The following Management's Discussion and Analysis ("MD&A") is dated August 14, 2019 and should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes of Alvopetro Energy Ltd. ("Alvopetro" or the "Company") as at and for the three and six months ended June 30, 2019, MD&A for the year ended December 31, 2018 and the audited consolidated financial statements as at and for the years ended December 31, 2018 and 2017. Additional information for the Company, including the Annual Information Form ("AIF"), can be found on SEDAR at www.sedar.com or at www.alvopetro.com. This MD&A contains financial terms that are not considered measures under International Financial Reporting Standards ("IFRS") and forward-looking statements. As such, the MD&A should be used in conjunction with Alvopetro's disclosure under the headings "*Non-GAAP Measures*" and "*Forward Looking Information*" at the end of this MD&A.

All amounts contained in this MD&A are in United States dollars ("USD"), unless otherwise stated and all tabular amounts are in thousands of United States dollars, except as otherwise noted.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

Description of Business

Alvopetro Energy Ltd. ("Alvopetro" or "the Company") is engaged in the exploration for and the acquisition, development and production of, hydrocarbons in the Recôncavo basin onshore Brazil. Alvopetro holds interests in the Caburé and Gomo natural gas assets, two oil fields and four other exploration blocks comprising 44,293 gross acres (41,580 net acres) onshore Brazil.

Strategy

Alvopetro's strategy is to unlock the on-shore natural gas potential in the state of Bahia, building off the development of our Caburé and Gomo natural gas assets and the construction of strategic midstream infrastructure. We are creating an upstream/midstream hybrid corporate vehicle to provide sustainable returns to our stakeholders while reinvesting in a disciplined manner in our high impact upstream assets. Our plan is to create a disciplined reinvestment and long-term stakeholder return model where approximately half of our cashflows are distributed to stakeholders as dividends or share repurchases to our shareholders and interest and principle repayments to capital providers.

FINANCIAL & OPERATING SUMMARY

	As at and Three Months Ended June 30,		As at and Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Financial				
($000s, except where noted)				
Oil and condensate sales	**30**	216	**98**	332
Net loss	**(841)**	(1,128)	**(1,604)**	(2,017)
Per share – basic and diluted ($)(1)	**(0.01)**	(0.01)	**(0.02)**	(0.02)
Funds flow from operations (2)	**(699)**	(844)	**(1,336)**	(1,686)
Per share – basic and diluted ($)(1)	**(0.01)**	(0.01)	**(0.01)**	(0.02)
Capital expenditures(3)	**775**	930	**2,024**	2,206
Total assets	**64,366**	62,150	**64,366**	62,150
Cash and cash equivalents	**3,338**	5,839	**3,338**	5,839
Net working capital surplus(2), (4)	**996**	5,454	**996**	5,454
Common shares outstanding, end of year (000s)				
Basic	**96,593**	85,167	**96,593**	85,167
Diluted (1)	**107,438**	93,008	**107,438**	93,008
Operations				
Operating netback ($/bbl) (2)				
Brent benchmark price	**68.33**	74.91	**66.08**	71.04
Discount	**(10.53)**	(3.81)	**(11.73)**	(3.41)
Sales price	**57.80**	71.10	**54.35**	67.63
Transportation expenses	**-**	(1.65)	**-**	(1.83)
Realized sales price	**57.80**	69.45	**54.35**	65.80
Royalties and production taxes	**(7.71)**	(6.25)	**(7.21)**	(6.52)
Production expenses	**(123.31)**	(58.92)	**(87.63)**	(84.54)
Operating netback	**(73.22)**	4.28	**(40.49)**	(25.26)
Average daily crude oil and condensate sales (bopd)	**6**	33	**10**	27

Notes:
(1) Consists of outstanding common shares, stock options, and warrants of the Company.
(2) Non-GAAP measure - see “*Non-GAAP Measures*” section within this MD&A.
(3) Includes non-cash capital expenditures of $0.03 million for the three and six months ended June 30, 2019 (June 30, 2018 - $0.6 million).
(4) Includes Other Liabilities of $2.4 million as of June 30, 2019 which were transferred to current liabilities in the three months ended March 31, 2019.

HIGHLIGHTS AND SIGNIFICANT TRANSACTIONS FOR THE SECOND QUARTER OF 2019

- In the second quarter we received the environmental installation permits from INEMA, the Bahia State environmental regulator, and authorization from the National Agency of Petroleum, Natural Gas and Biofuels of Brazil ("ANP") for construction of both the 11-kilometre transfer pipeline and the gas treatment facility to be built as part of the planned development of our Caburé natural gas asset. Construction of the transfer pipeline and site construction for the gas treatment facility commenced in the quarter. Capital expenditures of $0.8 million included $0.3 million in respect of the Caburé pipeline, $0.1 million for site construction at the gas treatment facility and an additional $0.3 million in capitalized G&A.
- Our sales volumes averaged 6 bopd in the quarter with all sales from the Mãe-da-lua field.
- We reported a net loss of $0.8 million in the quarter, primarily due to negative funds flow from operations of $0.7 million.
- Our cash and cash equivalents totaled $3.3 million as of June 30, 2019.

RECENT HIGHLIGHTS

- We entered into agreement to commence drilling the 57(A1) well on Block 57 and the drilling rig is now mobilizing. The prospect is a multi-zone, pre-rift exploration prospect targeting Agua Grande, Sergi and Boipeba formations and is estimated to be drilled to a total depth of 1,500 metres and is scheduled to take ten days to drill, with results expected near the end of August.

PETROLEUM AND NATURAL GAS PROPERTIES AND OUTLOOK

As at June 30, 2019, Alvopetro held interests in the Caburé and Gomo natural gas assets, two oil fields (Bom Lugar and Mãe-da-lua) and four other exploration assets (Blocks 182, 169, 255, and 57) comprising 44,293 gross (41,580 net) acres in the Recôncavo basin onshore Brazil.

NATURAL GAS ASSETS:

Alvopetro holds interests in two main natural gas assets within Brazil: the Caburé natural gas field and our Gomo natural gas project.

Caburé Natural Gas Field:

Alvopetro's Caburé natural gas field and Caburé Leste natural gas field (the 197(2) and 198(A1) wells), collectively referred to as the Caburé natural gas field throughout this MD&A, extend across four blocks in the Recôncavo basin in Bahia state in Brazil, two of which are held by Alvopetro (Blocks 197 and 198) and two of which are held by our partner (Blocks 211 and 212), with Alvopetro's share of the unitized area being 49.1% and our operating partner's share being 50.9% The unit has four existing wells, two of which are already tied into low pressure production facilities. The development plan includes the construction of high-pressure production facilities, completion and tie-in of the remaining wells, and drilling of up to four new development wells. Drilling of the first of the development wells is underway and all remaining development is expected to be completed by the end of 2019 with a planned gross field production plateau rate of 15.9 mmcfpd (450,000 m3/d) when Alvopetro commences production allocations.

Under the terms of the Unit Operating Agreement ("UOA"), each party will be entitled to nominate for its working interest share of field production and for any natural gas not nominated by the other party. Once a party produces its share of proved and probable ("2P") reserves, they will no longer be entitled to further production allocations. Our partner is entitled to 100% of the early field production (allocated against their share of 2P reserves). From when the field commenced production in September 2018, a total of 571 mmcf of gas has been produced to August 10, 2019 against our partner's share of 2P reserves. Condensate production from the unit is split based on working interest and sold by the operator on behalf of both parties. In exchange for entitlement to the early field production, our partner has agreed to initially fund the majority of the unit development capital. Alvopetro will pay for its share of the initial unit capital within 30 days of the earlier of commencement of production or March 31 2020. Alvopetro's share of the unit development capital incurred to June 30, 2019 is $2.4 million (net of inventory and equipment transferred by Alvopetro to the unit), reported as other liabilities in the consolidated statement of financial position.

Gomo Natural Gas Project:

Alvopetro's Gomo gas project extends across Blocks 183 and 197 and includes the 183(1) well (drilled in 2014 and tested in the first quarter of 2018) and the 197(1) well (drilled and tested in 2014). To further evaluate the Company's Gomo natural gas asset, Alvopetro plans to complete a stimulation of the 183(1) well in the second half of 2019 with an 8-kilometre transfer pipeline to be installed in 2020 to tie the well into our 11-kilometre pipeline being built from the Caburé unit facilities.

Gas Commercialization Strategy and Planned Natural Gas Development:

The Company has a long-term gas sales agreement ("GSA") with Bahiagás which provides for the sale of 5.3 mmcfpd (150,000 m3/d) on a firm basis and up to 12.4 mmcfpd (350,000 m3/d) on an interruptible basis, adjustable by Alvopetro annually. The natural gas price to be received under the GSA is set semi-annually (in February and August) using a trailing weighted average basket of benchmark prices, with a floor of $5.00/mmbtu and a ceiling of $8.50/mmbtu (both subject to United States inflation). The forecasted 2020 price under the GSA, based on the June 30, 2019 GLJ Petroleum Consultants commodity price forecast, is $7.34/mmbtu ($8.33/mcfe). The GSA has take-or-pay provisions and supply failure penalties to ensure performance by both parties which are based on the firm volumes. Firm gas deliveries under the GSA will commence in July 2020 (the "Firm Start Date"). The GSA allows for interruptible volumes to commence in advance of the Firm Start Date upon mutual consent by both parties. Alvopetro expects to be in a position to deliver first gas, on an interruptible basis, in early 2020 and expects Bahiagás to have all infrastructure in place to accept first gas at this time. In May 2019, Bahiagás received the necessary license to construct its pipeline extension and the new city gate at our plant site. In July 2019, Bahiagás issued their service authorization to commence the construction of this pipeline extension. Their contractor is mobilizing equipment to commence construction and Bahiagás expects to start receiving pipe this month.

As part of Alvopetro's midstream development, the Company has a Gas Treatment Agreement with Enerflex Ltd ("Enerflex"), pursuant to which, Enerflex will construct, own and operate a natural gas processing facility (the "Facility") for Alvopetro and will provide all operations and maintenance, warrantying the delivery schedule and on-stream performance of the Facility. Alvopetro will pay an integrated service fee of $2.9 million over the 10-year-term of the agreement once the Facility is operational. Commissioning of the Facility is expected in early 2020 allowing commercial gas deliveries to commence in early 2020. Alvopetro is responsible for all site construction at the Facility and will also construct an 11-kilometre pipeline from the Caburé unit to the Facility. On May 10, 2019 we received the environmental permits required to commence construction of both the pipeline and site construction at the Facility. ANP authorizations for construction of the Facility and the pipeline were also received in the second quarter. Construction of the pipeline commenced in May 2019 and our contractor has now cleared and prepared the majority of the pipeline right-of-way and has commenced welding operations. The majority of the equipment for the Facility has been shipped to Brazil and has cleared customs. Site construction at the Facility has also commenced and initial areas are expected to be released to Enerflex within a week to begin field foundation work and the installation of processing skids. The Gomo natural gas asset will be connected to this midstream development via an 8-kilometre transfer pipeline planned to be built in 2020.

EXPLORATION AND EVALUATION ("E&E") ASSETS

The Company has the following estimated work commitments outstanding on E&E assets as at June 30, 2019.

Block	Gross Acres	Working Interest	Current Phase Expiry	Estimated Net Work Commitment[1] ($000's)	Letter of Credit Support[2] ($000's)
182	4,807	100%	Suspension in place[3]	-	-
183	7,740	100%	December 31, 2019 & suspension[4]	870	1,233
197	3,484	100%	Suspension in place[4]	-	-
169	5,280	100%	Suspension in place[5]	992	1,543
255	7,734	100%	Suspension in place[5]	1,187	1,847
57	7,752	65%[6]	August 14, 2019[6]	59	279
GRAND TOTAL – ALL EXPLORATION BLOCKS				**3,108**	**4,902**

(1) The estimated commitments expressed above are based on costs to complete work units ("UTs") which represent the minimum work to be carried out under the terms of the existing exploration phase of the concession contracts. UTs may be satisfied through, among other things, drilling exploration wells and shooting or reprocessing seismic. UTs are not applicable in the Development Assessment Plan ("PAD") phase; however, the Company must notify the ANP of its work plan to be completed during this phase. Blocks 182, 197 and a portion of Block 183 are currently in the PAD phase.

(2) Letters of Credit ("LCs") posted in satisfaction of work units may be in excess of USD equivalent amounts for the associated commitments due to foreign exchange fluctuations and foreign exchange margin requirements. Total LCs outstanding at June 30, 2019 include an additional $0.7 million for work commitments on Blocks 62, 71 and 145 which were met in 2018, approved by the ANP in 2019 and Alvopetro is awaiting release of the associated LCs by all involved banks.

(3) Block 182 is currently in the PAD phase. The ANP has approved a suspension of the PAD expiry date due to the lack of an environmental permit. Following receipt of the permit Alvopetro will have 278 days until the PAD expiry.

(4) Block 183 and Block 197 (excluding the portion of Block 197 attributed to the Caburé natural gas field) are part of the Gomo gas project. A portion of Block 183 is currently in the PAD phase with an expiry date of December 31, 2019. The remainder of the block is in the second exploration phase and is currently in suspension due to the lack of an environmental permit. Following receipt of the permit, Alvopetro will have 517 days until the phase expiry date. Block 197 is currently in the PAD phase. In 2017, the ANP approved the suspension of the PAD pending receipt of environmental permits for stimulation of the 197(1) well.

(5) Due to an ongoing injunction against unconventional activities on all 12th Brazil Bid Round Blocks, in December 2017 the Company filed a request with the ANP to cancel the Block 169 and 255 concession contracts, including the commitments noted in the table above, and return the bid round bonuses paid.

(6) Alvopetro currently holds a 65% working interest in Block 57 and has an agreement in place to acquire the remaining 35%, subject to ANP approval. The estimated commitment amount provided in the table above represents 100% of related minimum work commitment on the block. Alvopetro plans to drill the 57(A1) well in satisfaction of the work commitment in the table above and the drilling rig is now being mobilized. The Company has filed a request with the ANP to extend the expiry date of the block to allow sufficient time for drilling the prospect. In addition to the LC support included in the table above, Alvopetro posted $0.1 million of restricted cash in satisfaction of this work commitment in the three months ended June 30, 2019.

FINANCIAL AND OPERATING REVIEW

Sales Volumes

	Three Months Ended June 30,		Six Months Ended June 30	
	2019	2018	**2019**	2018
Total oil (bbls)	**519**	3,038	**1,556**	4,909
Total condensate (bbls)	**-**	-	**247**	-
Total oil and condensate (bbls)	**519**	3,038	**1,803**	4,909
Daily volumes (bopd)	**6**	33	**10**	27

Average daily sales volumes in the three and six months ended June 30, 2019 decreased compared to the same periods in 2018 mainly due to reductions at the Bom Lugar well which was shut-in in early 2019 following ongoing maintenance problems.

Oil and Condensate Sales

	Three Months Ended June 30,		Six Months Ended June 30	
	2019	2018	**2019**	2018
Brent ($/bbl)	**68.33**	74.91	**66.08**	71.04
Discount ($/bbl)	**(10.53)**	(3.81)	**(11.73)**	(3.41)
Oil and condensate sales price ($/bbl)	**57.80**	71.10	**54.35**	67.63
Sales price discount as a % of Brent	**15%**	5%	**18%**	5%
Oil Sales	**30**	216	**83**	332
Condensate Sales	**-**	-	**15**	-
Oil and Condensate Sales	**30**	216	**98**	332
Transportation	**-**	(5)	**-**	(9)
Total sales, net of transportation expense	**30**	211	**98**	323
Realized price ($/bbl)	**57.80**	69.45	**54.35**	65.80

Pursuant to the terms of Alvopetro's Mãe-da-lua oil sales contract, a discount is applied to the average Brent price as a fixed percentage of Brent. In 2019, the discount increased where the Brent price exceeds $60 per barrel. In addition, in the second half of 2018, the terms of the Mãe-da-lua sales contract had been amended such that delivery is now made at the wellhead, with all transportation costs covered by the purchaser which contributed to a reduced sales price per barrel, offset by lower transportation expenses. With no sales from the Bom Lugar field in 2019 (which had lower discounts relative to Brent) and the increased contractual discounts under the Mãe-da-lua contract, the overall discounts as a percentage of Brent increased compared to 2018.

Under the UOA, all condensate sales from the Unit are split based on working interest percentage, with all condensate production from the unit sold pursuant to a sales contract on behalf of both Alvopetro and our partner based on Brent price plus a mark-up. There were no condensate sales in the three months ended June 30, 2019.

Oil and condensate sales decreased in both the three and six months ended June 30, 2019 compared to 2018 mainly due to the reduction in daily sales volumes and also as a result of reduced realized sales price per barrel due to the declining Brent price and increasing sales discounts.

Royalties and Production Taxes

	Three Months Ended June 30,		Six Months Ended June 30	
	2019	2018	**2019**	2018
Royalties and production taxes	**4**	19	**13**	32
Percentage of sales (%)	**13.3**	8.8	**13.3**	9.6

The Mãe-da-lua field, the Caburé natural gas field and all exploration blocks held by Alvopetro are subject to a base 10% government royalty plus a 1% landowner royalty. The Bom Lugar field is subject to a base 5% government royalty plus a 0.5% landowner royalty. There is an additional 2.5% gross-overriding royalty on the Mãe-da-lua field, Block 182 and the portion of the Caburé and Gomo natural gas assets that were previously Block 197.

All royalties are paid based on production volumes at the greater of the sales price and an ANP minimum reference price. Due to higher proportionate sales from the Mãe-da-lua field (which has a higher overall royalty rate), royalties as a percentage of sales increased in both the three and six months ended June 30, 2019 compared to 2018.

Royalties and production taxes include all Social Integration Program ("PIS") taxes and Social Assistance Contribution ("COFINS") paid on oil sales at a combined rate of 9.25%, offset by credits on available expenses. The Company currently has sufficient PIS and COFINS credits to offset any amounts owing.

Production Expenses

	Three Months Ended June 30,		Six Months Ended June 30	
	2019	2018	**2019**	2018
Production expenses by type:				
Personnel costs	**23**	78	**60**	162
Other fixed costs	**34**	45	**82**	118
Variable costs	**7**	56	**16**	72
Workover costs	**-**	-	**-**	63
Total production expenses	**64**	179	**158**	415
Production expenses per barrel:				
Personnel costs	**44.32**	25.68	**33.28**	33.00
Other fixed costs	**65.50**	14.81	**45.48**	24.04
Variable costs	**13.49**	18.43	**8.87**	14.67
Workover costs	**-**	-	**-**	12.83
Total production expenses per bbl ($)	**123.31**	58.92	**87.63**	84.54

Production expenses in 2019 decreased relative to 2018 primarily due to reduced personnel and workover and maintenance costs at the Bom Lugar field following the decision to shut-in the producing well. Despite the reduced production expenses, per unit costs increased in both periods compared to 2018 due to the decline in daily sales volumes.

General and Administrative ("G&A") Expenses

	Three Months Ended June 30,		Six Months Ended June 30	
G&A Expenses, by type:	**2019**	2018	**2019**	2018
Personnel	**627**	594	**1,287**	1,251
Travel	**29**	14	**57**	50
Office and IT costs	**39**	79	**80**	171
Professional fees	**74**	278	**172**	431
General corporate costs	**128**	64	**224**	149
Gross G&A	**897**	1,029	**1,820**	2,052
Capitalized G&A	**(256)**	(271)	**(497)**	(580)
G&A expenses	**641**	758	**1,323**	1,472

The majority of the Company's G&A expenses relate to personnel costs. General corporate costs include public company costs, directors' fees and insurance. The Company's Gross G&A decreased in both the three and six months ended June 30, 2019 due to reduced professional fees, as 2018 had been impacted by additional legal fees for the UOA and the GSA which were finalized in the second quarter of 2018, and the decline in the value of the BRL relative to the USD. This was partially offset by increasing general corporate costs due to higher public company costs in 2019.

Funds Flow from Operations

	Three Months Ended June 30,		Six Months Ended June 30	
	2019	2018	**2019**	2018
Funds flow from operations	**(699)**	(844)	**(1,336)**	(1,686)

Despite reduced oil and condensate sales, the Company's funds flow from operations improved compared to the same periods in 2018 due to increased other income and reductions in G&A and production expenses.

Foreign Exchange

The Company's reporting currency is the USD and its functional currencies are the USD and the Brazilian real ("BRL"). Substantially all costs incurred in Brazil are in BRLs and the Company incurs head office costs in both USD and Canadian dollars ("CAD"). In each reporting period, the change in the values of the BRL and the CAD relative to the Company's reporting currency are recognized. The period end rates used to translate the Company's BRL and CAD denominated financial statement items for the reporting periods as specified are as follows:

	As at			% Change in Period	
	June 30, 2019	March 31, 2019	December 31, 2018	**Q2 2019**	**YTD 2019**
Rate at end of period:					
$1 USD = BRL	**3.832**	3.897	3.875	**(1.7)**	**(1.1)**
$1 USD = CAD	**1.309**	1.336	1.364	**(2.0)**	**(4.0)**

	Three Months Ended June 30,		Six Months Ended June 30,		% Change in Period	
	2019	2018	**2019**	2018	**Q2**	**YTD**
Average rate in the period:						
$1 USD = BRL	**3.922**	3.606	**3.846**	3.427	**8.8**	**12.2**
$1 USD = CAD	**1.338**	1.291	**1.334**	1.278	**3.6**	**4.4**

Head office transactions in CAD are recognized at the rates of exchange prevailing at the date of the transactions. At the end of each reporting period, monetary assets and liabilities are translated at the exchange rate in effect at the reporting period date. Non-monetary assets, liabilities, revenues and expenses are translated at transaction date exchange rates. Exchange gains or losses are included in the determination of net loss as foreign exchange gains or losses.

The assets and liabilities of Alvopetro's Brazilian subsidiaries are translated to USD at the exchange rate on the reporting period date. The income and expenses of our Brazil operations are translated to USD at the exchange rates on the date of the relevant transactions. All resulting foreign currency differences are recorded in exchange gain (loss) on translation of foreign operations in our consolidated statements of operations and comprehensive loss. In the three and six months ended June 30, 2019 the BRL appreciated 2% and 1% relative to the USD, resulting in exchange gains of $0.6 million and $0.4 million, respectively.

As a significant portion of the Company's expenditures are denominated in BRL and CAD, the Company is exposed to fluctuations in these currencies relative to the USD which may have a material impact on costs in the future. In the three and six months ended June 30, 2019, the average BRL rate depreciated 9% and 12% respectively and the average CAD depreciated 4% in both periods, contributing to lower USD equivalent production and G&A expenses.

Share-Based Compensation Expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	**2019**	2018
Share based compensation expense	**34**	24	**67**	27

Share-based compensation expense is a non-cash expense based on the fair value of stock options and warrants granted and amortized over the respective vesting periods. At June 30, 2019, 7.2 million stock options were outstanding compared to 7.5 million at June 30, 2018. Despite reduced stock options outstanding in 2019, with higher exercise prices as a result of Alvopetro's improving share price, share based compensation expense increased in 2019 compare to the same periods in 2018.

Depletion and Depreciation and Impairment

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	**2019**	2018
Depletion and depreciation	**52**	54	**106**	87
Impairment	**61**	196	**61**	196
Total	**113**	250	**167**	283

Depreciation includes $0.03 million in the three months ended June 30, 2019 and $0.07 million in the six months ended June 30, 2019 in respect of depreciation of right-of-use assets following the adoption of IFRS 16 on January 1, 2019, contributing to higher depletion and depreciation despite reduced volumes in 2019 compared to the same periods in 2018. Included in the depletion computation for our producing assets was $6.0 million (June 30, 2018 - $6.3 million) of estimated future development costs for undeveloped proved plus probable reserves.

Impairment of $0.06 million was recognized in the second quarter of 2019 in respect of land held for sale and materials inventory transferred to assets held for sale on June 30, 2019. The impairment in 2018 relates to costs incurred on Block 106. The carrying amount of the block was written down to $nil following the Company's decision to relinquish the block.

Finance (Recovery) Expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	**2019**	2018
Accretion on decommissioning liabilities	**6**	10	**14**	20
Effective interest on other liabilities	**(14)**	-	**-**	-
Lease interest	**3**	-	**7**	-
Finance (Recovery) Expenses	**(5)**	10	**21**	20

Finance expenses include effective interest on lease liabilities following the adoption of IFRS 16 on January 1, 2019 as well as accretion on decommissioning liabilities. In the three months ended June 30, 2019, the Company capitalized the year-to-date effective interest on liabilities owing to its partner for the Caburé unit development, contributing to the recovery recognized in the quarter.

Net Loss

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	**2019**	2018
Net loss	**(841)**	(1,128)	**(1,604)**	(2,017)

Net loss in the three and six months ended June 30, 2019 improved relative to 2018 with the reduction in operating cash outflows and impairment, partially offset by increased depreciation and finance expenses.

Capital Expenditures

Capital Expenditures by Type	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
E&E				
Drilling and completions	**27**	(22)	**27**	792
Facility & equipment	**10**	434	**10**	519
Land, lease, and similar payments	**14**	5	**39**	63
Capitalized G&A	**90**	168	**178**	475
Other	**-**	13	**2**	23
Total E&E[1]	**141**	598	**256**	1,872
PP&E				
Facility & equipment	**433**	285	**1,409**	285
Drilling and completions	**-**	(75)	**-**	(75)
Land, lease and similar payments	**5**	17	**9**	17
Furniture & fixtures	**2**	-	**3**	-
Capitalized G&A	**166**	103	**319**	105
Other	**28**	2	**28**	2
Total PP&E[2]	**634**	332	**1,768**	334
Total Capital Expenditures by Type	**775**	930	**2,024**	2,206

Capital Expenditures by Property	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
E&E				
Caburé	**-**	538	**-**	773
9th Brazil Bid Round blocks (Blocks 182, 183, 197)	**106**	54	**210**	1,065
11th Brazil Bid Round blocks (Blocks 106, 107)	**-**	8	**5**	23
13th Brazil Bid Round blocks (Blocks 57, 62, 71, 145)	**35**	6	**40**	10
Inventory	**-**	-	**1**	-
Costs to be allocated to blocks	**-**	(8)	**-**	1
Total E&E[1]	**141**	598	**256**	1,872
PP&E				
Caburé and associated midstream assets	**632**	326	**1,761**	326
Bom Lugar	**-**	1	**4**	2
Jiribatuba	**-**	2	**-**	3
Corporate	**2**	3	**3**	3
Total PP&E[2]	**634**	332	**1,768**	334
Total Capital Expenditures by Property	**775**	930	**2,024**	2,206

(1) Includes non-cash capital expenditures of $nil in the three and six months ended June 30, 2019 (June 30, 2019 - $0.30 million).
(2) Includes non-cash capital expenditures of $0.03 million in the three and six months ended June 30, 2019 (June 30, 2018 - $0.30 million).

Following the receipt of the environmental license and ANP authorization for construction for both the 11-kilometre transfer pipeline and the gas treatment facility, Alvopetro commenced construction of both the pipeline right of way and site construction at the Facility, incurring costs of $0.4 million on these projects in the second quarter of 2019. Additional costs in the quarter included $0.04 million for the planned stimulation and facility expansion for our 183(1) well, part of our Gomo gas project, and $0.3 million in capitalized G&A.

Summary of Quarterly Results

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Financial								
Oil and condensate sales	**30**	68	62	125	216	116	85	120
Net loss	**(841)**	(763)	(1,445)	(878)	(1,128)	(889)	(2,079)	(3,331)
Per share – basic & diluted ($)	**(0.01)**	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.02)	(0.04)
Funds flow from operations (1)	**(699)**	(637)	(821)	(759)	(844)	(842)	(775)	(959)
Per share – basic & diluted ($)	**(0.01)**	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Capital expenditures(2)	**775**	1,249	1,249	1,889	930	1,276	434	1,663
Operations								
Operating netback ($/bbl) (1)								
Brent benchmark price	**68.33**	63.83	68.08	75.85	74.91	67.18	61.53	52.18
Sales price	**57.80**	52.96	59.85	70.15	71.10	62.00	55.05	46.91
Transportation expenses	**-**	-	(0.97)	(1.68)	(1.65)	(2.14)	(2.59)	(2.35)
Realized sales price	**57.80**	52.96	58.88	68.47	69.45	59.86	52.46	44.56
Royalties and production taxes	**(7.71)**	(7.01)	(9.65)	(7.30)	(6.25)	(6.95)	(6.48)	(4.69)
Production expenses	**(123.31)**	(73.21)	(229.73)	(104.94)	(58.92)	(126.14)	(112.05)	(72.71)
Operating netback	**(73.22)**	(27.26)	(180.50)	(43.77)	4.28	(73.23)	(66.07)	(32.84)
Average daily production (bopd)	**6**	14	11	19	33	21	17	28

Notes:
(1) Non-GAAP measure. See "Non-GAAP Measures" section within this MD&A.
(2) Includes non-cash capital expenditures of $0.03 million in Q2 2019, $0.6 million in Q4 2018, $1.5 million in Q3 2018, $0.6 million in Q2 2018 and $0.1 million in Q3 2017.

Q2 2019 –The Company received the approvals for construction of both the transfer pipeline and gas treatment facility to be built as part of the planned natural gas midstream development. Capital expenditures of $0.8 million in the quarter included $0.4 million in construction costs for the transfer pipeline and site construction costs for the gas treatment facility, as well as capitalized G&A of $0.3 million. As average daily production decreased to 6 bopd, all from the Company's Mãe-da-lua field, the Company's operating netback decreased to a loss of $73.22 per barrel, despite reduced production expenses.

Q1 2019 – Capital expenditures of $1.2 million included $0.9 million in respect of the 11-kilometre transfer pipeline to be built from the Caburé unit facilities and capitalized G&A of $0.2 million. Average daily production was 14 bopd and included 3 bopd relating to condensate production from the Caburé unit. Personnel and other cost reductions were implemented following the Company's decision to permanently shut-in the Bom Lugar field, contributing to reduced production expenses. With lower production expenses and reduced G&A expenses, the Company's funds flow from operations improved in the quarter.

Q4 2018 – Capital expenditures included $0.5 million for Alvopetro's share of Caburé joint unit development, $0.3 million for pipeline and permitting costs and capitalized G&A of $0.3 million. The Company's average daily production decreased to 11 bopd, largely due to mechanical problems at the Company's Bom Lugar well which also contributed to higher production expenses in the quarter for both workover costs and maintenance costs. The well has now been shut-in. Total impairment charges of $0.6 million were recognized in the period on the Company's E&E assets, contributing to a higher net loss in the quarter. The Company's Private Placement contributed net proceeds of $3.8 million upon the issuance of 11,504,000 common shares and 3,676,000 warrants.

Q3 2018 – Total capital expenditures of $1.9 million in the quarter included $1.5 million in respect of Alvopetro's share of Caburé unit development costs and capitalized G&A of $0.2 million. Average daily production decreased to 19 bopd in the quarter due to declines from our Bom Lugar well which was offline for much of the quarter awaiting a pump repair. The resulting production decline contributed to higher per barrel production costs and reduced operating netbacks per barrel. The Company entered into the Gas Treatment Agreement with Enerflex wherein Enerflex will construct, operate and maintain the natural gas processing facility on behalf of Alvopetro and in exchange Alvopetro will pay a monthly integrated service fee equivalent to $2.9 million per annum, commencing when the facility is operational in late 2019.

Q2 2018 – During the quarter, the Company finalized the terms of the unitization agreement and the unit development plan for our Caburé natural gas field, executed a long-term natural gas sales agreement and was assigned proved and probable reserves on both the Caburé and Gomo natural gas assets. Capital expenditures in the quarter included $0.6 million relating to Alvopetro's share of Caburé unit development costs and capitalized G&A of $0.3 million. The Company achieved an operating netback of $4.28 per barrel in the quarter due to a 57% increase in daily production volumes, lower production expenses and improving realized sales prices as a result of increasing Brent benchmark prices and reduced sales price discounts.

Q1 2018 – The Company tested the 183(1) well in the quarter, incurring costs of $0.8 million. Additional capital expenditures in the quarter included $0.1 million with respect to permitting for our Caburé natural gas field and $0.3 million of capitalized G&A. The Company's average daily production increased to 21 bopd as the Bom Lugar field recommenced production in March after a pump failure in November 2017. The production increase as well as increasing Brent benchmark prices resulted in a 36% increase in oil sales. Despite higher oil sales, funds flow from operations decreased to $0.8 million due to increased G&A and production expenses.

Q4 2017 – The Company's average daily production decreased 39% to 17 bopd due to reduced production from the Bom Lugar well which was impacted by downhole pump problems and other maintenance. The Company recognized total impairment charges of $1.3 million in the quarter on Block 169 ($0.3 million), Block 255 ($0.3 million), equipment inventory ($0.2 million) as well as on the Mãe-da-lua field ($0.5 million). Funds flow from operations improved $0.2 million due to reduced G&A and E&E expenses in the quarter. Capital expenditures of $0.4 million were primarily attributable to recurring costs, including capitalized G&A of $0.2 million.

Q3 2017 – The Company drilled the 177(A1) well on Block 177 in the quarter, incurring costs of $1.1 million. The Company recognized an impairment loss on this block of $2.4 million and additional exploration and evaluation expenditures of $0.1 million for costs to complete the remaining commitments. Due to the $2.4 million impairment to Block 177 and $1.0 million in negative funds flow from operations, the Company realized a net loss of $3.3 million. Average daily production increased 27% in the quarter due to reduced workover activities compared to the second quarter of 2017. As a result of the increased production and the 7% increase in realized sales prices, oil sales increased 40%.

Commitments and Contingencies

The following is a summary of Alvopetro's contractual commitments as at June 30, 2019:

Commitments	< 1 Year	1-3 Years	Thereafter	Total
Minimum work commitments(1)				
Minimum work commitments to be completed				
Block 183(2)	-	870	-	870
Block 169(3)	992	-	-	992
Block 255(3)	1,187	-	-	1,187
Block 57(4)	59	-	-	59
Bom Lugar	-	-	91	91
Minimum work commitments to be completed	**2,238**	**870**	**91**	**3,199**
Gas Treatment Agreement	**1,459**	**5,836**	**21,884**	**29,179**
Total commitments	**3,697**	**6,706**	**21,975**	**32,378**

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 February 2018, the ANP approved a suspension to the portion of Block 183 currently in the second exploration phase to which the above commitment is applicable. The Company will have 517 days from receipt of the environmental permit for the well to be drilled to meet the required work commitment.
(3) Due to an ongoing injunction against unconventional activities on all 12th Brazil Bid Round Blocks, in December 2017 the Company filed a request with the ANP to cancel the Block 169 and 255 concession contracts, including the commitments noted in the table above.
(4) Alvopetro currently holds a 65% working interest in Block 57 and has an agreement in place to acquire the remaining 35%, subject to ANP approval. The amount provided in the table above represents 100% of related minimum work commitment on the block.

The Company's GSA with Bahiagás provides penalties for supply failure in respect of the firm volumes and also take or pay penalties applicable to Bahiagás should it be unable to accept the firm volumes specified in the contract. Any potential penalties to either party do not commence until the Firm Start Date. The Company believes it can meet the firm sales commitments under the GSA solely with our production from the Caburé natural gas field, however supply failure penalties may arise where construction of the gas processing facility or pipeline is delayed (other than due to permitting delays), unit development is delayed, where there are unplanned production interruptions, or to the extent reservoir performance is below expected production rates. Supply failure penalties are a function of the shortfall of firm volumes and the prevailing natural gas price under the GSA at the time, which is determined based on a trailing weighted average basket of benchmark reference prices including Henry Hub and National Balancing Point natural gas prices and Brent crude oil prices. Alvopetro can mitigate these risks by meeting sales commitments under the GSA with third-party gas supplies, through development of existing gas resources, or through new gas discoveries from our prospect inventory.

Under the terms of the Gas Treatment Agreement with Enerflex, Alvopetro is committed to integrated service fees totaling $2.9 million per year once the Facility is operational. Alvopetro anticipates that the Facility will be operational in early 2020 and has reflected the associated commitment in the table above based on this start date. A portion of the payments are in BRL and therefore exposed to foreign exchange fluctuations. Management has assessed that this agreement contains a lease component under IFRS 16 which will affect the classification of these fees upon lease commencement. The Gas Treatment Agreement includes customary penalties and standby charges to the extent Alvopetro is unable to receive the services on the start date. In addition, the Gas Treatment Agreement includes early termination penalty provisions which vary depending on timing of the termination. While the Gas Treatment Agreement also includes strict availability requirements and downtime credits, such credits may not fully offset costs incurred by Alvopetro due to ship or pay obligations under the GSA as discussed above to the extent processing in the Facility is limited due to unplanned or longer than scheduled maintenance or repair.

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.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2019, Alvopetro's cash and cash equivalents of $3.3 million and its restricted cash of $0.3 million were held as follows:

	Total	**U.S. Dollar**	**CAD Dollar(1)**	**Brazil Real(1)**
Cash held in Canada	**2,182**	2,081	101	-
Cash held in Brazil	**1,156**	-	-	1,156
Restricted cash - current	**262**	-	-	262
Total	**3,600**	**2,081**	**101**	**1,418**

Notes:

(1) Amounts in the table above denote the U.S. dollar equivalent as at June 30, 2019.

The Company has cash of $3.3 million and a total net working capital surplus of $1.0 million at June 30, 2019. Positive cash flows are expected upon commencement of production from the Caburé natural gas field in early 2020, however the Company does not currently have sufficient financial resources to complete the infrastructure required to develop this asset to the sales point. Alvopetro is actively seeking financing to fund its share of the remaining future development costs associated with the Caburé natural gas field, including our 49.1% share of joint unit development costs, our 100% owned pipeline construction costs, and site construction costs for the Facility, as well as costs associated with the Gomo development. The Company anticipates $4 million in payments for the Caburé development throughout the remainder of 2019, with an additional $6 million payable in early 2020. For the second half of 2019, the Company also plans to stimulate the 183(1) well, at an estimated cost of $0.8 million, and drill the 57(A1) well at an estimated cost of $1.4 million. Financing alternatives include project financing, vendor financing, strategic partnerships, other debt issuances or additional equity issuances. The Company may also explore asset sales or farmouts to assist with funding. Given these factors and the Company's history of losses and as discussed further in Note 1 to the financial statements, if we are unable to execute a financing arrangement or a financing arrangement on terms acceptable to Alvopetro, the Company's current cash balances will be insufficient to fund the Caburé and Gomo development and the Company's plans and commitments on its other exploration blocks and oil fields.

Exploration work commitments to be met in Brazil are supported by a credit facility with a Canadian bank which allows for the issuance of LCs and letters of guarantee in support of the financial guarantees required by the ANP for Alvopetro's work commitments under the terms of its concession contracts associated with its exploration blocks. LCs and letters of guarantee issued may be supported by either cash collateral posted by Alvopetro or through an Account Performance Security Guarantee from Export Development Canada ("EDC"). As at June 30, 2019, the total amount of LCs issued under the credit support facility was $5.7 million (December 31, 2018 - $6.1 million), the full balance of which was satisfied by EDC. Total LCs outstanding at June 30, 2019 include $0.7 million for work commitments satisfied by Alvopetro in 2018 and Alvopetro is awaiting release of the LCs by all involved banks. The Company also has a restricted cash balance of $0.3 million as at June 30, 2019 (December 31, 2018 - $0.1 million), which includes $0.2 million in respect of the abandonment guarantees on the Company's mature oil fields and $0.1 million in respect of a portion of the Company's exploration work commitment on Block 57.

The liability for decommissioning obligations of Alvopetro was $1.4 million as at June 30, 2019, with $0.1 million expected to be incurred within one year. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings, and for revisions to the estimated future cash flows, if applicable.

At June 30, 2019 the Company had $1.5 million of equipment inventory to be utilized for future operations which is included in exploration and evaluation assets in the consolidated statement of financial position.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and preferred shares in one or more series. As of August 14, 2019, there were 96,593,492 common shares outstanding, 7,168,750 stock options outstanding and 3,676,000 warrants outstanding. There are no preferred shares outstanding.

NON-GAAP MEASURES

This MD&A or documents referred to in this MD&A make reference to certain measures which are not recognized measures under GAAP and do not have a standardized meaning prescribed by IFRS. This MD&A contains four non-GAAP measures: 1) funds flow from operations; 2) funds flow from operations per share; 3) net working capital surplus; and 4) operating netback per barrel. These are complementary measures that are used by management in assessing the Company's financial performance, efficiency and liquidity and they may be used by investors or other users of this document for the same purpose. The non-GAAP measures do not have standardized meanings under IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. While these measures may be common in the oil and gas industry, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. The non-GAAP measures referred to in this report should not be considered an alternative to, or more meaningful than measures prescribed by IFRS and they are not meant to enhance the Company's reported financial performance or position.

Funds Flow from Operations and Funds Flow from Operations Per Share

The most comparable GAAP measure to funds flow from operations is cash flows from operating activities. Management considers both funds flow from operations and funds flow per share important as they help evaluate financial performance and demonstrate the Company's ability to generate sufficient cash to fund future growth opportunities. Funds flow from operations should not be considered an alternative to, or more meaningful than, cash flows from operating activities however management finds that the impact of working capital items on the cash flows reduces the comparability of the metric from period to period. A reconciliation of funds flow from operations to cash flows from operating activities is as follows:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2019	2018	**2019**	2018
Cash flows from operating activities	**(660)**	(1,035)	**(1,352)**	(1,763)
Add back changes in non-cash working capital	**(39)**	191	**16**	77
Funds flow from operations	**(699)**	(844)	**(1,336)**	(1,686)

The Company also refers to funds flow per share, which is funds flow from operations divided by the weighted average shares outstanding for the respective period. For the periods reported in this document there was no difference between cash flow from operating activities per share and funds flow from operations per share:

$ per share	Three Months Ended June 30, 2019	2018	Six Months Ended June 30, 2019	2018
Cash flows from operating activities per share	**(0.01)**	(0.01)	**(0.01)**	(0.02)
Funds flow from operations per share	**(0.01)**	(0.01)	**(0.01)**	(0.02)

Net Working Capital Surplus

Net working capital surplus is computed as current assets less current liabilities. Net working capital is a measure of liquidity, is used to evaluate financial resources, and is calculated as follows:

	As at June 30, 2019	2018
Total current assets	**4,630**	6,444
Total current liabilities	**(3,634)**	(990)
Working capital surplus	**996**	5,454

Operating Netback per Barrel

Operating netback is calculated on a per unit basis, which is currently per barrel as the Company has only oil and condensate production to date. It is a common non-GAAP measure used in the oil and gas industry and management believes this measurement assists in evaluating the operating performance of the Company at the lease level. It is a measure of the economic quality of the Company's producing assets and is useful for evaluating variable costs as it provides a reliable measure regardless of fluctuations in production. Operating netback is calculated as oil and condensate sales less royalties and production taxes and production and transportation costs on a per unit (barrel) basis. This calculation per unit is provided in the Selected Quarterly Results Section of this MD&A and is illustrated using our IFRS measures as follows:

	Three Months Ended June 30, 2019	2018	Six Months Ended June 30, 2019	2018
Oil and condensate sales	**30**	216	**98**	332
Royalties and production taxes	**(4)**	(19)	**(13)**	(32)
Production expenses	**(64)**	(179)	**(158)**	(415)
Transportation	**-**	(5)	**-**	(9)
Operating netback	**(38)**	13	**(73)**	(124)
Operating netback per barrel ($)	**(73.22)**	4.28	**(40.49)**	(25.26)

RISKS AND UNCERTAINTIES

There have been no significant changes in the three and six months ended June 30, 2019 to the risk and uncertainties identified in the MD&A and in our Annual Information Form for the year ended December 31, 2018.

An investment in Alvopetro should be considered speculative due to the nature of our activities and the stage of our development. Alvopetro is exposed to a variety of risks, including but not limited to liquidity and financing risks, legal and regulatory risks, market risks, operational risks, reservoir performance risks, exploration risks, and competitive risks. Investors should carefully consider the risk factors set forth under the heading "Risk Factors" in our Annual Information Form that can be found on SEDAR at www.sedar.com.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

New and revised accounting standards

On January 1, 2019, the Company adopted IFRS 16 Leases, under the modified retrospective approach. IFRS 16 replaces IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease* to provide one framework requiring the recognition of a right-of-use ("ROU") asset and corresponding lease liability on the statement of financial position for substantially all contracts that contain a lease.

Pursuant to IFRS 16, a contract where a party has the right to control the use of an identified asset in exchange for consideration is or contains a lease. At commencement, determined to be when the leased asset is available for use, a ROU asset and corresponding lease liability are recognized, measured at the present value of the remaining lease payments discounted using the rate implicit in the lease or the party's incremental borrowing rate if the implicit rate is not readily determinable. The ROU asset is depreciated over the shorter of: 1) the asset's useful life; and 2) the lease term on a straight-line basis. Lease payments are allocated between repayment of the lease liability and finance expense which is charged to the statements of operations and comprehensive loss.

The modified retrospective approach does not require restatement of prior period financial information as the cumulative effect of adoption is recognized as an adjustment to the Company's opening accumulated deficit and the standard is applied prospectively. As such, comparative information in the Company's financial statements are not restated. The ROU assets and lease liabilities are measured at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate. The Company applied the optional practical expedients to not recognize certain short-term leases or leases of low value and has elected to separate non-lease components from lease components for all underlying asset classes at January 1, 2019.

Upon adoption of IFRS 16 on January 1, 2019 the Company recognized ROU assets of $0.3 million, lease liabilities of $0.2 million, an increase to its accumulated deficit of $0.02 million and a nominal effect on accumulated other comprehensive loss. See note 6 to the financial statements for further details with respect to the ROU assets and lease liabilities.

Standards issued but not yet effective

The Company has reviewed the following new and revised accounting pronouncements that have been issued but are not yet effective and may have a potential impact on the consolidated financial statements of the Company.

Standard and Description	Date of Adoption	Expected Adoption Impact on Consolidated Financial Statements
IFRS 3 *Business Combinations* – IFRS 3 was amended to revise the definition of a business.	January 1, 2020	The Company is assessing the effect of this future pronouncement on its financial statements.
IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* have been amended to more effectively align the definition of materiality throughout all accounting standards.	January 1, 2020	The Company is assessing the effect of this future pronouncement on its financial statements.

Management's Report on Internal Control over Financial Reporting. In connection with National Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company are required to file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Forward-Looking Statements. Certain information provided in this MD&A constitutes forward-looking statements. Specifically, this MD&A contains forward-looking statements relating to financing requirements, the anticipated timing of construction and development projects, the anticipated timing and outcomes of regulatory determinations, expected timing of commencement of gas sales under Alvopetro's long-term gas sales agreement, future results from operations, projected financial results, future capital and operating costs, future production rates, proposed exploration and development activities and the timing for such activities, sources and availability of capital, and capital spending levels. Forward-looking statements are necessarily based upon assumptions and judgments with respect to the future including, but not limited to, the timing of regulatory licenses and approvals, the success of future drilling, completion, recompletion and development activities, the outlook for commodity markets and ability to access capital markets, the performance of producing wells and reservoirs, well development and operating performance, general economic and business conditions, weather and access to drilling locations, the availability and cost of labour and services, environmental regulation, including regulation relating to hydraulic fracturing and stimulation, the ability to monetize hydrocarbons discovered, the regulatory and legal environment and other risks associated with oil and gas operations. Although we believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because we can give no assurance that they will prove to be correct. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, reliance on industry partners, availability of equipment and personnel, uncertainty surrounding timing for drilling and completion activities resulting from weather and other factors, changes in applicable regulatory regimes and health, safety and environmental risks), commodity price and exchange rate fluctuations and general economic conditions. Certain of these risks are set out in more detail in our 2018 MD&A and 2018 Annual Information Form which are available on SEDAR and can be accessed at www.sedar.com. Except as may be required by applicable securities laws, Alvopetro assumes no obligation to publicly update or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.

Abbreviations:

m3/d	=	cubic metre per day
mcf	=	thousand cubic feet
mcfe	=	thousand cubic feet of gas equivalent
mcfpd	=	thousand cubic feet per day
mmbtu	=	million British Thermal Units
mmcf	=	million cubic feet
mmcfpd	=	million cubic feet per day
bopd	=	barrels of oil and condensate per day

BOE Disclosure. The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6 mcf/bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in this MD&A are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.