

# **ALVOPETRO ENERGY LTD.**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**As at and Three Months Ended  
March 31, 2025 and 2024**

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

(Unaudited, thousands of United States dollars)

	Note	March 31, 2025	December 31, 2024
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		17,264	21,697
Trade and other receivables		6,356	4,356
Prepaid expenditures		1,470	931
<b>Total current assets</b>		<b>25,090</b>	<b>26,984</b>
Exploration and evaluation assets	4	16,391	14,640
Property, plant and equipment	5	61,408	52,985
Right-of-use assets	6	5,899	5,623
Deferred tax asset		563	791
<b>Non-current assets</b>		<b>84,261</b>	<b>74,039</b>
<b>Total assets</b>		<b>109,351</b>	<b>101,023</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		10,330	9,217
Dividend payable	8	3,643	3,283
Lease liabilities	6	1,121	1,069
Decommissioning liabilities	7	254	234
<b>Total current liabilities</b>		<b>15,348</b>	<b>13,803</b>
Lease liabilities	6	6,591	6,794
Decommissioning liabilities	7	1,214	1,064
<b>Total liabilities</b>		<b>23,153</b>	<b>21,661</b>
<b>Shareholders' equity</b>			
Share capital	8	43,222	43,269
Contributed surplus		53,688	53,423
Retained earnings		38,461	36,229
Accumulated other comprehensive loss		(49,173)	(53,559)
<b>Total shareholders' equity</b>		<b>86,198</b>	<b>79,362</b>
<b>Total liabilities and shareholders' equity</b>		<b>109,351</b>	<b>101,023</b>

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)

		<b>Three Months Ended March 31,</b>	
	<b>Note</b>	<b>2025</b>	<b>2024</b>
<b>Revenue</b>			
Natural gas, oil and condensate sales	9	<b>14,013</b>	11,752
Royalties	2	<b>(1,673)</b>	(312)
Net natural gas, oil and condensate revenue		<b>12,340</b>	11,440
Other income	10	<b>403</b>	398
		<b>12,743</b>	11,838
<b>Expenses</b>			
Production	10	<b>1,167</b>	1,201
General and administrative	10	<b>1,526</b>	1,423
Depletion and depreciation	5,6	<b>3,122</b>	1,847
Impairment		<b>6</b>	91
Finance	10	<b>456</b>	383
Share-based compensation		<b>329</b>	287
Exploration and evaluation		<b>-</b>	96
Foreign exchange (gains) losses		<b>(865)</b>	1,170
Loss on disposition of assets		<b>4</b>	-
		<b>5,745</b>	6,498
<b>Income before taxes</b>		<b>6,998</b>	5,340
<b>Income tax expense</b>			
Current		<b>640</b>	610
Deferred		<b>288</b>	180
<b>Total</b>		<b>928</b>	790
<b>Net income</b>		<b>6,070</b>	4,550
Exchange gain (loss) on translation of foreign operations		<b>4,386</b>	(1,462)
<b>Comprehensive income</b>		<b>10,456</b>	3,088
<b>Net income per share</b>			
	8		
Basic		<b>0.16</b>	0.12
Diluted		<b>0.16</b>	0.12

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					
<b>Balance, December 31, 2024</b>		<b>43,269</b>	<b>53,423</b>	<b>36,229</b>	<b>(53,559)</b>	<b>79,362</b>
Share-based compensation		-	320	-	-	320
Exercise of restricted share units	8	55	(55)	-	-	-
Net income		-	-	6,070	-	6,070
Other comprehensive gain		-	-	-	4,386	4,386
Dividends declared	8	-	-	(3,643)	-	(3,643)
Share repurchase	8	(102)	-	(195)	-	(297)
<b>Balance, March 31, 2025</b>		<b>43,222</b>	<b>53,688</b>	<b>38,461</b>	<b>(49,173)</b>	<b>86,198</b>
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	8	-	-	(3,296)	-	(3,296)
<b>Balance, March 31, 2024</b>		<b>43,461</b>	<b>52,514</b>	<b>34,824</b>	<b>(42,520)</b>	<b>88,279</b>

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)

		<b>Three Months Ended March 31,</b>	
	<b>Note</b>	<b>2025</b>	<b>2024</b>
<b>Operating Activities</b>			
Net income		<b>6,070</b>	4,550
Adjustments:			
Depletion and depreciation	5,6	<b>3,122</b>	1,847
Impairment		<b>6</b>	91
Finance expenses	10	<b>354</b>	383
Share-based compensation		<b>329</b>	287
Foreign exchange		<b>(951)</b>	1,175
Deferred tax		<b>288</b>	180
Loss on disposition of assets		<b>4</b>	-
Funds flow from operations		<b>9,222</b>	8,513
Changes in non-cash working capital	13	<b>(405)</b>	(300)
		<b>8,817</b>	8,213
<b>Financing Activities</b>			
Dividends paid	8	<b>(3,283)</b>	(5,127)
Repurchase of common shares	8	<b>(297)</b>	-
Lease liabilities payments	6	<b>(563)</b>	(568)
Changes in non-cash working capital	13	<b>(67)</b>	(27)
		<b>(4,210)</b>	(5,722)
<b>Investing Activities</b>			
Expenditures on exploration and evaluation assets	4	<b>(1,393)</b>	(140)
Expenditures on property, plant and equipment	5	<b>(6,982)</b>	(2,299)
Proceeds on asset disposition		<b>8</b>	-
Change in restricted cash		<b>-</b>	(3)
Changes in non-cash working capital	13	<b>(896)</b>	(639)
		<b>(9,263)</b>	(3,081)
<b>Change in cash and cash equivalents</b>		<b>(4,656)</b>	(590)
<b>Effect of foreign exchange on cash balances</b>		<b>223</b>	(286)
<b>Cash and cash equivalents, beginning of period</b>		<b>21,697</b>	18,326
<b>Cash and cash equivalents, end of period</b>		<b>17,264</b>	17,450
Cash and cash equivalents consist of:			
Cash		<b>3,025</b>	1,897
Cash equivalents		<b>14,239</b>	15,553
Supplemental information:			
Cash income taxes paid		<b>609</b>	1,108
Cash interest income received		<b>283</b>	287

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 months ended March 31, 2025

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

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#### 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 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 PRESENTATION

The interim condensed consolidated financial statements as at March 31, 2025 and December 31, 2024 and for the three months ended March 31, 2025 and March 31, 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 May 7, 2025.

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

Gross overriding royalty (“GORR”) holders on certain of Alvopetro’s properties filed a dispute regarding the Company’s computation of the GORR on natural gas sales. Pursuant to the dispute resolution procedures, the matter proceeded to arbitration under the rules of the International Chamber of Commerce (“ICC”). Subsequent to March 31, 2025 Alvopetro received the decision, wherein the arbitral tribunal found in favour of the GORR holders, requiring Alvopetro to utilize the sales price to Bahiagás in the computation of the GORR. While there are still matters to be clarified with respect to the decision, Alvopetro has estimated the additional GORR owing and recognized incremental royalties (including inflation adjustments) as well as finance expense on the balance outstanding in the consolidated statements of operations for the three months ended March 31, 2025. The amounts recorded in these interim condensed consolidated financial statements are based on management’s best estimate and the actual amounts owing by Alvopetro will ultimately be determined by the tribunal. Any differences may be material. In addition, the timing of the decision on the amount owing by Alvopetro is uncertain and as the GORR award is subject to inflation and interest adjustments, the balance owing may increase over time.

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

As at and for the three months ended March 31, 2025

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

**NOTE 3 – SEGMENTED INFORMATION**

As at March 31, 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 March 31,							
	Brazil		Canada		Corporate		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
Operating netbacks:								
Natural gas, oil and condensate sales	14,013	11,752	-	-	-	-	14,013	11,752
Royalties	(1,673)	(312)	-	-	-	-	(1,673)	(312)
Production expenses	(1,167)	(1,201)	-	-	-	-	(1,167)	(1,201)
Total	11,173	10,239	-	-	-	-	11,173	10,239
Other income	161	135	-	-	242	263	403	398
Finance expense	454	382	-	-	2	1	455	383
Depletion and depreciation	3,117	1,843	-	-	5	4	3,122	1,847
Income tax expense	928	790	-	-	-	-	928	790
Net income (loss)	6,958	6,487	(88)	-	(800)	(1,937)	6,070	4,550
Property, plant & equipment	58,442	58,775	2,663	-	303	175	61,408	58,950
Capital expenditures	5,514	2,438	2,636	-	225	1	8,375	2,439

The Canada segment relates to a farmin agreement signed in February 2025 whereby Alvopetro agreed to fund 100% of two wells in exchange for a 50% non-operated working interest in 12,243 acres of land in Western Saskatchewan. As of March 31, 2025 both wells have been drilled and completed and production commenced in April.

**NOTE 4 – EXPLORATION AND EVALUATION ("E&E") ASSETS**

	As at	
	March 31, 2025	December 31, 2024
Balance, beginning of period	14,640	13,785
Capital expenditures	1,393	4,361
Capitalized share-based compensation	8	40
Change in decommissioning liabilities	-	39
Transfer to PP&E (Note 5)	(626)	(238)
Asset dispositions & other transfers	(17)	(325)
Impairment	(6)	(91)
Foreign currency translation	999	(2,931)
Balance, end of period	16,391	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 months ended March 31, 2025

*Unaudited, all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted***NOTE 5 – PROPERTY, PLANT AND EQUIPMENT (“PP&E”)**

	<b>As at</b>	
	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Cost, beginning of period	<b>79,327</b>	86,766
Capital expenditures	<b>6,982</b>	10,944
Capitalized share-based compensation	<b>39</b>	127
Transfer from E&E assets (Note 4)	<b>626</b>	238
Change in decommissioning liabilities	<b>38</b>	286
Disposition	<b>-</b>	(97)
Foreign currency translation	<b>5,778</b>	(18,937)
Cost, end of period	<b>92,790</b>	79,327
Accumulated depletion, depreciation and impairment, beginning of period	<b>(26,342)</b>	(26,954)
Depletion and depreciation	<b>(2,831)</b>	(6,406)
Foreign currency translation	<b>(2,209)</b>	7,018
Accumulated depletion, depreciation and impairment, end of period	<b>(31,382)</b>	(26,342)
Net book value, end of period	<b>61,408</b>	52,985

There were no indications of impairment or impairment reversal on any properties as at and for the three months ended March 31, 2025.

**NOTE 6 – 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:

	<b>As at</b>	
	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Net book value, beginning of period	<b>5,623</b>	8,240
Additions	<b>84</b>	114
Depreciation	<b>(291)</b>	(1,186)
Foreign currency translation	<b>483</b>	(1,545)
Net book value, end of period	<b>5,899</b>	5,623
<b>Net Book Value by Asset Class</b>		
Natural gas facility	<b>5,730</b>	5,515
Office space	<b>126</b>	64
Surface land access	<b>43</b>	44
Total net book value	<b>5,899</b>	5,623



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

As at and for the three months ended March 31, 2025

*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, 2025	December 31, 2024
Lease liabilities, beginning of period	7,863	8,681
Additions	84	114
Finance expense	324	1,370
Lease payments	(563)	(2,278)
Foreign currency translation	4	(24)
Lease liabilities, end of period	7,712	7,863
Current	1,121	1,069
Non-current	6,591	6,794
Total	7,712	7,863

**NOTE 7 – DECOMMISSIONING LIABILITIES**

Decommissioning liabilities are 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, 2025	December 31, 2024
Balance, beginning of period	1,298	1,147
Liabilities incurred	38	128
Revisions to obligations	-	197
Accretion	30	100
Foreign currency translation	102	(274)
Balance, end of period	1,468	1,298
Current	254	234
Non-current	1,214	1,064
Total	1,468	1,298

**NOTE 8 – 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 Restricted Share Units	11,298	55
Repurchase and cancellation of shares	(83,300)	(102)
<b>Balance as at March 31, 2025</b>	<b>36,401,894</b>	<b>43,222</b>

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

As at and for the three months ended March 31, 2025

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

**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:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price (CAD\$)</b>
Balance as at December 31, 2023	1,801,440	6.07
Granted	352,000	4.75
Exercise of options	(77,777)	2.31
Options forfeited	(66,000)	7.52
Options expired	(5,555)	2.25
<b>Balance as at December 31, 2024</b>	<b>2,004,108</b>	<b>5.95</b>
<b>Granted</b>	<b>16,000</b>	<b>5.06</b>
<b>Expired</b>	<b>(90,000)</b>	<b>6.85</b>
<b>Balance as at March 31, 2025</b>	<b>1,930,108</b>	<b>5.90</b>
<b>Percentage of common shares outstanding</b>	<b>5.3%</b>	

<b>Options Outstanding at March 31, 2025</b>				<b>Options Exercisable at March 31, 2025</b>		
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	291,109	2.44	1.2	191,109	2.46	0.7
CAD\$4.00 - \$5.99	602,666	4.79	3.3	260,666	4.84	1.6
CAD\$6.00 - \$7.99	479,333	6.94	2.7	194,004	6.94	2.7
CAD\$8.00 - \$8.01	557,000	8.01	3.6	125,999	8.01	3.6
<b>CAD\$2.40 - \$8.01</b>	<b>1,930,108</b>	<b>5.90</b>	<b>2.9</b>	<b>771,778</b>	<b>5.30</b>	<b>2.0</b>

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

As at and for the three months ended March 31, 2025

*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, 2023	881,541
Granted	355,039
<b>Balance as at December 31, 2024</b>	<b>1,236,580</b>
<b>Granted</b>	<b>15,442</b>
<b>Exercised</b>	<b>(11,298)</b>
<b>Forfeited</b>	<b>(21,549)</b>
<b>Balance at March 31, 2025</b>	<b>1,219,175</b>
<b>Percentage of common shares outstanding</b>	<b>3.3%</b>
<b>Weighted average remaining contractual life (years)</b>	<b>3.0</b>

**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,	
	2025	2024
Weighted average basic	37,312,011	37,281,649
Dilutive securities		
Stock options	77,362	185,953
RSUs & DSUs	362,748	224,903
Weighted average diluted	37,752,121	37,692,505

**e) Dividends**

Dividends declared and paid were as follows:

		Three Months Ended March 31, 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	-	April 15, 2025
<b>Total</b>		<b>3,643</b>	<b>3,283</b>	

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

As at and for the three months ended March 31, 2025

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

Period Declared	Dividend per share (\$)	Three Months Ended March 31, 2024		Date Paid
		Total Declared	Total 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
<b>Total</b>		<b>3,296</b>	<b>5,127</b>	

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 9 – REVENUE FROM CONTRACTS WITH CUSTOMERS**

	Three Months Ended March 31,	
	2025	2024
Natural gas	12,969	11,060
Condensate	983	622
Oil	61	70
<b>Total</b>	<b>14,013</b>	<b>11,752</b>

For the three months ended March 31, 2025, all revenue was derived from production in Brazil. Payment terms for natural gas and oil sales are on or before the 10<sup>th</sup> business 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, 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	
	March 31, 2025	December 31, 2024
Natural gas	5,862	3,720
Oil	-	19
<b>Total</b>	<b>5,862</b>	<b>3,739</b>

**NOTE 10 – NATURE OF OTHER INCOME AND EXPENSES****a) Other Income**

	Three Months Ended March 31,	
	2025	2024
Interest income	242	262
Tax recoveries from operations & other	161	136
<b>Total other income</b>	<b>403</b>	<b>398</b>

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

As at and for the three months ended March 31, 2025

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2025</b>	<b>2024</b>
Personnel	370	133
Facility and pipeline	400	445
Other fixed	197	412
Variable	200	128
Workover	-	83
<b>Total production expenses</b>	<b>1,167</b>	<b>1,201</b>

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2025</b>	<b>2024</b>
Personnel	1,121	910
Travel	36	32
Office and IT costs	85	69
Professional fees	209	202
General corporate	444	503
<b>Gross G&amp;A expenses</b>	<b>1,895</b>	<b>1,716</b>
Capitalized to E&E (Note 4)	(41)	-
Capitalized to PP&E (Note 5)	(328)	(293)
<b>Net G&amp;A expenses</b>	<b>1,526</b>	<b>1,423</b>

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:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2025</b>	<b>2024</b>
Lease interest (Note 6)	324	358
Accretion of decommissioning liabilities (Note 7)	30	25
Other	102	-
<b>Total finance expenses</b>	<b>456</b>	<b>383</b>

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

As at and for the three months ended March 31, 2025

*Unaudited, all tabular amounts are expressed in thousands of United States dollars, except per share amounts or as otherwise noted***NOTE 11 – CAPITAL MANAGEMENT**

The Company's capital consists of the following:

	As at	
	March 31, 2025	December 31, 2024
Cash and cash equivalents	17,264	21,697
Working capital deficit, excluding cash and cash equivalents	(7,522)	(8,516)
Working capital <sup>(1)</sup>	9,742	13,181
Lease liabilities – non-current	(6,591)	(6,794)
Shareholders' equity	86,198	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.

**NOTE 12 – 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, 2025	2024
Increase (decrease) to natural gas revenues from:		
5% Appreciation of BRL to USD	683	582
10% Appreciation of BRL to USD	1,441	1,229
5% Depreciation of BRL to USD	(618)	(527)
10% Depreciation of BRL to USD	(1,179)	(1,005)

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			
	March 31, 2025		December 31, 2024	
	CAD\$ (000's)	BRL (000's)	CAD\$ (000's)	BRL (000's)
Cash and cash equivalents	465	28,652	461	20,527
Trade and other receivables	88	35,953	71	26,228
Accounts payable and accrued liabilities	(1,910)	(45,993)	(1,864)	(43,248)
Net exposure in foreign currency	(1,357)	18,612	(1,332)	3,507
Net exposure in USD (\$000s)	(944)	3,241	(926)	566

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

As at and for the three months ended March 31, 2025

*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 Brazilian subsidiary recorded a foreign exchange gain of \$0.4 million recognized in the Company's net income for the three months ended March 31, 2025 (March 31, 2024 – \$0.9 million loss) related to the change in the BRL to USD exchange rate on this intercompany balance. An additional foreign exchange gain of \$0.6 million from the Brazilian subsidiary is recognized in net income for the three months ended March 31, 2025 (March 31, 2024 - \$0.2 million loss) relating to the USD denominated lease liability on the natural gas facility.

*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 13 – CHANGES IN NON-CASH WORKING CAPITAL**

	Three Months Ended	
	March 31, 2025	2024
Change in:		
Trade and other receivables	(1,636)	1,007
Prepaid expenditures	(231)	(44)
Accounts payable and accrued liabilities	499	(1,929)
	(1,368)	(966)
Changes relating to:		
Operating activities	(405)	(300)
Financing activities	(67)	(27)
Investing activities	(896)	(639)
	(1,368)	(966)