had no forward exchange rate contracts in place as at or during the periods ended March 31, 2017 or December 31, 2016.

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,	
Change in:	**2017**	2016
Trade and other receivables	**140**	(51)
Prepaid expenditures	**9**	37
Accounts payable and accrued liabilities	**(258)**	552
	(109)	538
Changes relating to:		
Operating activities	**115**	125
Investing activities	**(224)**	413
	(109)	538

NOTE 12 – NATURE OF EXPENSES

Production expenses by nature were as follows:

	Three Months Ended March 31,	
	2017	2016
Personnel	**93**	93
Production facilities rental	**-**	139
Other fixed	**61**	67
Variable	**21**	60
Workover	**40**	-
Total production expenses	**215**	359

The majority of the Company's production expenses relate to personnel costs and in 2016, production facilities rental costs for the 182(B1) well. This rental contract was cancelled during the three months ended June 30, 2016.

General and administrative expenses ("G&A") by nature were as follows:

	Three Months Ended March 31,	
	2017	2016
Personnel	**651**	754
Travel	**23**	54
Office and IT costs	**91**	115
Professional fees	**125**	132
General corporate	**84**	160
Gross G&A expenses	**974**	1,215
Capitalized to E&E and PP&E	**(271)**	(273)
Net G&A expenses	**703**	942

The majority of the Company's G&A relates to personnel costs. General corporate expenses include public company costs, corporate insurance, directors' fees, rental vehicle costs, cell phones and other miscellaneous expenses. G&A expenses that are directly attributable to exploration and development projects, primarily being personnel costs, are capitalized.

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, 2017:

Commitments	< 1 Year	1-3 Years	Thereafter	Total
Minimum work commitments(1)				
Block 183	1,052	-	-	1,052
Block 106	360	-	-	360
Block 107(2)	2,399	-	-	2,399
Block 177	2,269	-	-	2,269
Block 169	1,199	-	-	1,199
Block 198(3)	1,199	-	-	1,199
Block 255	1,436	-	-	1,436
Block 256(4)	319	-	-	319
Block 57(5)	-	280	-	280
Block 62(5)	-	280	-	280
Block 71(5)	-	191	-	191
Block 145(5)	-	280	-	280
Bom Lugar	-	-	110	110
Jiribatuba	-	-	110	110
Total minimum work commitments	**10,233**	**1,031**	**220**	**11,484**
Office leases(6)	**198**	**145**	-	**343**
Total commitments	**10,431**	**1,176**	**220**	**11,827**

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.

(2) In 2016, the Company entered into a farmout agreement with respect to Block 107. Under the terms of the agreement, the Farmee is responsible to satisfy the work commitment included in the table above.

(3) In the three months ended March 31, 2017, the Company completed drilling the 198(A1) well in satisfaction of the work commitment in the table above, subject to ANP approval.

(4) In 2016, the Company completed drilling the 256(A1) well in satisfaction of the work commitment in the table above, subject to ANP approval. Subsequent to March 31, 2017, the Company notified the ANP of its intention to relinquish this block.

(5) Alvopetro holds a 65% interest in each of these blocks and the amounts provided in the table above represent Alvopetro's share of the related commitments.

(6) The Company is committed to future minimum payments for office space in Canada and Brazil.

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.

The Company currently has no contingent liabilities recorded; however, in the normal course of operations, we may have disputes with industry participants for which we currently cannot determine the ultimate results. The Company has a policy to record contingent liabilities as they become determinable and the probability of loss is more likely than not.

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, cost-effective 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 penalty, 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 penalties and, as of March 31, 2017, the potential estimated penalty was $0.2 million (December 31, 2016 - $0.2 million), which is included in accounts payable and accrued liabilities in the respective consolidated statements of financial position.