

The following Management's Discussion and Analysis ("MD&A") is dated August 5, 2026 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, 2026, MD&A for the year-ended December 31, 2025 and the audited consolidated financial statements as at and for the years ended December 31, 2025 and 2024. Additional information for the Company, including the Annual Information Form ("AIF"), can be found on SEDAR+ at www.sedarplus.ca or at www.alvopetro.com. This MD&A contains financial terms that are not considered measures under IFRS Accounting 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 and Other Financial 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 is engaged in the exploration for and the acquisition, development and production of hydrocarbons in Brazil and Canada. Alvopetro's shares are traded on the TSX Venture Exchange (TSX: ALV.V) and are also traded on the OTCQX® Best Market in the United States (OTCQX: ALVOF).

Strategy

Alvopetro is deploying a balanced capital allocation model where we seek to reinvest roughly half our cash flows into organic growth opportunities and return the other half to stakeholders. Alvopetro's organic growth strategy is to focus on the best combinations of geologic prospectivity and fiscal regime. Alvopetro is balancing capital investment opportunities in Canada and Brazil where we are building off the strength of our Caburé and Murucututu natural gas fields and the related strategic midstream infrastructure.

FINANCIAL & OPERATING SUMMARY

	As at and Three Months Ended			As at and Six Months Ended		
		June 30,			June 30,	
	2026	2025	Change (%)	2026	2025	Change (%)
Financial						
<i>(\$000s, except where noted)</i>						
Natural gas, oil and condensate sales	19,180	14,010	37	36,572	28,023	31
Net income	9,764	6,830	43	17,823	12,900	38
Per share – basic (\$) ⁽¹⁾	0.26	0.18	44	0.47	0.35	34
Per share – diluted (\$) ⁽¹⁾	0.26	0.18	44	0.47	0.34	38
Cash flows from operating activities	13,919	10,473	33	24,636	19,290	28
Per share – basic (\$) ⁽¹⁾⁽²⁾	0.37	0.28	32	0.66	0.52	27
Per share – diluted (\$) ⁽¹⁾⁽²⁾	0.36	0.28	29	0.65	0.51	27
Funds flow from operations ⁽²⁾	14,098	10,366	36	26,603	19,588	36
Per share – basic (\$) ⁽¹⁾⁽²⁾	0.37	0.28	32	0.71	0.53	34
Per share – diluted (\$) ⁽¹⁾⁽²⁾	0.37	0.27	37	0.70	0.52	35
Dividends declared	4,477	3,660	22	8,885	7,303	22
Per share ⁽¹⁾	0.12	0.10	20	0.24	0.20	20
Capital expenditures	7,519	8,986	(16)	12,668	17,361	(27)
Cash and cash equivalents	35,056	15,001	134	35,056	15,001	134
Working capital ⁽²⁾	14,133	6,838	107	14,133	6,838	107
Working capital, net of debt ⁽²⁾	6,133	6,838	(10)	6,133	6,838	(10)
Weighted average shares outstanding						
Basic (000s) ⁽¹⁾	37,731	37,261	1	37,579	37,278	1
Diluted (000s) ⁽¹⁾	38,265	37,795	1	38,155	37,770	1
Operations						
Average daily sales volumes ⁽³⁾ :						
Brazil:						
Natural gas (Mcfpd), by field:						
Caburé (Mcfpd)	12,040	11,811	2	11,867	11,761	1
Murucututu (Mcfpd)	4,278	1,191	259	4,536	1,639	177
Total natural gas (Mcfpd)	16,318	13,002	26	16,403	13,400	22
NGLs – condensate (bopd)	167	128	30	171	131	31
Oil (bopd)	8	3	167	10	7	43
Total (boepd) - Brazil	2,894	2,298	26	2,915	2,371	23
Canada:						
Oil (bopd) - Canada	173	138	25	183	69	165
Total Company (boepd)	3,067	2,436	26	3,098	2,440	27
Average realized prices ⁽²⁾ :						
Natural gas (\$/Mcf)	10.98	10.62	3	10.56	10.53	0
NGLs – condensate (\$/bbl)	105.35	72.32	46	93.77	76.78	22
Oil (\$/bbl)	77.55	47.10	65	66.28	48.31	37
Total (\$/boe)	68.72	63.20	9	65.23	63.43	3
Operating netback (\$/boe) ⁽²⁾						
Realized sales price	68.72	63.20	9	65.23	63.43	3
Royalties	(4.04)	(2.97)	36	(4.12)	(5.28)	(22)
Production expenses	(5.39)	(5.37)	0	(5.32)	(5.34)	0
Transportation expenses	(0.21)	(0.14)	50	(0.21)	(0.07)	200
Operating netback	59.08	54.72	8	55.58	52.74	5
Operating netback margin ⁽²⁾	86%	87%	(1)	85%	83%	2

Notes:

- (1) Per share amounts are based on weighted average shares outstanding other than dividends per share, which is based on the number of common shares outstanding at each dividend record date. The weighted average number of diluted common shares outstanding in the computation of funds flow from operations and cash flows from operating activities per share is the same as for net income per share.
- (2) See “Non-GAAP and Other Financial Measures” section within this MD&A.
- (3) Alvo Petro reported volumes are based on sales volumes which, due to the timing of sales deliveries, may differ from production volumes.

HIGHLIGHTS AND SIGNIFICANT TRANSACTIONS FOR THE SECOND QUARTER OF 2026

- Average daily sales in Brazil in Q2 2026 were 2,894 boepd⁽¹⁾ (+26% from Q2 2025 and -1% from Q1 2026). In Canada, daily sales averaged 173 bopd⁽¹⁾ (+25% from Q2 2025 and -10% from Q1 2026). Overall, total daily sales averaged 3,067 boepd (+26% compared to Q2 2025 and -2% compared to Q1 2026).
- Our average realized natural gas price was \$10.98/Mcf (+3% from Q2 2025 and +8% from Q1 2026). Our overall average realized sales price per boe was \$68.72/boe (+9% from Q2 2025 and +11% from Q1 2026).
- Our natural gas, oil and condensate revenue increased to \$19.2 million, an increase of 37% from Q2 2025 due to higher sales volumes and an increase of 10% from Q1 2026 due to higher realized sales prices.
- Our operating netback⁽²⁾ in the quarter was \$59.08 per boe, increases of \$4.36 per boe compared to Q2 2025 and \$6.96 per boe compared to Q1 2026.
- We generated funds flow from operations⁽²⁾ of \$14.1 million (\$0.37 per basic and diluted share), increases of \$3.7 million compared to Q2 2025 and \$1.6 million compared to Q1 2026. The increase relative to Q2 2025 was primarily driven by higher sales volumes. The increase relative to Q1 2026 was due to higher realized sales prices.
- We reported net income of \$9.8 million (\$0.26 per basic and diluted share), increases of \$2.9 million compared to Q2 2025 and \$1.7 million compared to Q1 2026.
- Capital expenditures in Q2 2026 of \$7.5 million included costs to drill the 183-D1 well on Alvopetro's 100% Murucututu field as well as initial costs for upcoming drilling and facilities projects in Brazil.
- Our working capital⁽²⁾ was \$14.1 million as of June 30, 2026 and our working capital, net of debt was \$6.1 million.

RECENT HIGHLIGHTS

- Sales volumes averaged 3,134 boepd⁽¹⁾ in July 2026, including Brazil sales volumes of 2,995 boepd and Canadian sales volumes of 139 bopd.
- Effective August 1, 2026, our natural gas price under our long-term gas sales agreement was adjusted to BRL2.00/m³ on the first 400e³m³/d (14.1 MMcfpd) reference volumes ("QDC1") with the incremental 100 e³m³/d (3.5 MMcfpd) reference volumes ("QDC2") adjusted to BRL1.91/m³. This represents increases of 5% and 19% respectively for QDC1 and QDC2 relative to the May 1, 2026 price reset. Based on our average heat content to-date and the June 30, 2026 BRL/USD exchange rate of 5.18, our weighted average realized price (QDC1 + QDC2) on firm natural gas sales during the August 1, 2026 to October 31, 2026 period is expected to be \$11.70/Mcf, an increase of 7% over our Q2 2026 realized price of \$10.98/Mcf. Amounts ultimately received in equivalent USD will be impacted by exchange rates in effect during the relevant period.

(1) Alvopetro reported volumes are based on sales volumes which, due to the timing of sales deliveries, may differ from production volumes.

(2) See "Non-GAAP and Other Financial Measures" section within this MD&A.

NATURAL GAS AND OIL PROPERTIES

As at June 30, 2026, Alvopetro held interests in the Caburé and Murucututu natural gas assets and one exploration block (Block 183), in the Recôncavo Basin onshore Brazil as well as a 50% non-operated working interest in 104.4 sections (34,511 net acres) of land focused on the Mannville Formation in Western Saskatchewan.

BRAZIL

NATURAL GAS ASSETS AND MIDSTREAM INFRASTRUCTURE:

Caburé Natural Gas Field (56.2% Working Interest)

Alvopetro commenced commercial natural gas deliveries from the Caburé natural gas field (the "Caburé Field") on July 5, 2020. The Caburé Field extends across four blocks in the Recôncavo Basin in the state of Bahia in Brazil (the "Unit"), two of which are held by Alvopetro and two of which are held by our partner (the "Partner"). Under Brazilian legislation, petroleum accumulations straddling two or more licensed blocks must undergo unitization (pooling) in order to promote efficient and fair exploration and development. In April 2018, Alvopetro and the Partner finalized the terms of the Unit Operating Agreement ("UOA"), the unit development plan and all related agreements, with Alvopetro's Partner being named initial operator.

Under the terms of the UOA, the working interest to each party is subject to redeterminations and the first redetermination was completed in 2024 wherein the appointed independent third party expert (the "Expert") accepted Alvopetro's final proposal which

resulted in Alvopetro's working interest in the Unit being increased from our initial working interest of 49.1% to 56.2% (the "Redetermined Working Interest") effective June 1, 2024. Operatorship of the Unit transitioned to Alvopetro in the third quarter of 2024. Alvopetro's partner disputed the Expert decision and the matter proceeded to arbitration before the International Court of Arbitration of the International Chamber of Commerce ("ICC"). On April 27, 2026, Alvopetro received the final order (the "Final Order") of the appointed arbitral tribunal (the "Tribunal"). Pursuant to the Final Order, the Tribunal found in favour of Alvopetro, stating that the Expert decision is final, valid and effective, definitively binding the parties, pursuant to the UOA and maintaining Alvopetro's 56.2% working interest. The working interest is subject to future redeterminations as further discussed in Alvopetro's MD&A for the year ended December 31, 2025 in the section entitled "*Risks and Uncertainties – Arbitration of Alvopetro's Working Interest and Impact of Future Redeterminations*".

Under the terms of the UOA each party is entitled to nominate for their working interest share of Unit production and for any natural gas not nominated for by the other party. Once a party produces their share of estimated proved plus probable recoverable hydrocarbons from the Unit, they will no longer be entitled to further production allocations. Alvopetro is entitled to 56.2% of natural gas production from the Unit plus any natural gas production not nominated by our Partner. Alvopetro's ability to sell its share of natural gas production from the Unit is dependent on natural gas demand, subject to firm volumes pursuant to take-or-pay provisions under the terms of our gas sales agreement, as further described below.

Natural gas liquids ("NGLs") production from the Unit (relating to condensate production) is split based on working interest. As of June 1, 2024, Alvopetro is entitled to 56.2% of NGL production from the Unit plus an additional 5% to recover the historical shortfall of NGL production that was allocated at the original 49.1% working interest.

Capital expenditures at the Unit in the second half of 2026 are forecasted at \$1.1 million, primarily relating to sidetracking one unfinished well from the 2025 development program.

Murucututu Natural Gas Field (100% Working Interest)

Alvopetro's Murucututu natural gas project extends across Blocks 183 and 197, both held 100% by Alvopetro. There are five existing wells at the field including the 197(1) well and the 183(1) well, both of which were drilled in 2014, the 183-A3 well which was drilled in 2023 and recompleted in the third quarter of 2024, the 183-D4 well which was drilled in the first half of 2025 and commenced production in the third quarter of 2025 and the 183-D1 well which was drilled in Q2 2026. Subsequent to June 30, 2026, we completed the 183-D1 well in three intervals. We expect to have the well on production later this month. Murucututu wells are tied into field production facilities. A 9-kilometre transfer pipeline connects the field to the Caburé transfer pipeline and then on to the natural gas processing facility.

In Q2 2026, total capital expenditures of \$6.8 million were incurred on the field, primarily relating to drilling the 183-D1 well as well as preliminary costs for other upcoming drilling and facilities projects. Capital plans for the remainder of 2026 on the field are focused on drilling additional development wells and expanding our field production facility and pipeline offtake capacity to support an increase in our field capacity from the current level of approximately 150 e³m³/d up to 600 e³m³/d. Subsequent to June 30, 2026, we commenced drilling the 183-H2 well and, as of the date of this MD&A, we are currently drilling at a depth of 1,399 metres and expect drilling to be completed later this month. Following this well, we plan to drill the 183-G2 well, the first Caruaçu development well from our newly constructed 183-G well pad. Total capital expenditures of \$28.4 million are expected at the Murucututu field for all drilling, completions and facilities projects in the second half of 2026.

Natural Gas Sales (100% Alvopetro)

Alvopetro's share of natural gas from the Caburé Field and the Murucututu natural gas field is shipped via our 11-kilometre Caburé transfer pipeline and processed through the natural gas processing facility (the "Facility") owned and operated by Enerflex Ltd. ("Enerflex") pursuant to our Gas Treatment Agreement. In 2026, we entered into an expansion agreement with Enerflex to enhance our gas processing capability at the Facility to accommodate increasing proportions of richer gas production from our Murucututu field. The enhancements are expected to be available near the end of 2026.

All natural gas is sold to Bahiagás, the local state distribution company, under the terms of our gas sales agreement ("GSA") and spot sales contracts from time to time. The GSA provides for the sale of firm volumes and interruptible volumes and has take-or-pay provisions and ship-or-pay penalties based on firm volumes to ensure performance by both parties. In early 2026, Alvopetro and Bahiagás agreed to update the terms of the GSA, increasing firm reference volumes by 25% from 400 e³m³/d to 500 e³m³/d (17.7 MMcfpd) for 2026 and 2027.

Under the terms of the GSA, Bahiagás must prepay for gas volumes where monthly demand is below 80% (or where annual demand is less than 90%) of the firm contract reference volumes under our contract. Any prepayment can be recovered through future natural gas deliveries where future offtake exceeds 90% of the firm volumes. Prepayment under the take-or-pay provisions in the GSA is reflected as unearned revenue through other liabilities on the Company's consolidated statement of financial position and only recognized as revenue when the volumes are delivered. The take-or-pay provisions under the GSA did not apply at any time in the six months ended June 30, 2026 or at any time in 2025.

OIL ASSETS:

As of June 30, 2026 and the date of this MD&A, the Company also held two oil fields (Bom Lugar and Mãe-da-lua). In the third quarter of 2025, Alvopetro entered into an assignment agreement to dispose of its interests in both fields. In the third quarter of 2025, Alvopetro transferred these properties and related liabilities to assets held for sale and liabilities held for sale. The closing of the sale is subject to standard regulatory approvals, including approval by the ANP. In 2026 the Company entered into an amendment to the terms of the assignment agreement. Based on the terms of the amended agreement and additional interim period adjustments, the Company reduced the carrying value of the assets held for sale as of June 30, 2026, resulting in the recognition of an impairment of \$0.1 million in Q2 2026.

EXPLORATION ASSETS (Block 183)

Alvopetro's E&E assets include the portion of Block 183 that is not part of the Murucututu project. The Company has identified a prospect on the block which is expected to be drilled in advance of the expiry date of October 1, 2027.

WESTERN CANADA

In 2025, Alvopetro entered into a farmin agreement with a private Canadian company, agreeing to fund 100% of two earning wells in exchange for a 50% non-operated working interest in 12,243 acres in Western Saskatchewan. The initial two wells were drilled, completed, equipped, and brought on production in April 2025, followed by two additional wells (1.0 net) that commenced production in September 2025. In October 2025, Alvopetro entered into an expanded area of mutual interest, agreeing to fund two further earning wells in exchange for a 50% working interest in an additional 47 sections (15,010 net acres). These wells were drilled in Q4 2025, and another two wells (1.0 net) were drilled in early 2026. A total of \$1.9 million of capital expenditures were incurred to date in 2026. As of the date of this MD&A, seven wells (3.5 net) are on production, with one well (0.5 net) shut-in. Alvopetro's Western Canadian land position totals 104.4 gross sections (34,511 net acres).

FINANCIAL AND OPERATING REVIEW

Canadian operations commenced in the three months ended June 30, 2025. As such, all comparative data for the six months ended June 30, 2025 included in this MD&A relating to sales volumes, realized sales prices, natural gas, condensate and oil revenues, royalties, production expenses and operating netback includes Canadian operations from only April 2025 to June 2025.

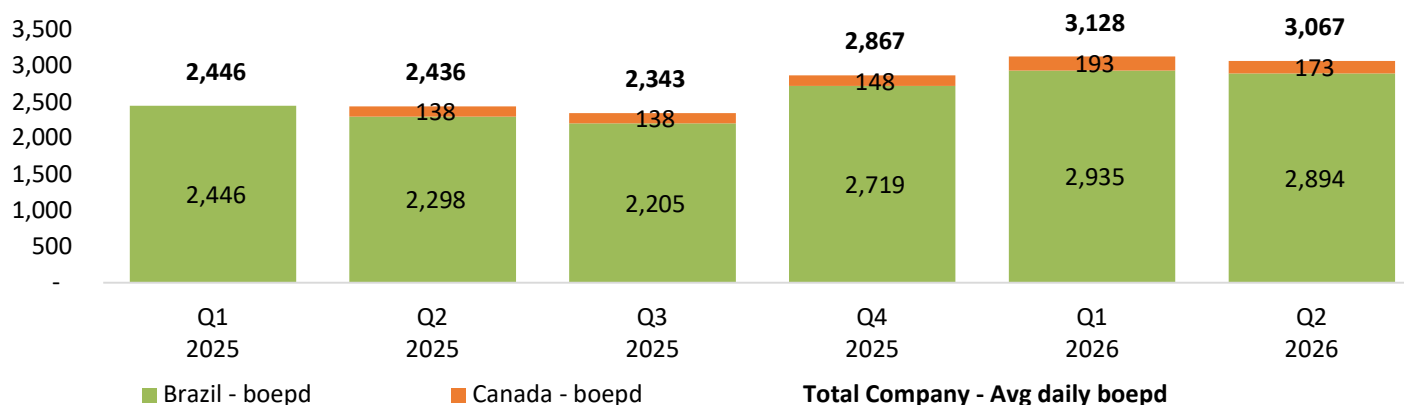
Sales Volumes

	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Total sales volumes⁽¹⁾:						
Brazil:						
Caburé (Mcf)	1,095,633	1,074,835	2	2,147,835	2,128,732	1
Murucututu (Mcf)	389,263	108,383	259	821,068	296,716	177
Total natural gas (Mcf)	1,484,896	1,183,218	25	2,968,903	2,425,448	22
NGLs – condensate (bbls)	15,188	11,642	30	30,981	23,770	30
Oil (bbls)	698	279	150	1,736	1,218	43
Total sales (boe) - Brazil	263,369	209,124	26	527,535	429,229	23
Canada:						
Total oil sales (bbls) - Canada	15,730	12,567	25	33,132	12,567	164
Total Company sales (boe)	279,099	221,691	26	560,667	441,796	27
Average daily sales volumes⁽¹⁾:						
Brazil:						
Caburé (Mcfpd)	12,040	11,811	2	11,867	11,761	1
Murucututu (Mcfpd)	4,278	1,191	259	4,536	1,639	177
Total natural gas (Mcfpd)	16,318	13,002	26	16,403	13,400	22
NGLs – condensate (bopd)	167	128	30	171	131	31
Oil (bopd)	8	3	167	10	7	43
Average daily sales (boepd) - Brazil	2,894	2,298	26	2,915	2,371	23
Canada:						
Average daily sales (bopd) - Canada	173	138	25	183	69	165
Average daily sales (boepd) - Total	3,067	2,436	26	3,098	2,440	27

(1) Alvo Petro reported volumes are based on sales volumes which, due to the timing of sales deliveries, may differ from production volumes.

In Q2 2026 average daily sales volumes increased 26% compared to Q2 2025 and decreased 2% compared to Q1 2026. Brazil sales volumes increased 26% compared to Q2 2025 with the amended GSA in effect which increased firm natural gas sales to 500 e³m³/d. In Canada, average daily sales volumes of 173 bopd were 25% higher than Q2 2025 volumes with seven (3.5 net) wells on production in the quarter compared to four (2.0 net) wells in Q2 2025. Compared to Q1 2026, Canadian sales volumes decreased 10% due to natural well declines and downtime for well maintenance.

Alvo Petro - Daily sales volumes (boepd)



Average Realized Sales Prices

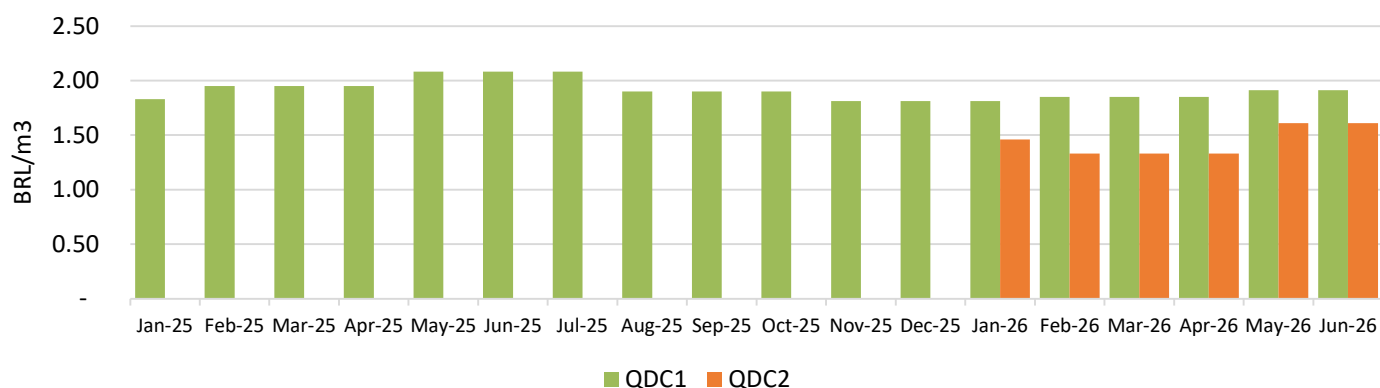
	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Average realized prices⁽¹⁾:						
Brazil:						
Natural gas (\$/Mcf)	10.98	10.62	3	10.56	10.53	0
NGL – condensate (\$/bbl)	105.35	72.32	46	93.77	76.78	22
Oil (\$/bbl)	95.99	53.76	79	79.49	62.40	27
Average realized price (\$/boe) - Brazil	68.24	64.17	6	65.21	63.91	2
Canada:						
Average realized price - Oil (\$/bbl)	76.73	46.95	63	65.59	46.95	40
Total Company:						
Natural gas (\$/Mcf)	10.98	10.62	3	10.56	10.53	0
NGL – condensate (\$/bbl)	105.35	72.32	46	93.77	76.78	22
Oil (\$/bbl)	77.55	47.10	65	66.28	48.31	37
Average realized price (\$/boe)	68.72	63.20	9	65.23	63.43	3
Average benchmark prices:						
Henry Hub (\$/MMBtu)	2.95	3.19	(8)	3.81	3.66	4
Brent oil (\$/bbl)	102.63	68.07	51	91.50	72.03	27
WTI (\$/bbl)	95.65	64.57	48	84.29	68.12	24
WCS (\$/bbl)	78.36	54.11	45	68.11	56.53	20
WCS (C\$/bbl)	108.45	74.89	45	93.85	79.65	18
Average foreign exchange rate:						
\$1 USD = BRL	5.049	5.666	11	5.155	5.759	10
\$1 USD = CAD	1.384	1.384	-	1.378	1.409	2

(1) See “Non-GAAP and Other Financial Measures” section within this MD&A.

Brazil

With the amended GSA effective January 1, 2026, the first 400 e³m³/d (14.1 MMcfpd) of contract firm reference volumes (“QDC1”) is priced under Alvo Petro’s pre-existing agreement in effect since January 1, 2025, based on average USD benchmark prices for Brent and Henry Hub in effect for the preceding quarter. The additional 100 e³m³/d (3.5 MMcfpd) of contract firm reference volumes (“QDC2”) is priced based on 10.5% of average USD Brent oil prices in effect for the preceding quarter. The natural gas price under both QDC1 and QDC2 is set quarterly, effective February 1st, May 1st, August 1st and November 1st. The natural gas price is then converted to a BRL-denominated natural gas price based on historical average foreign exchange rates and billed monthly in BRL until the next price reset. As all invoices are issued in BRL, actual receipts and revenue recognized in equivalent USD will be subject to exchange rate variations. See “Foreign Exchange” discussion below. The following contracted prices were in effect throughout 2025 and the first half of 2026.

GSA Contracted Natural Gas Price⁽¹⁾ - BRL/m³



(1) The ultimate realized price will be based on the proportionate volumes delivered under QDC1 and QDC2. Under the terms of the GSA, the volumes delivered are adjusted for heat content in the determination of the final amounts paid, representing a gross-up of approximately 8% to the contracted volumetric natural gas price, which contributes to a higher realized price overall relative to the contractual price. Contracted prices are then grossed up for applicable sales taxes. Actual realized prices in USD are impacted by foreign exchange rates. The table above excludes prices on spot sales made in Q4 2025.

Alvopetro's contracted price averaged BRL1.81/m³ in Q2 2026 compared to BRL2.04/m³ in Q2 2025. While Alvopetro had lower average contracted pricing in Q2 2026 compared to Q2 2025, with higher sales taxes in Q2 2025 as well as the 6% appreciation of the average BRL to USD in Q2 2026 compared to Q2 2025, Alvopetro's overall realized price increased 3% to \$10.98/Mcf in Q2 2026. With the new contracted prices in effect as of May 1, 2026, Alvopetro's Q2 2026 realized natural gas price increased 8% compared to Q1 2026.

Condensate production from the Caburé Unit, the Murucututu natural gas field and the Facility is sold pursuant to contracts based on Brent, typically at a premium. Oil sales from the Bom Lugar field and the Mãe-da-lua fields are sold at a discount to Brent. With higher Brent prices in effect in Q2 2026 and for the six months ended June 30, 2026, Alvopetro's realized prices increased on both condensate and oil sales compared to 2025.

All sales and realized prices are reported net of applicable sales taxes.

Canada

Oil sales in Canada are sold pursuant to contracts based on Canadian dollar Western Canadian Select ("WCS") prices, adjusted for quality discounts relative to the benchmark price. All sales and realized prices are reported net of applicable sales taxes.

Natural Gas, Oil and Condensate Sales Revenue

	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Brazil:						
Natural gas	16,306	12,563	30	31,356	25,532	23
Condensate	1,600	842	90	2,905	1,825	59
Oil	67	15	347	138	76	82
Total - Brazil	17,973	13,420	34	34,399	27,433	25
Canada:						
Oil – Total Canada	1,207	590	105	2,173	590	268
Total Company:						
Natural gas	16,306	12,563	30	31,356	25,532	23
Condensate	1,600	842	90	2,905	1,825	59
Oil	1,274	605	111	2,311	666	247
Total Company	19,180	14,010	37	36,572	28,023	31

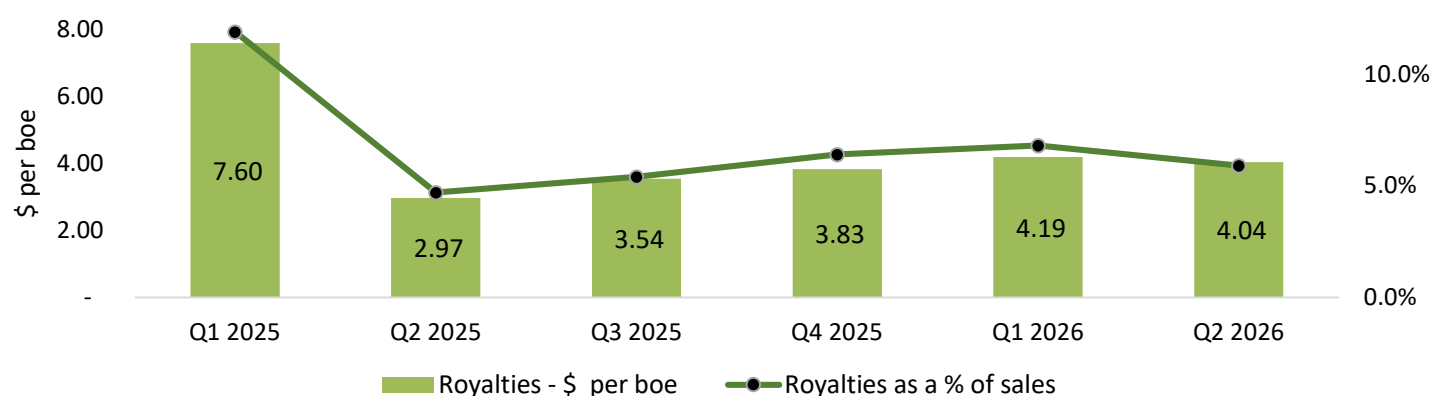
Total natural gas, oil and condensate revenues increased by \$5.2 million (+37%) in Q2 2026 and \$8.5 million (+31%) in the six months ended June 30, 2026 compared to the prior periods in 2025 due to both the increase in average daily sales volumes and the increase in the average realized sales price.

Royalties

	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Royalties – Brazil	948	563	68	1,998	2,236	(11)
Royalties – Canada	179	96	86	310	96	223
Royalties – Total Company	1,127	659	71	2,308	2,332	(1)
Royalties per boe (\$) ⁽¹⁾ :						
Brazil	3.60	2.69	34	3.79	5.21	(27)
Canada	11.38	7.64	49	9.36	7.64	23
Royalties per boe (\$) ⁽¹⁾ – Total Company	4.04	2.97	36	4.12	5.28	(22)
Royalties as a % of sales ⁽¹⁾						
Brazil	5.3%	4.2%	26	5.8%	8.2%	(29)
Canada	14.8%	16.3%	(9)	14.3%	16.3%	(12)
Royalties as a % of sales ⁽¹⁾ – Total Company	5.9%	4.7%	26	6.3%	8.3%	(24)

(1) See “Non-GAAP and Other Financial Measures” section within this MD&A.

Royalties - \$ per boe, by Quarter (Total Company)



Brazil

Substantially all of Alvpetro’s sales are subject to a base 7.5% government royalty plus a 1% landowner royalty. Government and landowner royalties on natural gas are based on production volumes at an inherent reference price attributable to the raw natural gas produced at the wellhead (prior to midstream processing), typically resulting in lower effective royalty rates compared to base royalty rates. As Henry Hub spot prices are a significant component of the reference price used for natural gas royalties, Alvpetro’s effective royalty rate fluctuates with changes in Henry Hub prices relative to Alvpetro’s contracted natural gas prices.

There is also an additional 2.5% gross-overriding royalty (“GORR”) on the portion of the Alvpetro’s fields that were previously on Block 197. In Q1 2025, Alvpetro recognized an additional amount owing with respect to the GORR on natural gas from Block 197, the computation of which is in dispute with the holders of the GORR. Pursuant to dispute resolution provisions, the matter proceeded to arbitration following the Rules of Arbitration of the ICC. In 2025 Alvpetro received the decision of the arbitral tribunal finding in favour of the GORR holders, requiring Alvpetro to adjust the sales price for natural gas used in the computation of the GORR. Alvpetro has estimated the additional GORR owing pursuant to the decision of the tribunal and recognized the expected additional royalty (including inflation adjustments) with interest owing on the balance outstanding recognized in finance expenses. The additional GORR is estimated from the date natural gas sales commenced in July 2020. The final amount owing by Alvpetro is uncertain as of the date of this MD&A as it remains subject to the final determination of the arbitral tribunal. As a result, the ultimate amount owing may be different than the amounts recognized by Alvpetro and such difference may be material. Q1 2025 royalties include the GORR adjustment impacting prior periods (from the date natural gas sales commenced in July 2020 to December 31, 2024) resulting in higher royalties in the prior period. For future periods, based on forecasted benchmark Brent and Henry Hub prices we

would expect our Brazilian royalties to be between 5% and 7% of natural gas, oil and condensate revenues, subject to the final outcome of the GORR dispute.

Western Canada

Royalties in Canada include Saskatchewan Crown royalties, Saskatchewan resource surcharge as well as royalties paid to freehold mineral rights owners and gross-overriding royalty holders. Royalties vary by well depending on the specific contract terms in place. With respect to Crown royalty charges in Saskatchewan, the government has a multi-lateral oil well drilling incentive program effective for wells drilled from April 1, 2024 to March 31, 2028, reducing the Crown royalty rate for a set volume of production depending on the number of laterals drilled. Four (2.0 net) of the seven (3.5 net) wells on production in Q2 2026 are subject to Saskatchewan Crown royalties and are eligible for the reduced Crown royalty rate for the first 100,000 (50,000 net) barrels of production.

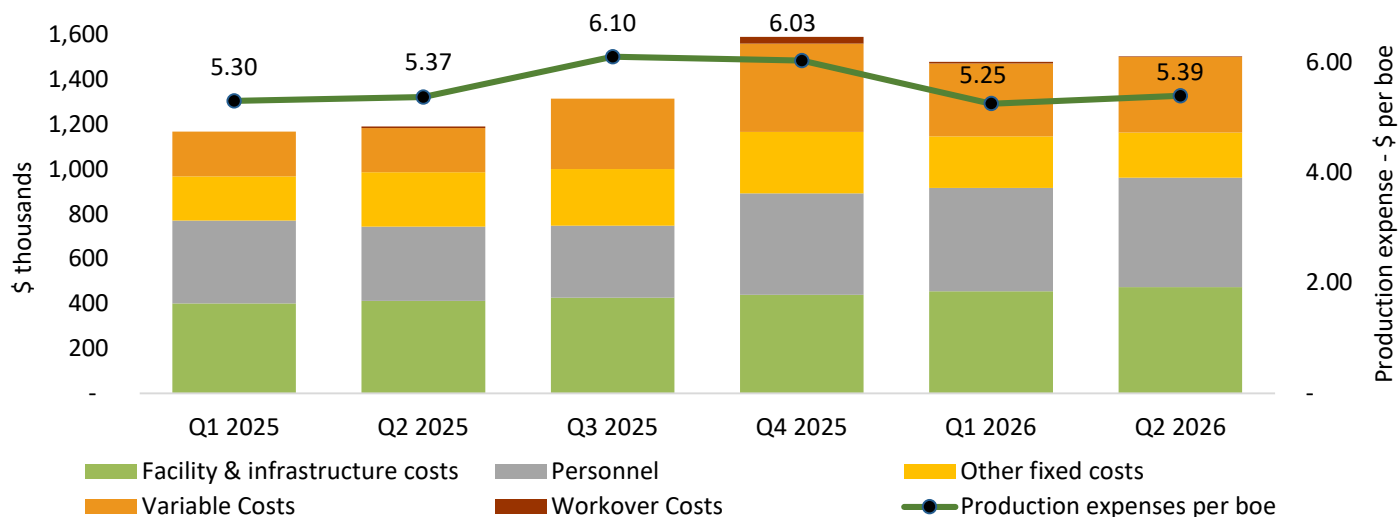
Production Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Production expenses by type:						
Personnel costs	489	332	47	950	702	35
Facility and infrastructure costs	473	411	15	928	811	14
Other fixed costs	201	243	(17)	431	440	(2)
Variable costs	336	197	71	661	397	66
Workover costs	4	7	(43)	12	7	71
Production expenses – Total Company	1,503	1,190	26	2,982	2,357	27
Production expenses - Brazil	1,308	1,130	16	2,642	2,297	15
Production expenses - Canada	195	60	225	340	60	467

	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Production expenses per boe(\$) ⁽¹⁾ :						
Personnel costs	1.76	1.50	17	1.69	1.58	7
Facility and infrastructure costs	1.69	1.85	(9)	1.66	1.84	(10)
Other fixed costs	0.73	1.10	(34)	0.77	1.00	(23)
Variable costs	1.20	0.89	35	1.18	0.90	31
Workover costs	0.01	0.03	(67)	0.02	0.02	-
Total Company – per boe(\$) ⁽¹⁾	5.39	5.37	0	5.32	5.34	0
Brazil	4.97	5.40	(8)	5.01	5.35	(6)
Canada	12.40	4.77	160	10.26	4.77	115

(1) See “Non-GAAP and Other Financial Measures” section within this MD&A.

Production Expenses, by Quarter (Total Company)



Brazil

With respect to Unit operations, the majority of production expenses are split between Alvo Petro and our Partner based on monthly production allocations. As a result, Alvo Petro's share of these costs can fluctuate even where Alvo Petro production levels are consistent due to fluctuations in our Partner's natural gas deliveries. Production expenses in both the three and six months ended June 30, 2026 increased compared to the same periods in 2025 with the 183-D4 well coming online in August 2025 resulting in higher personnel costs and variable costs in 2026. USD equivalent costs were also impacted by the appreciation of the BRL to the USD in 2026. While Brazil production expenses were 16% higher in Q2 2026 and 15% higher in the six months ended June 30, 2026 compared to 2025, on a per boe basis, costs decreased 8% and 6% respectively due to higher production volumes.

Canada

In Canada, production expenses include contract operator expenses, water trucking and disposal and other variable expenses. Production expenses in Canada have increased compared to 2025 with additional wells on production as well as higher maintenance costs.

Transportation Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Transportation expenses – Canada	59	31	90	117	31	277
Transportation expenses per boe (\$) ⁽¹⁾ :						
Canada	3.75	2.47	52	3.53	2.47	43
Total Company – per boe(\$) ⁽¹⁾	0.21	0.14	50	0.21	0.07	200

(1) See "Non-GAAP and Other Financial Measures" section within this MD&A.

Transportation expenses include the cost to truck clean crude oil from the field to sales points. Transportation expenses incurred relate solely to Canadian operations.

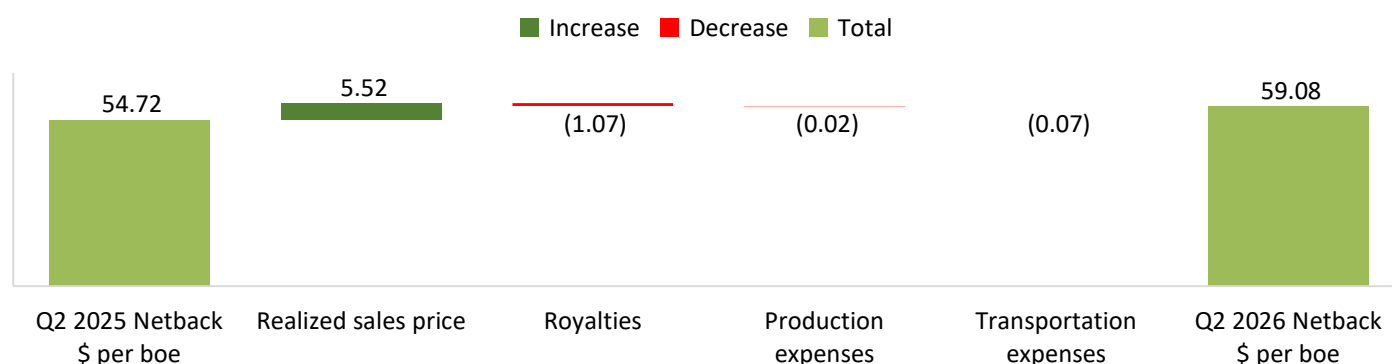
Operating Netback

	Three Months Ended June 30,			Six Months Ended June 30,		
Brazil:	2026	2025	Change (%)	2026	2025	Change (%)
Operating netback ⁽¹⁾						
Natural gas, oil and condensate sales	17,973	13,420	34	34,399	27,433	25
Royalties	(948)	(563)	68	(1,998)	(2,236)	(11)
Production expenses	(1,308)	(1,130)	16	(2,642)	(2,297)	15
Operating netback ⁽¹⁾	15,717	11,727	34	29,759	22,900	30
Operating netback - \$ per boe ⁽¹⁾ :						
Average realized sales price - \$ per boe ⁽¹⁾	68.24	64.17	6	65.21	63.91	2
Royalties - \$ per boe ⁽¹⁾	(3.60)	(2.69)	34	(3.79)	(5.21)	(27)
Production expenses - \$ per boe ⁽¹⁾	(4.97)	(5.40)	(8)	(5.01)	(5.35)	(6)
Operating netback per boe	59.67	56.08	6	56.41	53.35	6
Operating netback margin ⁽¹⁾	87%	87%	-	87%	83%	5
Canada:	2026	2025	Change (%)	2026	2025	Change (%)
Operating netback ⁽¹⁾						
Natural gas, oil and condensate sales	1,207	590	105	2,173	590	268
Royalties	(179)	(96)	86	(310)	(96)	223
Production expenses	(195)	(60)	225	(340)	(60)	467
Transportation expenses	(59)	(31)	90	(117)	(31)	277
Operating netback ⁽¹⁾	774	403	92	1,406	403	249
Operating netback - \$ per boe ⁽¹⁾ :						
Average realized sales price - \$ per boe ⁽¹⁾	76.73	46.95	63	65.59	46.95	40
Royalties - \$ per boe ⁽¹⁾	(11.38)	(7.64)	49	(9.36)	(7.64)	23
Production expenses - \$ per boe ⁽¹⁾	(12.40)	(4.77)	160	(10.26)	(4.77)	115
Transportation expenses - \$ per boe ⁽¹⁾	(3.75)	(2.47)	52	(3.53)	(2.47)	43
Operating netback per boe	49.20	32.07	53	42.44	32.07	32
Operating netback margin ⁽¹⁾	64%	68%	(6)	65%	68%	(4)
Total Company:	2026	2025	Change (%)	2026	2025	Change (%)
Operating netback ⁽¹⁾						
Natural gas, oil and condensate sales	19,180	14,010	37	36,572	28,023	31
Royalties	(1,127)	(659)	71	(2,308)	(2,332)	(1)
Production expenses	(1,503)	(1,190)	26	(2,982)	(2,357)	27
Transportation expenses	(59)	(31)	90	(117)	(31)	277
Operating netback ⁽¹⁾	16,491	12,130	36	31,165	23,303	34
Operating netback - \$ per boe ⁽¹⁾ :						
Average realized sales price - \$ per boe ⁽¹⁾	68.72	63.20	9	65.23	63.43	3
Royalties - \$ per boe ⁽¹⁾	(4.04)	(2.97)	36	(4.12)	(5.28)	(22)
Production expenses - \$ per boe ⁽¹⁾	(5.39)	(5.37)	0	(5.32)	(5.34)	0
Transportation expenses - \$ per boe ⁽¹⁾	(0.21)	(0.14)	50	(0.21)	(0.07)	200
Operating netback per boe	59.08	54.72	8	55.58	52.74	5
Operating netback margin ⁽¹⁾	86%	87%	(1)	85%	83%	2

(1) See "Non-GAAP and Other Financial Measures" section within this MD&A.

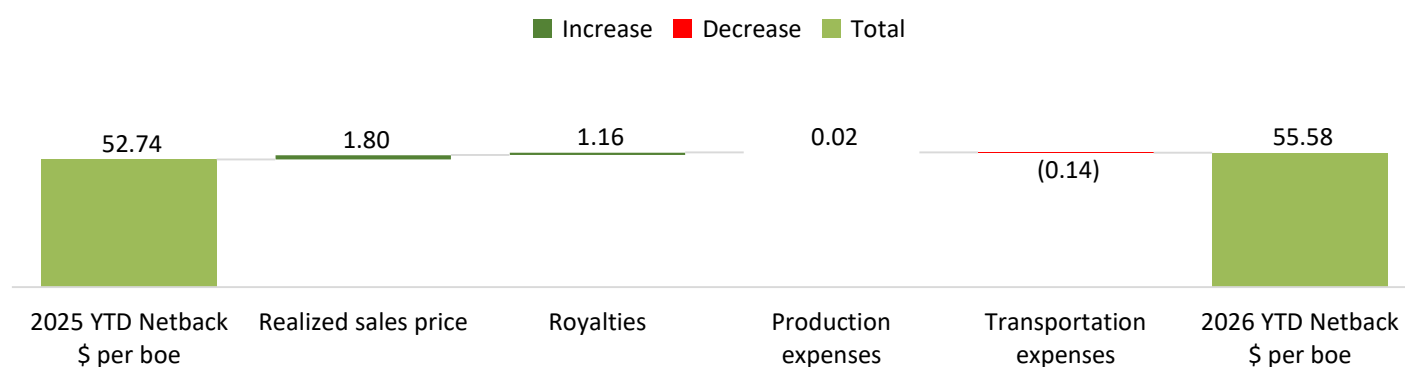
With higher realized sales prices, partially offset by higher royalties, Alvo Petro's total operating netback increased \$4.36 per boe (+8%) in Q2 2026 compared to Q2 2025.

Change in Operating Netback per boe by Component (Q2 2026 compared to Q2 2025)



In the six months ended June 30, 2026, Alvo Petro's operating netback increased \$2.84 per boe (+5%) due to higher realized sales prices and lower royalties.

Change in Operating Netback per boe by Component (Six months ended June 30, 2026 compared to June 30, 2025)



Other Income

	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Interest income	603	283	113	1,103	525	110
Tax recoveries from operations and other	243	135	80	493	296	67
Total	846	418	102	1,596	821	94

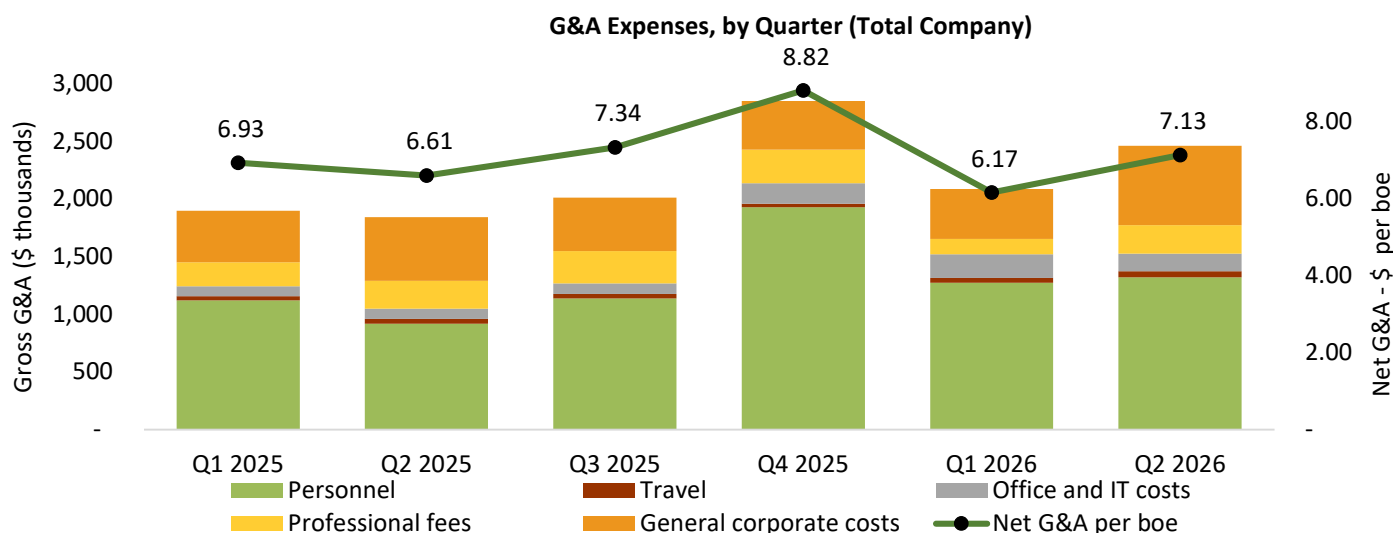
Other income increased 102% in Q2 2026 and 94% in the six months ended June 30, 2026 compared to the prior periods in 2025 due to higher interest income, which was impacted by higher average cash balances in 2026, as well as higher tax recoveries from operations due to higher production volumes in Brazil.

General and Administrative (“G&A”) Expenses

G&A Expenses, by type:	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Personnel	1,320	917	44	2,593	2,038	27
Travel	53	43	23	93	79	18
Office and IT costs	151	88	72	357	173	106
Professional fees	247	241	2	379	450	(16)
General corporate costs	689	551	25	1,124	995	13
Gross G&A	2,460	1,840	34	4,546	3,735	22
Capitalized G&A	(469)	(375)	25	(819)	(744)	10
G&A expenses	1,991	1,465	36	3,727	2,991	25
\$ per boe ⁽¹⁾	7.13	6.61	8	6.65	6.77	(2)

(1) See “Non-GAAP and Other Financial Measures” section within this MD&A.

Gross G&A expenses increased 34% in Q2 2026 and 22% for the six months ended June 30, 2026 compared to the same periods in 2025, primarily due to higher personnel costs, IT costs, and general corporate costs, all of which are impacted by rising staffing and activity levels and inflationary adjustments. G&A was also impacted by the appreciation of the BRL to USD, which appreciated 11% in Q2 2026 and 10% in the six months ended June 30, 2026 compared to the same periods in 2025, resulting in higher USD equivalent costs. In connection with the Final Order issued by the Tribunal, Alvo Petro was awarded a recovery of 90% of ICC costs paid to date as well as 90% of certain legal fees which reduced professional fees in Q1 2026 resulting in lower costs in the six months ended June 30, 2026.



Cash Flows from Operating Activities and Funds Flow from Operations

	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Cash flows from operating activities	13,919	10,473	33	24,636	19,290	28
Per share – basic (\$)	0.37	0.28	32	0.66	0.52	27
Per share – diluted (\$)	0.36	0.28	29	0.65	0.51	27
Funds flow from operations ⁽¹⁾	14,098	10,366	36	26,603	19,588	36
Per share – basic (\$)	0.37	0.28	32	0.71	0.53	34
Per share – diluted (\$)	0.37	0.27	37	0.70	0.52	35

(1) See “Non-GAAP and Other Financial Measures” section within this MD&A.

Funds flow from operations in Q2 2026 increased \$3.7 million (+36%) from Q2 2025 due to higher sales volumes, higher realized sales prices and increased other income, partially offset by higher royalties, production expenses, G&A and current tax.

Change in Funds Flow From Operations (Q2 2026 compared to Q2 2025)

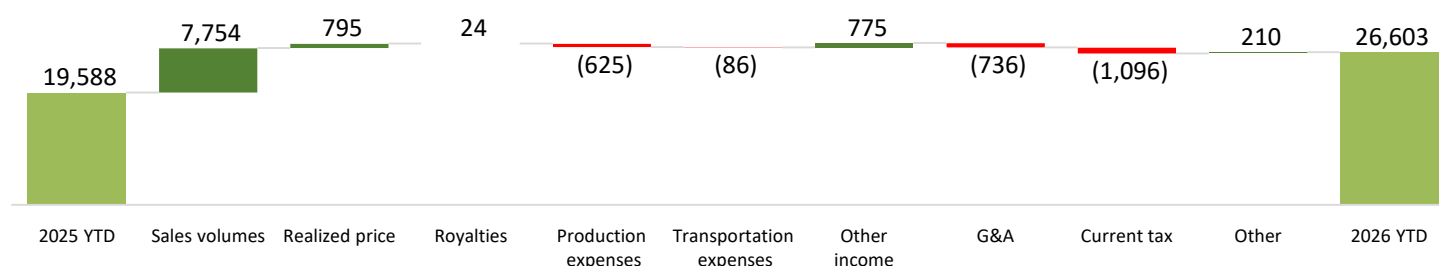
■ Increase ■ Decrease ■ Total



In the six months ended June 30, 2026, funds flow from operations increased \$7.0 million (+36%) compared to 2025 due to higher sales volumes and realized sales prices as well as higher other income, partially offset by higher production expenses, transportation expenses, G&A and current tax.

Change in Funds Flow From Operations (Six months ended June 30, 2026 compared to June 30, 2025)

■ Increase ■ Decrease ■ Total



Foreign Exchange

	June 30, 2026	As at March 31, 2026	December 31, 2025	% Appreciation (Depreciation) of BRL/CAD to USD	
				Q2 2026	YTD 2026
Rate at end of period:					
\$1 USD = BRL	5.177	5.219	5.502	1	6
\$1 USD = CAD	1.421	1.394	1.371	(2)	(4)

The Company's reporting currency is the USD, and its functional currencies are CAD, USD and the BRL. Substantially all costs incurred in Brazil are in BRL and the Company incurs head office costs in both USD and 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. Foreign exchange rates for the reporting periods specified are as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Average rate in the period:						
\$1 USD = BRL	5.049	5.666	11	5.155	5.759	10
\$1 USD = CAD	1.384	1.384	-	1.378	1.409	2

The assets and liabilities of Alvo Petro's Brazilian subsidiaries are translated to USD at the exchange rate on the reporting period date. The income and expenses of BRL-denominated items 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 or loss on translation of foreign operations in other comprehensive income or loss. The BRL appreciated 6% from December 31, 2025 contributing to an exchange gain in other comprehensive income in the six months ended June 30, 2026.

Foreign exchange fluctuations on USD-denominated balances of the Brazilian subsidiary are recognized in earnings, including fluctuations on USD denominated intercompany amounts advanced to the Brazilian subsidiaries, the USD denominated lease liability of the Brazilian subsidiary associated with the Facility as well as the USD Loan entered into in Q4 2025 and any USD cash balances held. The Company's Brazilian subsidiary recorded a foreign exchange gain of \$0.2 million on all USD denominated amounts in Q2 2026 (Q2 2025: \$0.4 million foreign exchange gain) and a foreign exchange gain of \$1.4 million in the six months ended June 30, 2026 (June 30, 2025: \$1.4 million foreign exchange gain).

The Company is exposed to foreign exchange fluctuations on its natural gas revenues in Brazil as the contracted prices are set quarterly in BRL based on average historical exchange rates for the previous quarter and billed monthly in BRL until the next price reset. As all invoices are issued in BRL, equivalent USD amounts will be subject to exchange rate variations and such amounts may be higher or lower. The following table denotes the overall estimated impact on natural gas revenues of a 5% and 10% depreciation and appreciation of the BRL relative to the USD:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Increase (Decrease) to Natural Gas Revenues from:				
5% Appreciation of BRL to USD	858	661	1,650	1,344
10% Appreciation of BRL to USD	1,812	1,396	3,484	2,837
5% Depreciation of BRL to USD	(776)	(598)	(1,493)	(1,216)
10% Depreciation of BRL to USD	(1,482)	(1,142)	(2,850)	(2,321)

For all periods up to September 30, 2025, the functional currency of the Canadian parent company was USD. Head office transactions up to this time in CAD were recognized at the rates of exchange prevailing at the date of the transactions. At the end of each reporting period, monetary assets and liabilities were translated at the exchange rate in effect at the reporting period date. Non-monetary assets, liabilities, revenues and expenses were translated at transaction date exchange rates. Exchange gains or losses were included in the determination of earnings.

With the growth of Canadian operations in 2025, Alvo Petro reassessed the functional currency of the Canadian parent company and determined there had been a change in the functional currency from USD to CAD as of October 1, 2025. As a result of this change, for

presentation purposes, the assets and liabilities of the Canadian parent company are now translated to USD at the exchange rate on the reporting period date. The income and expenses of CAD-denominated items 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 or loss in other comprehensive income or loss.

Depletion and Depreciation

	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Depletion and depreciation on PP&E	3,505	2,545	38	6,947	5,376	29
Depreciation of right-of-use assets	295	291	1	587	582	1
Depletion and depreciation expense	3,800	2,836	34	7,534	5,958	26
\$ per boe ⁽¹⁾ – Total Company	13.62	12.79	6	13.44	13.49	0

(1) See “Non-GAAP and Other Financial Measures” section within this MD&A.

Depletion is calculated on a unit-of-production basis for all upstream PP&E assets. All midstream PP&E assets are depreciated over the estimated useful life of the assets on a straight-line basis. With a higher depletable base in Q2 2026 with spending throughout 2025 and 2026 to date as well as higher future development costs, depletion and depreciation expense on PP&E increased 38% in Q2 2026 compared to Q2 2025 and 29% in the six months ended June 30, 2026 compared to 2025. On a per boe basis, the expense increased 6% relative to Q2 2025 due to reserve additions recorded at the end of 2025.

The Company’s right-of-use assets are depreciated over the lease term on a straight-line basis.

Share-Based Compensation Expense

	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Share-based compensation expense	429	325	32	596	654	(9)

Share-based compensation expense is based on the fair value of stock options, restricted share units (“RSUs”) and deferred share units (“DSUs”) granted and amortized over the respective vesting periods. As of June 30, 2026, a total of 2.2 million awards were outstanding (June 30, 2025 – 2.9 million) with 1,226,417 stock options (June 30, 2025 – 1,835,664) and 994,337 RSUs and DSUs (June 30, 2025 – 1,047,169).

Finance Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Lease interest	265	305	(13)	551	629	(12)
Interest on Loan	351	-	-	693	-	-
Accretion on decommissioning liabilities	36	43	(16)	66	73	(10)
Other	48	23	109	83	125	(34)
Finance expenses	700	371	89	1,393	827	68

Finance expenses increased 89% in Q2 2026 and 68% in the six months ended June 30, 2026 compared to the same periods in 2025 due to interest on the Loan entered into in Q4 2025.

Income Tax Expense

	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Current income tax expense	1,283	700	83	2,436	1,340	82
Deferred income tax expense	247	425	(42)	1,439	713	102
Total	1,530	1,125	36	3,875	2,053	89
Effective tax rate	13.5%	14.1%	(4)	17.9%	13.7%	31

All current tax expense and the majority of deferred tax expense relates to Brazil operations. The statutory corporate tax rate in Brazil is 34%. This is comprised of a basic 15% corporate income tax, plus 10% surtax and a 9% social contribution tax. Alvo Petro is eligible for Supertintendência de Desenvolvimento do Nordeste ("SUDENE"), a regional tax incentive offered in Bahia State. Under the incentive, special deductions reduce the inherent current tax payable on qualifying projects to an effective rate of 15.25% where SUDENE profits align with taxable income under the actual profit regime. The SUDENE incentive applies to natural gas and condensate profits Alvo Petro earns for a period of ten taxation years, commencing January 1, 2021, and ending December 31, 2030. The incentive generally reduces corporate tax and surtax on qualifying projects by 75% where SUDENE profits align with taxable income under the actual profit regime, resulting in an effective tax rate of 15.25%. Where SUDENE profits exceed taxable income, it is possible to further reduce corporate income tax and surtax to a tax rate below 15.25%. As Alvo Petro expects the majority of temporary differences to reverse during the SUDENE period, for deferred tax purposes Alvo Petro has estimated the future tax rate applicable to temporary differences of our Brazilian subsidiary based on the SUDENE rate of 15.25%.

Current tax expense increased in 2026 compared to 2025 due to higher net income and lower available tax deductions. Deferred tax expense in 2026 is impacted by a new withholding tax applicable to future dividends paid out of Brazil. In late 2025, Brazil introduced a 10% withholding tax on dividends effective January 1, 2026 for which Alvo Petro has recognized a deferred tax liability of \$1.0 million as of June 30, 2026 and deferred tax expense of \$0.8 million in the six months ended June 30, 2026. With the additional 10% withholding tax now applicable in 2026, Alvo Petro's effective tax rate (computed as total income tax expense divided by income before taxes) is 18% in the six months ended June 30, 2026, a 30% increase from the effective tax rate in the same period in 2025.

The Company has an unrecognized deferred tax asset in Canada of \$2.2 million (June 30, 2025 - \$1.8 million). Total tax pools of \$17.5 million (June 30, 2025 - \$10.2 million) are available to shelter future earnings from Canadian operations, including tax loss carryforwards of \$7.8 million (June 30, 2025 - \$7.1 million).

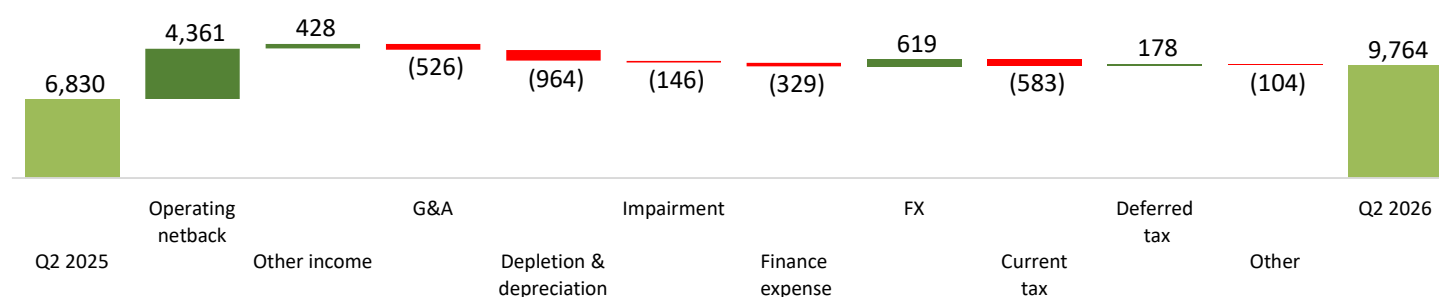
Net Income

	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Net income	9,764	6,830	43	17,823	12,900	38
Per share – basic (\$)	0.26	0.18	44	0.47	0.35	34
Per share – diluted (\$)	0.26	0.18	44	0.47	0.34	38

Net income in Q2 2026 increased \$2.9 million (+43%) compared to Q2 2025 due to a higher operating netback with higher sales volumes and higher realized sales prices and higher foreign exchange gains, partially offset by higher G&A, depletion and depreciation expense, impairment expense, finance expense as well as higher current tax.

Change in Net Income (Q2 2026 compared to Q2 2025)

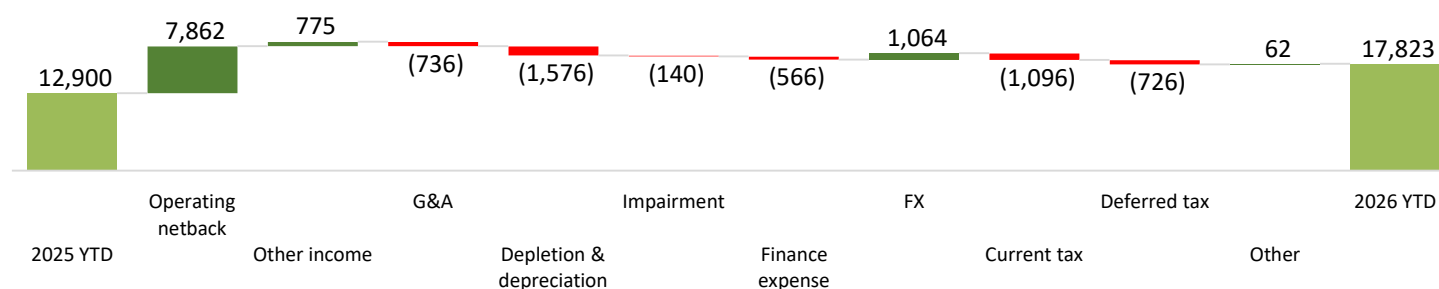
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In the six months ended June 30, 2026, net income increased \$4.9 million (+38%) compared to 2025 due to higher operating netback, other income and foreign exchange gains, partially offset by higher G&A, depletion and depreciation expense, impairment expense, finance expense and current and deferred tax expense.

Change in Net Income (Six months ended June 30, 2026 compared June 30, 2025)

■ Increase ■ Decrease ■ Total



Capital Expenditures

Capital Expenditures by Type	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
E&E				
Drilling and completions	-	(34)	-	1,019
Land, lease, and similar payments	3	2	6	4
Equipment inventory purchases	431	1,258	762	1,555
Capitalized G&A	-	-	-	41
Total E&E	434	1,226	768	2,619
PP&E				
Drilling & completions	5,582	7,072	9,182	12,944
Facility & equipment	824	261	1,575	692
Land, lease, and similar payments	119	31	152	66
Seismic and other G&G costs	16	-	27	-
Capitalized G&A	469	375	819	703
Office equipment, furniture and other	75	21	145	337
Total PP&E	7,085	7,760	11,900	14,742
Total Capital Expenditures	7,519	8,986	12,668	17,361

Capital Expenditures by Property	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
E&E - Brazil				
Block 183	3	(32)	6	1,064
Equipment inventory purchases	431	1,258	762	1,555
Total E&E – Brazil	434	1,226	768	2,619
PP&E - Brazil				
Caburé and associated midstream assets	281	1,764	718	2,306
Murucututu	6,784	5,828	9,154	9,407
PP&E – Brazilian Properties	7,065	7,592	9,872	11,713
PP&E - Canada				
Western Saskatchewan	(37)	95	1,909	2,731
PP&E – Corporate	57	73	119	298
Total PP&E	7,085	7,760	11,900	14,742
Total Capital Expenditures	7,519	8,986	12,668	17,361

Capital expenditures in Q2 2026 largely relate to our 100% Murucututu field including costs to drill our 183-D1 well as well as costs for upcoming drilling and facilities projects.

Summary of Quarterly Results

	Q2 2026	Q1 2026	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024
Financial								
Natural gas, oil and condensate sales	19,180	17,392	15,756	14,175	14,010	14,013	10,214	12,879
Net income	9,764	8,059	5,585	4,613	6,830	6,070	2,243	7,152
Per share – basic (\$) ⁽¹⁾	0.26	0.22	0.15	0.12	0.18	0.16	0.06	0.19
Per share – diluted (\$) ⁽¹⁾	0.26	0.21	0.15	0.12	0.18	0.16	0.06	0.19
Cash flows from operating activities	13,919	10,717	9,362	12,153	10,473	8,817	7,114	10,714
Per share – basic (\$) ⁽¹⁾	0.37	0.29	0.25	0.33	0.28	0.24	0.19	0.29
Per share – diluted (\$) ⁽¹⁾	0.36	0.28	0.25	0.32	0.28	0.23	0.19	0.28
Funds flow from operations ⁽²⁾	14,098	12,505	10,561	10,448	10,366	9,222	6,966	9,886
Per share – basic (\$) ⁽¹⁾	0.37	0.33	0.28	0.28	0.28	0.25	0.19	0.27
Per share – diluted (\$) ⁽¹⁾	0.37	0.33	0.28	0.28	0.27	0.24	0.19	0.26
Dividends declared	4,477	4,408	4,408	3,673	3,660	3,643	3,283	3,295
Per share (\$) ⁽¹⁾⁽²⁾	0.12	0.12	0.12	0.10	0.10	0.10	0.09	0.09
Capital expenditures	7,519	5,149	4,883	11,249	8,986	8,375	4,682	4,747
Working capital ⁽²⁾	14,133	16,896	18,450	2,209	6,838	9,742	13,181	15,848
Working capital, net of debt ⁽²⁾	6,133	4,896	2,450	2,209	6,838	9,742	13,181	15,848
Operations								
Average realized prices ⁽²⁾ :								
Natural gas (\$/Mcf)	10.98	10.14	9.97	11.04	10.62	10.44	10.51	10.92
NGL – condensate (\$/bbl)	105.35	82.63	69.18	74.16	72.32	81.05	75.95	86.70
Oil (\$/bbl)	77.55	56.24	47.99	50.42	47.10	64.96	61.74	68.36
Average benchmark prices:								
Henry Hub (\$/Mmbtu)	2.95	4.71	3.73	3.03	3.19	4.14	2.44	2.11
Brent oil (\$/bbl)	102.63	80.72	63.65	69.03	68.07	75.87	74.66	80.01
WTI (\$/bbl)	95.65	72.74	59.62	65.78	64.57	71.78	70.73	76.43
WCS (\$/bbl)	78.36	57.88	47.94	54.43	54.11	58.83	58.17	62.27
WCS (C\$/bbl)	108.45	79.41	66.87	74.95	74.89	84.42	81.32	84.93
Average foreign exchange (\$1 USD = BRL)	5.049	5.259	5.395	5.449	5.666	5.852	5.837	5.545
Average foreign exchange (\$1 USD = CAD)	1.384	1.372	1.395	1.377	1.384	1.435	1.398	1.364
Operating netback (\$/boe) ⁽²⁾								
Realized sales price	68.72	61.77	59.75	65.76	63.20	63.67	63.88	66.46
Royalties	(4.04)	(4.19)	(3.83)	(3.54)	(2.97)	(7.60)	(2.15)	(1.89)
Production expenses	(5.39)	(5.25)	(6.03)	(6.10)	(5.37)	(5.30)	(6.64)	(5.38)
Transportation expenses	(0.21)	(0.21)	(0.19)	(0.22)	(0.14)	-	-	-
Operating netback	59.08	52.12	49.70	55.90	54.72	50.77	55.09	59.19
Operating netback margin ⁽²⁾	86%	84%	83%	85%	87%	80%	86%	89%
Average daily sales volumes:								
Natural gas (Mcfpd)	16,318	16,489	15,092	12,293	13,002	13,803	9,707	11,994
NGL – condensate (bopd)	167	175	184	147	128	135	109	95
Oil (bopd)	181	205	167	147	141	10	11	12
Total average daily sales (boepd)	3,067	3,128	2,867	2,343	2,436	2,446	1,738	2,106
Brazil	2,894	2,935	2,719	2,205	2,298	2,446	1,738	2,106
Canada	173	193	148	138	138	-	-	-

Notes:

(1) Per share amounts are based on weighted average shares outstanding other than dividends per share, which is based on the number of common shares outstanding at each dividend record date. The weighted average number of diluted common shares outstanding in the computation of funds flow from operations and cash flows from operating activities per share is the same as for net income per share.

(2) See “Non-GAAP and Other Financial Measures” section within this MD&A.

Average daily sales volumes in Q2 2026 were consistent with Q1 2026, decreasing 1% in Brazil, 10% in Canada and 2% overall. Natural gas oil and condensate revenue increased \$1.8 million (+10%) from Q1 2026 with an 11% increase in the average realized sales price.

Our operating netback increased \$6.96 per boe (+13%) due mainly to higher overall realized sales prices. Overall, our funds flow from operations increased \$1.6 million from Q1 2026 with higher revenues and other income partially offset by higher G&A and current tax expense. Net income increased \$1.7 million from Q1 2026 with higher funds flow from operations and lower deferred tax expense, partially offset by lower foreign exchange gains and higher impairment, depletion and depreciation expense.

Over the past eight quarters, fluctuations in average daily sales volumes, the average realized sales price per boe and average foreign exchange rates have impacted natural gas, oil and condensate revenues and funds flow from operations. Net income has fluctuated over the same period due to changes in funds flow from operations, impairment losses and fluctuations in deferred tax expense and foreign exchange gains and losses. Capital expenditures have fluctuated throughout the period due to changes in the Company's planned spending levels on E&E and PP&E assets. With higher overall production and cash flows, the Board of Directors increased the base quarterly dividend to \$0.12 per share in Q1 and Q2 2026. In 2025, the Board of Directors declared base dividends of \$0.10 per share in all quarters and also declared a special dividend of \$0.02 per share in Q4 2025.

Commitments and Contingencies

The following is a summary of Alvo Petro's contractual commitments as at June 30, 2026:

	< 1 Year	1-3 Years	Thereafter	Total
Gas Treatment Agreement⁽¹⁾	2,338	4,968	2,484	9,790
Total commitments	2,338	4,968	2,484	9,790

(1) Amounts for the Gas Treatment Agreement are BRL denominated commitments and reflected in the table above based on the U.S. dollar equivalent as at June 30, 2026. As a result, such commitments are subject to fluctuations in the USD/BRL foreign exchange rate.

Amounts presented above for the Gas Treatment Agreement represent the monthly service fees for operation and maintenance of the Facility and operating fees for Alvo Petro's 11-kilometre transfer pipeline.

In Q1 2026 the Company entered into an expansion agreement with Enerflex to optimize plant performance. In Q1 2026, Alvo Petro recognized the initial upfront fee associated with the expansion of \$0.1 million. Future costs for the expansion are an additional \$73,000 of monthly rental and operating and maintenance fees, all of which are included in the table above. The portion of monthly fees attributable to the rental portion of the agreement (\$63,000) will be included in the right-of-use asset and lease liability calculations once the expanded facility is available for use, anticipated to be the third quarter of 2026.

The Company has abandonment guarantees that are required to be posted with the ANP for the Bom Lugar, Mãe-da-lua, Caburé and Murucututu fields under the terms of the concession contract for each field. Alvo Petro has recognized the estimated abandonment costs relating to these, all exploration assets, as well as all Canadian assets as part of decommissioning liabilities on the consolidated statements of financial position.

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.

In the normal course of operations we have disputes for which we currently cannot determine the ultimate results. The Company rigorously defends its positions in any such matters and has a policy to record contingent liabilities as the amounts become determinable and the probability of loss is more likely than not. Alvo Petro has recognized a provision for additional GORR associated with the GORR dispute as further described in "Royalties" above and in our MD&A for the year ended December 31, 2025 in the section entitled "Risks and Uncertainties – GORR Dispute". The Company currently has no contingent liabilities recorded however, the outcome of adverse decisions in any pending or threatened proceedings related to these and other matters are unknown and could have a material impact on the Company's financial position, results of operations or cash flows.

LIQUIDITY AND CAPITAL RESOURCES

Loan

In Q4 2025, the Company's Brazilian subsidiary entered into a \$20 million loan agreement ("the Loan"). The Loan has a two-year term and bears interest at a fixed rate of 7% per annum (including all applicable charges and fees), payable quarterly. The Loan has a 12-month grace period upon which the Loan is to be repaid in quarterly instalments commencing on November 30, 2026 and ending on November 29, 2027. The Loan may optionally be repaid at an earlier date but such early repayments would be subject to early payment

penalties. As of June 30, 2026 the full balance of \$20.0 million is outstanding, with \$12.0 million classified as current and \$8.0 million classified as non-current.

In connection with the Loan, our Brazilian subsidiary entered into a standby letter of credit and Alvopetro entered into a guarantee agreement, guaranteeing the obligations of our Brazilian subsidiary under both the Loan and the standby letter of credit. Proceeds from the Loan are expected to be used to fund upcoming capital programs and for general corporate purposes.

The Loan agreement includes standard events of default and acceleration provisions that require early repayment, including, but not limited to, failure to pay amounts owing (advances or interest) when due and payable, failure to comply with covenants, cross-default provisions on other obligations outstanding, invalidity of security registrations, and certain change of control and reorganization transactions as well as significant asset dispositions.

The Loan contains certain customary covenants related to the payment of dividends by Alvopetro. Specifically, all dividends and reductions or returns of capital within the corporate group are allowed without limit. Dividends declared by Alvopetro to its shareholders are permitted to the extent the following conditions are satisfied:

- There has not been an event of default or one that will occur as a result of the declaration of the dividend or subsequent payment;
- There has not been an event of acceleration or one that will occur as a result of the declaration of the dividend or subsequent payment thereof;
- The total amount of dividends declared by Alvopetro in the four fiscal quarters immediately preceding the date of declaration of the dividend does not exceed the “Adjusted Cash Flow from Operation in the same period” (where Adjusted Cash Flow from Operations means the Cash Flow from Operating Activities calculated on a consolidated basis, before changes in non-cash working capital, less the total of all interest accrued during the period and principal payments due under the Loan during the same period); and
- On a consolidated basis, Alvopetro maintained a minimum cash (including cash equivalents) balance of \$3.0 million on the closing date of the fiscal quarter immediately preceding the declaration of the dividend.

Alvopetro was in compliance with the dividend covenants with respect to all dividends declared since entering into the Loan. For purposes of the Q2 2026 dividend declaration, the four fiscal quarters immediately preceding the Q2 2026 dividend declaration included Q2 2025 to Q1 2026 for purposes of determining Adjusted Cash Flow from Operations relative to dividends declared and the cash balance as of March 31, 2026 was assessed relative to the minimum cash balance required of \$3.0 million.

	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Total
Cash flows from operating activities	10,473	12,153	9,362	10,717	42,705
Changes in non-cash working capital	(107)	(1,705)	1,199	1,788	1,175
Interest on Loan accrued	-	-	(132)	(342)	(474)
Principal payments on Loan due	-	-	-	-	-
Adjusted Cash Flow from Operations	10,366	10,448	10,429	12,163	43,406
Dividends declared	3,660	3,673	4,408	4,408	16,149
Excess dividend room available					27,257
Cash and cash equivalents					32,450
Minimum cash and cash equivalents required					3,000
Excess cash above covenant requirement					29,450

Cash and Working Capital

At June 30, 2026, Alvo Petro's cash and cash equivalents of \$35.1 million were held as follows:

	Total	U.S. Dollar	CAD Dollar ⁽¹⁾	BRL ⁽¹⁾
Cash and cash equivalents held in Canada	12,216	11,614	602	-
Cash and cash equivalents held in Brazil	22,840	6,375	-	16,465
Total	35,056	17,989	602	16,465

(1) Amounts in the table above denote the U.S. dollar equivalent as at June 30, 2026.

The Company had cash and cash equivalents of \$35.1 million, working capital of \$14.1 million and working capital, net of debt of \$6.1 million at June 30, 2026. Positive cash flows from natural gas deliveries and associated condensate sales from operations are projected to be sufficient to fund the Company's operational activities, planned capital projects, future dividends and interest and principal repayments under the Loan. However, the Company is exposed to a variety of risks which may adversely impact future cash flows. The Company manages these risks by forecasting cash flows for a minimum period of twelve months, which involves preparation of capital expenditure, operating and general and administrative budgets, all of which are monitored closely, and adjusted as necessary. The Board of Directors has discretion with respect to any future dividend amounts and the Company has flexibility on future capital plans.

The liability for decommissioning obligations of Alvo Petro was \$1.7 million as at June 30, 2026, with \$0.3 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, 2026, the Company had \$5.8 million of equipment inventory to be utilized for future operations which is included in exploration and evaluation assets in the consolidated statements of financial position.

Lease Liabilities

The lease liability to Enerflex in respect of the monthly facility payments under our Gas Treatment Agreement represents the majority of the Company's lease liabilities as at June 30, 2026 and December 31, 2025. Additional lease liabilities outstanding relate to office space in Canada and Brazil and surface land access for our midstream assets in Brazil. The Company's lease liabilities are as follows:

	As at	
	June 30, 2026	December 31, 2025
Lease liabilities, beginning of period	7,029	7,863
Additions	-	159
Finance expense	551	1,232
Lease payments	(1,135)	(2,262)
Foreign currency translation	(1)	37
Lease liabilities, end of period	6,444	7,029
Current	1,304	1,247
Non-current	5,140	5,782
Total, end of period	6,444	7,029

Dividends

	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Dividends declared	4,477	3,660	22	8,885	7,303	22
Dividends declared – per share (\$)	0.12	0.10	20	0.24	0.20	20

In 2026, the Board of Directors increased the base quarterly dividend to \$0.12 per share. All dividends are designated as "eligible dividends" for the purpose of the Income Tax Act (Canada). The Company expects future dividends to be paid quarterly as part of Alvo Petro's long-standing capital allocation objective to balance spending from cash flows between reinvestment in growth

opportunities and returns to stakeholders. However, the decision to declare any future quarterly dividend and the amount of such dividend, if any, remains subject to the discretion of the Board and may vary depending on numerous factors. There can be no assurance that dividends will be paid at the intended rate or at any rate in the future.

Normal Course Issuer Bid

	Three Months Ended June 30,			Six Months Ended June 30,		
	2026	2025	Change (%)	2026	2025	Change (%)
Shares repurchased (#)	-	57,600	(100)	-	140,900	(100)
Average price per share (C\$)	-	5.46	(100)	-	5.18	(100)
Total cost of share repurchases - \$000s ⁽¹⁾	-	227	(100)	-	524	(100)

(1) Includes applicable fees.

On August 13, 2024, Alvo Petro launched a normal course issuer bid (the “2024 NCIB”) to repurchase Alvo Petro common shares. The terms of the 2024 NCIB permitted Alvo Petro to repurchase up to 2,953,044 common shares from August 13, 2024 to the earlier of August 12, 2025 or when the 2024 NCIB was completed or terminated by Alvo Petro. The 2024 NCIB expired on August 12, 2025. All shares repurchased were subsequently cancelled. No shares have been repurchased in 2026.

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 5, 2026, there were 37,307,617 common shares, 1,223,917 stock options, 789,735 RSUs and 221,064 DSUs outstanding. There are no preferred shares outstanding.

NON-GAAP AND OTHER FINANCIAL MEASURES

This MD&A or documents referred to in this MD&A make reference to various non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures as such terms are defined in National Instrument 52-112 *Non-GAAP and Other Financial Measures Disclosure*. Such measures are not recognized measures under GAAP and do not have a standardized meaning prescribed by IFRS and therefore might not be comparable to similar financial measures disclosed 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 and other financial 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. 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.

Below is a description of the non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures used in this MD&A.

Non-GAAP Financial Measures

Operating Netback

Operating netback is calculated as natural gas, oil and condensate sales revenues less royalties, production expenses and transportation expenses. This calculation is provided in the “*Operating Netback*” section of this MD&A using our IFRS measures. Operating netback is a common metric used in the oil and gas industry to demonstrate profitability from operations.

Non-GAAP Financial Ratios

Operating Netback per boe

Operating netback on a per unit basis, which is per barrel of oil equivalent (“boe”), is a common non-GAAP measure used in the oil and gas industry and management believes it assists in evaluating the operating performance of the Company. 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. Alvo Petro calculated operating netback per boe as operating netback divided by total sales

volumes (barrels of oil equivalent). This calculation is provided in the “*Operating Netback*” section of this MD&A using our IFRS measures.

Operating Netback Margin

Operating netback margin is a non-GAAP ratio calculated as operating netback per boe divided by the realized sales price per boe. Operating netback margin is a measure of the profitability per boe relative to natural gas, oil and condensate sales revenues per boe and is calculated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Operating netback - \$ per boe	59.08	54.72	55.58	52.74
Average realized price - \$ per boe	68.72	63.20	65.23	63.43
Operating netback margin	86%	87%	85%	83%

Funds Flow from Operations Per Share and Cash Flows from Operating Activities Per Share

Funds flow from operations per share is a non-GAAP ratio that includes all cash generated from operating activities (as calculated below) divided by the weighted average shares outstanding for the respective period. Cash flows from operating activities is a supplementary financial measure computed as cash flows from operating activities divided by the weighted average shares outstanding for the respective period. For the periods reported in this document the cash flows from operating activities per share and funds flow from operations per share is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
\$ per share	2026	2025	2026	2025
Per basic share:				
Cash flows from operating activities	0.37	0.28	0.66	0.52
Funds flow from operations	0.37	0.28	0.71	0.53
Per diluted share:				
Cash flows from operating activities	0.36	0.28	0.65	0.51
Funds flow from operations	0.37	0.27	0.70	0.52

Capital Management Measures

Funds Flow from Operations

Funds flow from operations is a non-GAAP capital management measure that includes all cash generated from operating activities and is calculated before changes in non-cash working capital. The most comparable GAAP measure to funds flow from operations is cash flows from operating activities. Management considers funds flow from operations important as it helps evaluate financial performance and demonstrates 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,	
	2026	2025	2026	2025
Cash flows from operating activities	13,919	10,473	24,636	19,290
Changes in non-cash working capital	179	(107)	1,967	298
Funds flow from operations	14,098	10,366	26,603	19,588

Working Capital

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

	As at June 30,	
	2026	2025
Total current assets	44,059	22,915
Total current liabilities	(29,926)	(16,077)
Working capital	14,133	6,838

Working Capital, Net of Debt

Working capital net of debt is computed as working capital decreased by the carrying amount of the Loan which is classified as non-current. Working capital net of debt is used by management to assess the Company's overall financial position. As of June 30, 2026, Alvo Petro's working capital exceeds the non-current balance outstanding on the Loan.

	As at June 30,	
	2026	2025
Working capital	14,133	6,838
Loan, non-current	(8,000)	-
Working capital, net of debt	6,133	6,838

Supplementary Financial Measures

"Average realized natural gas price - \$/Mcf" is comprised of natural gas sales as determined in accordance with IFRS, divided by the Company's natural gas sales volumes.

"Average realized NGL – condensate price - \$/bbl" is comprised of condensate sales as determined in accordance with IFRS, divided by the Company's NGL sales volumes from condensate.

"Average realized oil price - \$/bbl" is comprised of oil sales as determined in accordance with IFRS, divided by the Company's oil sales volumes.

"Average realized price - \$/boe" is comprised of natural gas, condensate and oil sales as determined in accordance with IFRS, divided by the Company's total natural gas, NGL and oil sales volumes (barrels of oil equivalent).

"Dividends per share" is comprised of dividends declared, as determined in accordance with IFRS, divided by the number of shares outstanding at the dividend record date.

"Royalties per boe" is comprised of royalties, as determined in accordance with IFRS, divided by the total natural gas, condensate and oil sales volumes (barrels of oil equivalent).

"Royalties as a percentage of sales" is comprised of royalties, as determined in accordance with IFRS, divided by the total natural gas, condensate and oil sales, as determined in accordance with IFRS.

"Production expenses per boe" is comprised of production expenses, as determined in accordance with IFRS, divided by the total natural gas, NGL and oil sales volumes (barrels of oil equivalent).

"Transportation expenses per boe" is comprised of transportation expenses, as determined in accordance with IFRS, divided by the total natural gas, NGL and oil sales volumes (barrels of oil equivalent).

"G&A expenses per boe" is comprised of net G&A expense, as determined in accordance with IFRS, divided by the total natural gas, NGL and oil sales volumes (barrels of oil equivalent).

“Depletion and depreciation expense per boe” is comprised of depletion and depreciation expense, as determined in accordance with IFRS, divided by the total natural gas, NGL and oil sales volumes (barrels of oil equivalent).

OFF BALANCE SHEET ARRANGEMENTS

Alvopetro has off-balance sheet arrangements consisting of various contracts entered into in the normal course of operations. Contracts that contain a lease are accounted for under IFRS 16 and recorded on the balance sheet as of June 30, 2026 to the extent the lease has commenced. All other contracts which are entered into in the normal course of operations are captured in the *Commitments and Contingencies* section above.

RISKS AND UNCERTAINTIES

Alvopetro is exposed to a variety of risks including, but not limited to: reservoir performance risk, market risk, exploration, exploitation, acquisition and disposition risk, operational and uninsurable risks, inflation and supply chain management risk, foreign operations risk, legal and regulatory risks including the impact of new and stricter environmental regulations, liquidity and financing risk and competitive risks within the oil and gas industry. 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.sedarplus.ca and in our MD&A for the year-ended December 31, 2025.

There have been no significant changes in the three and six months ended June 30, 2026 to the risks and uncertainties identified in the MD&A and Annual information Form for the year-ended December 31, 2025 other than with respect to the findings of the Tribunal in the arbitration of Alvopetro's working interest in the Unit. On April 27, 2026, Alvopetro received the final order of the Tribunal, pursuant to which the Tribunal found in favour of Alvopetro, finding the decision of the Expert to be final, valid and effective, definitively binding the Parties, pursuant to the UOA and maintaining Alvopetro's working interest of 56.2%. While Alvopetro was successful in the arbitration dispute of the first redetermination, the UOA provides for future redeterminations which may have a material impact to Alvopetro as further discussed in the section entitled "Risks and Uncertainties – Arbitration of Alvopetro's Working Interest and Impact of Future Redeterminations" in the MD&A for the year-ended December 31, 2025.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The accounting policies used in preparation of the unaudited interim condensed consolidated financial statements as at and for the three and six months ended June 30, 2026 are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended December 31, 2025 except as disclosed in Note 2 of the interim condensed consolidated financial statements as at and for the three and six months ended June 30, 2026. The Company has not early adopted any standard, interpretation, or amendment that has been issued but is 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 Impact on Consolidated Financial Statements
The objective of IFRS 18 <i>Presentation and Disclosure in Financial Statements</i> , issued in April 2024, is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	January 1, 2027	The Company expects an impact on the financial statements and is currently evaluating.

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.

Dividend Advisory. The decision to declare any future quarterly dividend and the amount and timing of such dividend, if any, remains subject to the discretion of the Board and may vary depending on numerous factors, including, without limitation, the Company's operational performance, available financial resources and financial requirements, capital requirements and growth plans. There can be no assurance that dividends will be paid at the intended rate or at any rate in the future.

Forward-Looking Statements. Certain information provided in this MD&A constitutes forward-looking statements. The use of any of the words "will", "expect", "intend" and other similar words or expressions are intended to identify forward-looking information. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the expectations discussed in the forward-looking statements. These forward-looking statements reflect current assumptions and expectations regarding future events. More particularly and without limitation, this MD&A contains forward-looking statements concerning the expected natural gas price, gas sales and gas deliveries under Alvopetro's long-term gas sales agreement, the anticipated outcome of the GORR dispute, expected royalty rates, the Company's dividend policy and plans for dividends in the future, plans relating to the Company's operational activities, proposed exploration and development activities and the timing for such activities, the anticipated timing of production commencement from certain wells, capital spending levels and future capital costs, exploration and development prospects of Alvopetro, future production and sales volumes, production rates and allocations from the Caburé natural gas field, the expected timing of closing on certain dispositions, the anticipated timing of completion of the expansion of the gas treatment facility, and sources and availability of capital. Forward-looking statements are necessarily based upon assumptions and judgments with respect to the future including, but not limited to the success of future drilling, completion, testing, recompletion and development activities and the timing of such activities, the performance of producing wells and reservoirs, well development and operating performance, expectations and assumptions concerning the approval of and timing of regulatory licenses, equipment availability, environmental regulation, including regulation relating to hydraulic fracturing and stimulation, the ability to monetize hydrocarbons discovered, the outlook for commodity markets and ability to access capital markets, foreign exchange rates, the outcome of any future redeterminations, the outcome of any disputes, general economic and business conditions, forecasted demand for oil and natural gas, the impact of international conflicts, the impact of global pandemics, weather and access to drilling locations, the availability and cost of labour and services, and the regulatory and legal environment and other risks associated with oil and gas operations. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Current and forecasted natural gas nominations are subject to change on a daily basis and such changes may be material. 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 foreign exchange rate fluctuations, market uncertainty associated with trade or tariff disputes and general economic conditions. Certain of these risks are set out in more detail in our 2025 Annual Information Form which has been filed on SEDAR+ and can be accessed at www.sedarplus.ca. 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:

ANP	=	The National Agency of Petroleum, Natural Gas and Biofuels of Brazil
bbls	=	barrels of oil and/or natural gas liquids (condensate)
boepd	=	barrels of oil equivalent ("boe") per day
bopd	=	barrels of oil and/or natural gas liquids (condensate) per day
BRL	=	Brazilian real
CAD	=	Canadian dollar
e ³ m ³ /d	=	thousand cubic metre per day
m ³	=	cubic metre
m ³ /d	=	cubic metre per day
Mcf	=	thousand cubic feet
Mcfpd	=	thousand cubic feet per day

MMBtu	=	million British Thermal Units
MMcf	=	million cubic feet
MMcfd	=	million cubic feet per day
NGLs	=	natural gas liquids
Q1 2026	=	three months ended March 31, 2026
Q2 2025	=	three months ended June 30, 2025
Q2 2026	=	three months ended June 30, 2026
USD	=	United States dollar

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.

Contracted firm volumes. The contracted daily firm volumes of 500 e³m³/d (before any provisions for take or pay allowances) represents contracted volumes based on contract referenced natural gas heating value. Alvopetro's reported natural gas sales volumes are prior to any adjustments for the heating value of Alvopetro natural gas. Alvopetro's natural gas is approximately 8% higher than the contract reference heating value. Therefore, to satisfy the contractual firm deliveries, Alvopetro would be required to deliver approximately 463e³m³/d (16.4MMcfd).