

ALVOPETRO ENERGY LTD.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

**As at and Three Months Ended
March 31, 2024 and 2023**

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

(Unaudited, thousands of United States dollars)

	Note	March 31, 2024	December 31, 2023
ASSETS			
Current			
Cash and cash equivalents		17,450	18,326
Restricted cash		73	72
Trade and other receivables		5,650	6,859
Prepaid expenditures		765	738
Assets held for sale	3	211	-
Total current assets		24,149	25,995
Non-current assets			
Exploration and evaluation assets	3	13,240	13,785
Property, plant and equipment	4	58,950	59,812
Right-of-use assets	5	7,723	8,240
Deferred tax asset		1,751	1,993
Total non-current assets		81,664	83,830
Total assets		105,813	109,825
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		4,619	6,662
Dividend payable	7	3,296	5,127
Lease liabilities	5	984	959
Decommissioning liabilities	6	203	130
Total current liabilities		9,102	12,878
Non-current liabilities			
Lease liabilities	5	7,499	7,722
Decommissioning liabilities	6	933	1,017
Total liabilities		17,534	21,617
Shareholders' equity			
Share capital	7	43,461	43,461
Contributed surplus		52,514	52,235
Retained earnings		34,824	33,570
Accumulated other comprehensive loss		(42,520)	(41,058)
Total shareholders' equity		88,279	88,208
Total liabilities and shareholders' equity		105,813	109,825

Subsequent Event (Note 13)

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

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

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

		Three Months Ended March 31,	
	Note	2024	2023
Revenue			
Natural gas, oil and condensate sales	8	11,752	18,160
Royalties		(312)	(582)
Net natural gas, oil and condensate revenue		11,440	17,578
Other income	9	398	427
		11,838	18,005
Expenses			
Production	9	1,201	988
General and administrative	9	1,423	1,222
Depletion and depreciation	4,5	1,847	2,144
Impairment	3	91	-
Finance expenses	9	383	403
Share-based compensation		287	283
Exploration and evaluation		96	82
Foreign exchange losses (gains)		1,170	(1,374)
		6,498	3,748
Income before taxes		5,340	14,257
Income tax expense			
Current		610	725
Deferred		180	1,330
Total		790	2,055
Net income		4,550	12,202
Exchange (loss) gain on translation of foreign operations		(1,462)	616
Comprehensive income		3,088	12,818
Net income per share			
	7		
Basic		0.12	0.34
Diluted		0.12	0.33

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)

		Common Shares	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Note					
Balance, December 31, 2023		43,461	52,235	33,570	(41,058)	88,208
Share-based compensation		-	279	-	-	279
Net income		-	-	4,550	-	4,550
Other comprehensive loss		-	-	-	(1,462)	(1,462)
Dividends declared	7	-	-	(3,296)	-	(3,296)
Balance, March 31, 2024		43,461	52,514	34,824	(42,520)	88,279
Balance, December 31, 2022		42,933	51,361	25,521	(43,407)	76,408
Issue of common shares	7	47	(35)	-	-	12
Share-based compensation		-	234	-	-	234
Net income		-	-	12,202	-	12,202
Other comprehensive income		-	-	-	616	616
Dividends declared	7	-	-	(5,104)	-	(5,104)
Balance, March 31, 2023		42,980	51,560	32,619	(42,791)	84,368

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	2024	2023
Operating Activities			
Net income		4,550	12,202
Adjustments:			
Depletion and depreciation	4,5	1,847	2,144
Impairment	3	91	-
Finance expenses	9	383	403
Share-based compensation		287	283
Foreign exchange		1,175	(1,362)
Deferred tax		180	1,330
Settlement of decommissioning liabilities	6	-	(28)
Funds flow from operations		8,513	14,972
Changes in non-cash working capital	12	(300)	(1,116)
		8,213	13,856
Financing Activities			
Dividends paid	7	(5,127)	(4,357)
Issue of common shares	7	-	12
Lease liabilities payments	5	(568)	(568)
Changes in non-cash working capital	12	(27)	(116)
		(5,722)	(5,029)
Investing Activities			
Expenditures on exploration and evaluation assets	3	(140)	(1,281)
Expenditures on property, plant and equipment	4	(2,299)	(2,010)
Change in restricted cash		(3)	(17)
Changes in non-cash working capital	12	(639)	(865)
		(3,081)	(4,173)
Change in cash and cash equivalents		(590)	4,654
Effect of foreign exchange on cash balances		(286)	185
Cash and cash equivalents, beginning of period		18,326	19,784
Cash and cash equivalents, end of period		17,450	24,623
Cash and cash equivalents consist of:			
Cash		1,897	4,054
Cash equivalents		15,553	20,569
Supplemental information:			
Cash income taxes paid		1,108	581
Cash interest income received		287	241

See accompanying notes to these interim condensed consolidated financial statements.

ALVOPETRO ENERGY LTD.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2024

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

NOTE 1 – CORPORATE INFORMATION AND BASIS OF PRESENTATION

Alvopetro Energy Ltd. (“Alvopetro” or “the Company”) is engaged in the exploration for, and the acquisition, development and production of, hydrocarbons in Brazil. 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 1920, 215 9th Avenue S.W., Calgary, Alberta, Canada, T2P 1K3.

NOTE 2 – BASIS OF PRESENTATION

The interim condensed consolidated financial statements as at March 31, 2024 and December 31, 2023 and for the three months ended March 31, 2024 and March 31, 2023 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, 2023, with the exception of amendments to IAS 1, *Presentation of Financial Statements*, which had no effect as at and for the three months ended March 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, 2023.

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 May 8, 2024.

Use of Estimates, Judgments and Assumptions and Estimation Uncertainty

The timely preparation of the interim condensed consolidated financial statements requires management to make estimates, judgments and assumptions that may affect the reported amounts of assets and liabilities, disclosures of contingencies and the reported amounts of expenses during the period. Details on these estimates, judgments and assumptions are included in the audited consolidated financial statements as at and for the year ended December 31, 2023.

NOTE 3 – EXPLORATION AND EVALUATION (“E&E”) ASSETS

	As at	
	March 31, 2024	December 31, 2023
Balance, beginning of period	13,785	16,114
Capital expenditures	140	6,091
Capitalized share-based compensation	1	8
Change in decommissioning liabilities	-	191
Transfer from (to) PP&E (Note 4)	20	(3,025)
Asset dispositions & other transfers	(5)	(22)
Impairment	(91)	(6,748)
Transfer to assets held for sale	(211)	-
Foreign currency translation	(399)	1,176
Balance, end of period	13,240	13,785

Equipment inventory for which sale is anticipated in the second quarter was transferred to assets held for sale during the three months ended March 31, 2024. Prior to transfer the equipment was written down to its estimated fair value, resulting in impairment of \$0.1 million.

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

As at and for the three months ended March 31, 2024

*Unaudited, all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted***NOTE 4 – PROPERTY, PLANT AND EQUIPMENT (“PP&E”)**

	As at	
	March 31, 2024	December 31, 2023
Cost, beginning of period	86,766	57,144
Capital expenditures	2,299	21,358
Capitalized share-based compensation	43	131
Transfer (to) from E&E assets (Note 3)	(20)	3,025
Change in decommissioning liabilities	-	338
Foreign currency translation	(2,528)	4,770
Cost, end of period	86,560	86,766
Accumulated depletion, depreciation and impairment, beginning of period	(26,954)	(14,684)
Depletion and depreciation	(1,556)	(6,491)
Impairment	-	(4,238)
Foreign currency translation	900	(1,541)
Accumulated depletion, depreciation and impairment, end of period	(27,610)	(26,954)
Net book value, end of period	58,950	59,812

There were no indications of impairment or impairment reversal on any properties as at and for the three months ended March 31, 2024.

NOTE 5 – RIGHT-OF-USE (“ROU”) ASSETS AND LEASE LIABILITIES

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

	As at	
	March 31, 2024	December 31, 2023
Net book value, beginning of period	8,240	8,701
Additions	15	26
Depreciation	(291)	(1,177)
Foreign currency translation	(241)	690
Net book value, end of period	7,723	8,240
Net Book Value by Asset Class		
Natural gas facility	7,594	8,094
Office space	61	71
Surface land access	68	75
Total net book value	7,723	8,240

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

As at and for the three months ended March 31, 2024

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

The Company's lease liabilities are as follows:

	As at	
	March 31, 2024	December 31, 2023
Lease liabilities, beginning of period	8,681	9,428
Additions	15	26
Finance expense	358	1,495
Lease payments	(568)	(2,274)
Foreign currency translation	(3)	6
Lease liabilities, end of period	8,483	8,681
Current	984	959
Non-current	7,499	7,722
Total	8,483	8,681

NOTE 6 – 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	
	March 31, 2024	December 31, 2023
Balance, beginning of period	1,147	639
Liabilities incurred	-	33
Revisions to obligations	-	496
Obligations settled - cash	-	(62)
Obligations settled - non cash	-	(21)
Accretion	25	58
Foreign currency translation	(36)	4
Balance, end of period	1,136	1,147
Current	203	130
Non-current	933	1,017
Total	1,136	1,147

Non-cash obligations settled represent tangible equipment transferred from E&E assets.

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

As at and for the three months ended March 31, 2024

Unaudited, all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted
NOTE 7 – SHARE CAPITAL
a) Issued and Outstanding Common Shares

	Number of Shares	Amount (\$000s)
Balance as at December 31, 2022	36,311,579	42,933
Exercise of stock options	310,961	175
Share Restructuring	-	357
Repurchase and cancellation of shares	(4,600)	(4)
Balance as at December 31, 2023 and March 31, 2024	36,617,940	43,461

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, 2022	1,564,996	4.25
Granted	638,000	8.01
Exercise of options	(384,556)	1.83
Options forfeited	(17,000)	7.21
Balance as at December 31, 2023	1,801,440	6.07
Options forfeited	(52,000)	7.53
Balance as at March 31, 2024	1,749,440	6.03
Percentage of common shares outstanding	4.8%	

Options Outstanding at March 31, 2024				Options Exercisable at March 31, 2024			
Exercise Price	Number of Options	Weighted Average Exercise Price (CAD\$)	Weighted Average Remaining Contractual Life (Years)	Exercise Price	Number of Options	Weighted Average Exercise Price (CAD\$)	Weighted Average Remaining Contractual Life (Years)
CAD\$2.25 - \$3.99	374,441	2.41	1.9	CAD\$2.25 - \$3.99	267,775	2.40	1.4
CAD\$4.00 - \$5.99	260,666	4.84	2.6	CAD\$4.00 - \$5.99	154,670	4.84	2.6
CAD\$6.00 - \$7.99	508,333	6.95	3.7	CAD\$6.00 - \$7.99	94,669	6.96	3.7
CAD\$8.00 - \$8.01	606,000	8.01	4.6	CAD\$8.00 - \$8.01	-	-	-
CAD\$2.25 - \$8.01	1,749,440	6.03	3.5	CAD\$2.25 - \$8.01	517,114	3.96	2.2

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

As at and for the three months ended March 31, 2024

Unaudited, all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted
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, 2022	729,288
Granted	152,253
Balance as at December 31, 2023	881,541
Granted	8,467
Balance at March 31, 2024	890,008
Percentage of common shares outstanding	2.4%
Weighted average remaining contractual life (years)	3.5

d) Net Income Per Share

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

	Three Months Ended March 31,	
	2024	2023
Weighted average basic	37,281,649	36,322,948
Dilutive securities		
Stock options	185,953	414,596
RSUs & DSUs	224,903	732,407
Weighted average diluted	37,692,505	37,469,951

e) Dividends

Dividends declared and paid were as follows:

		Three Months Ended March 31, 2024		
		Dividend per share (\$)	Total Declared	
Period Declared				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	-	April 15, 2024
Total		3,296	5,127	

		Three Months Ended March 31, 2023		
		Dividend per share (\$)	Total Declared	
Period Declared				Date Paid
Three months ended December 31, 2022	0.12	-	4,357	January 13, 2023
Three months ended March 31, 2023	0.14	5,104	-	April 14, 2023
Total		5,104	4,357	

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

As at and for the three months ended March 31, 2024

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

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

NOTE 8 – REVENUE FROM CONTRACTS WITH CUSTOMERS

	Three Months Ended	
	March 31,	
	2024	2023
Natural gas	11,060	17,147
Condensate	622	983
Oil	70	30
Total	11,752	18,160

Payment terms for natural gas and oil sales are on or before the 25th day of the month following satisfaction of the performance obligation. Payments for condensate are often made in advance of shipment. For the three months ended March 31, 2024 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 natural gas production. Amounts receivable from contracts with customers by commodity are as follows:

	As at	
	March 31,	December
	2024	31, 2023
Natural gas	5,014	6,486
Condensate	-	13
Total	5,014	6,499

NOTE 9 – NATURE OF OTHER INCOME AND EXPENSES**a) Other Income**

	Three Months Ended	
	March 31,	
	2024	2023
Interest income	262	289
Tax recoveries from operations	142	144
Water disposal income & other	(6)	(6)
Total other income	398	427

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

As at and for the three months ended March 31, 2024

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

	Three Months Ended	
	March 31,	
	2024	2023
Personnel	133	68
Facility and pipeline	445	402
Other fixed	412	399
Variable	128	62
Workover	83	57
Total production expenses	1,201	988

c) General and Administrative ("G&A") Expenses

	Three Months Ended	
	March 31,	
	2024	2023
Personnel	910	859
Travel	32	37
Office and IT costs	69	62
Professional fees	202	171
General corporate	503	421
Gross G&A expenses	1,716	1,550
Capitalized to E&E (Note 3)	-	(59)
Capitalized to PP&E (Note 4)	(293)	(269)
Net G&A expenses	1,423	1,222

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

d) Finance Expenses

Finance expenses by nature are as follows:

	Three Months Ended	
	March 31,	
	2024	2023
Lease interest (Note 5)	358	388
Accretion of decommissioning liabilities (Note 6)	25	15
Total finance expenses	383	403

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

As at and for the three months ended March 31, 2024

Unaudited, all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted
NOTE 10 – CAPITAL MANAGEMENT

The Company's capital consists of the following:

	As at	
	March 31, 2024	December 31, 2023
Cash and cash equivalents	17,450	18,326
Working capital deficit, excluding cash and cash equivalents	(2,403)	(5,209)
Working capital ⁽¹⁾	15,047	13,117
Lease liabilities – non-current	(7,499)	(7,722)
Shareholders' equity	88,279	88,208

(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.

NOTE 11 – 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 semi-annually in BRL (based on historical foreign exchange rates) and billed monthly in the set BRL price until the next price redetermination. The following table denotes the overall impact on natural gas revenues of a 5% and 10% appreciation and depreciation of the BRL relative to the USD:

	Three Months Ended	
	March 31, 2024	2023
Increase (decrease) to natural gas revenues from:		
5% Appreciation of BRL to USD	582	902
10% Appreciation of BRL to USD	1,229	1,905
5% Depreciation of BRL to USD	(527)	(817)
10% Depreciation of BRL to USD	(1,005)	(1,559)

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

	As at			
	March 31, 2024		December 31, 2023	
	CAD\$ (000's)	BRL (000's)	CAD\$ (000's)	BRL (000's)
Cash and cash equivalents	426	36,491	197	28,095
Restricted cash – current	-	362	-	350
Trade and other receivables	70	27,818	93	32,598
Accounts payable and accrued liabilities	(624)	(17,276)	(948)	(25,686)
Net exposure in foreign currency	(128)	47,395	(658)	35,357
Net exposure in USD (\$000s)	(95)	9,486	(498)	7,303

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

As at and for the three months ended March 31, 2024

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

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 Company recorded a foreign exchange loss of \$0.9 million for the three months ended March 31, 2024 (March 31, 2023 – \$1.1 million gain) related to the change in the BRL to USD exchange rate on this intercompany balance.

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 12 – CHANGES IN NON-CASH WORKING CAPITAL

	Three Months Ended	
	March 31,	
	2024	2023
Change in:		
Trade and other receivables	1,007	(153)
Prepaid expenditures	(44)	(406)
Accounts payable and accrued liabilities	(1,929)	(1,538)
	(966)	(2,097)
Changes relating to:		
Operating activities	(300)	(1,116)
Financing activities	(27)	(116)
Investing activities	(639)	(865)
	(966)	(2,097)

NOTE 13 – SUBSEQUENT EVENT

As reported in the audited consolidated financial statements as at and for the year ended December 31, 2023, the redetermination of Alvo Petro's working interest in the unitized area which includes Alvo Petro's Caburé natural gas field (the "Unit") commenced in the fourth quarter of 2023. As at December 31, 2023 and March 31, 2024, Alvo Petro's working interest in the Unit was 49.1%, with Alvo Petro's partner in the Unit ("the Partner") holding the remaining 50.9%. An independent third party expert (the "Expert") was engaged to evaluate the parties' proposals regarding their interpretation of the redetermined working interests. On April 4, 2024, the parties received the Expert decision which found in favour of Alvo Petro, assigning a 56.2% working interest to Alvo Petro, an increase of 7.1%. Pursuant to the provisions of the Unit Operating Agreement (the "UOA"), the redetermined working interests are to become effective on the first day of the second calendar month following the expert decision, being June 1, 2024. Once effective, the redetermined working interest will have the following impact on Alvo Petro's operations and financial statements:

- Alvo Petro's natural gas production entitlement from the Unit will increase to 13.9 MMcfpd, with any additional sales subject to additional demand from Alvo Petro's natural gas customer;
- Alvo Petro will be allocated a higher proportion of condensate sales from the Unit as these allocations are based on working interests;
- an increase in PP&E related to Alvo Petro's revised working interest applicable to the historical unit development costs, with a corresponding liability due to the Partner;
- depletion expense calculated based on revised reserves, also impacted by changes in production as described above; and
- an increase in Alvo Petro's asset retirement obligations, as the Company is now responsible for 56.2% of the Unit's estimated decommissioning costs.

On April 11, 2024, Alvo Petro received a notice of dispute from the Partner with respect to the Expert's final decision, seeking to stay the redetermination procedure. Pursuant to the provisions of the UOA and all related agreements, where an Expert is engaged

ALVOPETRO ENERGY LTD.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended March 31, 2024

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to evaluate a redetermination, the decision of the Expert is binding and Alvopetro strongly disagrees with the dispute raised by the Partner. On April 26, 2024, Alvopetro announced that it had filed a request for an emergency arbitration before the International Court of Arbitration of the International Chamber of Commerce seeking to make the Expert decision binding and effective as provided in the terms of the UOA.