The following Management's Discussion and Analysis ("MD&A") is dated November 6, 2024 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 nine months ended September 30, 2024, MD&A for the year-ended December 31, 2023 and the audited consolidated financial statements as at and for the years ended December 31, 2023 and 2022. 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. Alvopetro is a pioneer in the development of Brazil's independent onshore natural gas industry. 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's strategy is to unlock the on-shore natural gas potential in the state of Bahia, building off the development of our Caburé and Murucututu natural gas assets and our strategic midstream infrastructure. Our objective is to create a balanced reinvestment and long-term stakeholder return model where approximately half of our cash flows are reinvested in organic growth opportunities and the other half is distributed to stakeholders.

FINANCIAL & OPERATING SUMMARY

	As at and Three Months Ended September 30			As at and Nine Months Ended September 30,		
	2024	2023	Change (%)	**2024**	2023	Change (%)
Financial						
($000s, except where noted)						
Natural gas, oil and condensate sales	**12,879**	12,313	5	**35,303**	44,387	(20)
Net income	**7,152**	5,819	23	**14,052**	27,873	(50)
Per share – basic ($)(1)	**0.19**	0.16	19	**0.38**	0.75	(49)
Per share – diluted ($)(1)	**0.19**	0.15	27	**0.37**	0.74	(50)
Cash flows from operating activities	**10,714**	12,469	(14)	**27,787**	39,798	(30)
Per share – basic ($)(1)	**0.29**	0.34	(15)	**0.75**	1.07	(30)
Per share – diluted ($)(1)	**0.28**	0.33	(15)	**0.74**	1.05	(30)
Funds flow from operations(2)	**9,886**	9,618	3	**26,309**	35,637	(26)
Per share – basic ($)(1)	**0.27**	0.26	4	**0.71**	0.96	(26)
Per share – diluted ($)(1)	**0.26**	0.25	4	**0.70**	0.94	(26)
Dividends declared	**3,295**	5,122	(36)	**9,887**	15,335	(36)
Per share(1) (2)	**0.09**	0.14	(36)	**0.27**	0.42	(36)
Capital expenditures	**4,747**	10,703	(56)	**10,623**	22,515	(53)
Cash and cash equivalents	**24,515**	22,779	8	**24,515**	22,779	8
Net working capital(2)	**15,848**	11,392	39	**15,848**	11,392	39
Weighted average shares outstanding						
Basic (000s)(1)	**37,300**	37,138	-	**37,286**	37,086	1
Diluted (000s)(1)	**37,662**	37,868	(1)	**37,671**	37,748	-
Operations						
Natural gas, NGLs and crude oil sales:						
Natural gas (Mcfpd), by field:						
Caburé (Mcfpd)	**11,378**	8,949	27	**9,817**	11,757	(17)
Murucututu (Mcfpd)	**616**	726	(15)	**490**	467	5
Total natural gas (Mcfpd)	**11,994**	9,675	25	**10,307**	12,224	(16)
NGLs – condensate (bopd)	**95**	81	17	**83**	101	(18)
Oil (bopd)	**12**	3	300	**12**	4	200
Total (boepd)	**2,106**	1,696	24	**1,813**	2,142	(15)
Average realized prices(2):						
Natural gas ($/Mcf)	**10.92**	13.06	(16)	**11.70**	12.57	(7)
NGLs – condensate ($/bbl)	**86.70**	89.43	(3)	**88.77**	85.31	4
Oil ($/bbl)	**68.36**	73.08	(6)	**68.48**	69.18	(1)
Total ($/boe)	**66.46**	78.90	(16)	**71.06**	75.90	(6)
Operating netback ($/boe)(2)						
Realized sales price	**66.46**	78.90	(16)	**71.06**	75.90	(6)
Royalties	**(1.89)**	(2.04)	(7)	**(1.94)**	(2.14)	(9)
Production expenses	**(5.38)**	(6.52)	(17)	**(6.23)**	(5.22)	19
Operating netback	**59.19**	70.34	(16)	**62.89**	68.54	(8)
Operating netback margin(2)	**89%**	89%	-	**89%**	90%	(1)

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.

HIGHLIGHTS AND SIGNIFICANT TRANSACTIONS FOR THE THIRD QUARTER OF 2024

- Our average daily sales increased to 2,106 boepd in Q3 2024 (+24% from Q3 2023 and +29% from Q2 2024) with increased natural gas demand.
- Our average realized natural gas price decreased to $10.92/Mcf (-16% from Q3 2023) in Q3 2024, due mainly to the devaluation of the BRL relative to the USD, which depreciated 14% compared to Q3 2023. Our overall averaged realized sales was $66.46 per boe.
- With higher overall sales volumes, our natural gas, condensate and oil revenue increased to $12.9 million, an increase of $0.6 million from Q3 2023 and $2.2 million from Q2 2024.
- Our operating netback(1) in the quarter was $59.19 per boe (-$11.15 per boe from Q3 2023) due mainly to the reduction in our realized sales price per boe.
- We generated funds flows from operations(1) of $9.9 million ($0.27 per basic share and $0.26 per diluted share), an increase of $0.3 million compared to Q3 2023 and $2.0 million compared to Q2 2024 due mainly to higher sales volumes, partially offset by lower realized prices.
- We reported net income of $7.2 million in Q3 2024, an increase of $1.3 million compared to Q3 2023 and $4.8 million compared to Q2 2024 due mainly to higher sales volumes and foreign exchange gains in Brazil on U.S. dollar denominated intercompany balances and lease liabilities.
- Capital expenditures totaled $4.7 million, including costs to recomplete both the 183-A3 and the 183(1) wells on our Murucututu field and costs associated with the facilities upgrade at our Caburé field.
- Our working capital(1) surplus was $15.8 million as of September 30, 2024, increasing $2.7 million from December 31, 2023 and $1.2 million from June 30, 2024.

RECENT HIGHLIGHTS

- October sales volumes averaged 1,912 boepd including natural gas sales of 10.7 MMcfpd, associated natural gas liquids sales from condensate of 108 bopd and oil sales of 14 bopd, based on field estimates.

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

NATURAL GAS AND OIL PROPERTIES

As at September 30, 2024, Alvopetro held interests in the Caburé and Murucututu natural gas assets, two exploration blocks (Block 182 and Block 183) and two oil fields (Bom Lugar and Mãe-da-lua), in the Recôncavo basin onshore 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 commenced in the fourth quarter of 2023. The parties engaged an independent third party expert (the "Expert) to evaluate the redetermination. In April 2024, Alvopetro received the Expert's final decision wherein 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"). Subsequently, Alvopetro received a notice of dispute from the Partner with respect to the Expert decision seeking to stay the redetermination procedure. As a result, Alvopetro filed an emergency arbitration request before the International Court of Arbitration of the International Chamber of Commerce ("ICC") seeking an injunction to make the Expert decision binding and effective pursuant to the provisions of the UOA. In May 2024, Alvopetro received the final order (the "Order") of the emergency arbitrator wherein the arbitrator found in favour of Alvopetro with respect to the binding nature of the decision of the Expert. As a result, Alvopetro's working interest in the Unit was increased to 56.2% effective June 1, 2024 (the "Effective Date"). The Order is a provisional and contingent decision until reviewed by an arbitral tribunal pursuant to the Rules of Arbitration (the "Rules") of the ICC as provided for under the terms of the UOA. The full arbitration process is currently underway. See the section entitled "*Risks and Uncertainties - Redetermination*" within this MD&A for additional information.

Following receipt of the Order, Alvopetro notified our Partner of our intent to assume operatorship of the Unit as allowed pursuant to the provisions of the UOA. The transition of operatorship was completed during the third quarter of 2024. In addition, historical capital expenditures and other expenditures allocated based on initial working interest were adjusted to the Redetermined Working Interests on the Effective Date. As a result, in the second quarter of 2024 Alvopetro recognized an additional $1.1 million for historical capital expenditures and $0.1 million in historical production expenses and administrative costs previously allocated based on the initial working interests.

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 recoverable hydrocarbons from the Unit, they will no longer be entitled to further production allocations. As of June 1, 2024, 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.

The parties have agreed to a development plan at the Unit including drilling and completing five wells. Alvopetro's share of these wells at its Redetermined Working Interest of 56.2% is estimated to be $7.0 million.

Alvopetro is currently upgrading the facilities at the field for compression of natural gas to be delivered to Alvopetro's 100%-owned natural gas processing facility. Total costs of $4.1 million are estimated for the project of which approximately $3.1 million was incurred in the nine months ended September 30, 2024.

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 three existing wells at the field including the 197(1) well and the 183(1) well, both of which were drilled in 2014, and the 183-A3 well which was drilled in 2023. All three wells are tied into field production facilities and a 9-kilometre transfer pipeline connects the field to the Caburé transfer pipeline. In the third quarter of 2024, Alvopetro recompleted the 183-A3 well which was brought on production in September, and in October 2024, natural gas production from the Murucututu field increased 187% to 1.8 MMcfpd compared to 0.6 MMcfpd in Q3 2024. The Company continues to monitor production results. The 183(1) well was also recompleted in an up-hole Caruaçu zone; however, initial results indicate that the zone is producing water. We expect to drill a follow-up location up-dip of the 183-A3 well from a prebuilt well pad location starting later this year.

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") initially owned and operated by Enerflex Ltd. ("Enerflex") pursuant to our Gas Treatment Agreement. All natural gas is sold to Bahiagás, the local state distribution company, under the terms of our gas sales agreement ("GSA").

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 2024, Alvopetro agreed to firm volumes of 10.6 MMcfpd (300 e^3m^3/d) and interruptible volumes of up to 7.1 MMcfpd (200 e^3m^3/d).

Take-or-pay provisions apply under the terms of the GSA where Bahiagas demand is below the firm volumes set out in the GSA. See "*Sales Volumes*" below for further details.

OIL ASSETS:

The Company has two oil fields (Bom Lugar and Mãe-da-lua). In Q2 2023, Alvopetro drilled the first of two initially planned development wells on the Bom Lugar field (BL-06) and in Q4 2023 the well was brought on production. Future plans on the Bom Lugar field include a recompletion of the BL-06 well to improve production rates from the well and, with positive results, drilling a second development well on the field. On the Mãe-da-lua field, future plans include a stimulation of the existing well to improve oil recovery.

EXPLORATION ASSETS (Block 182 & Block 183)

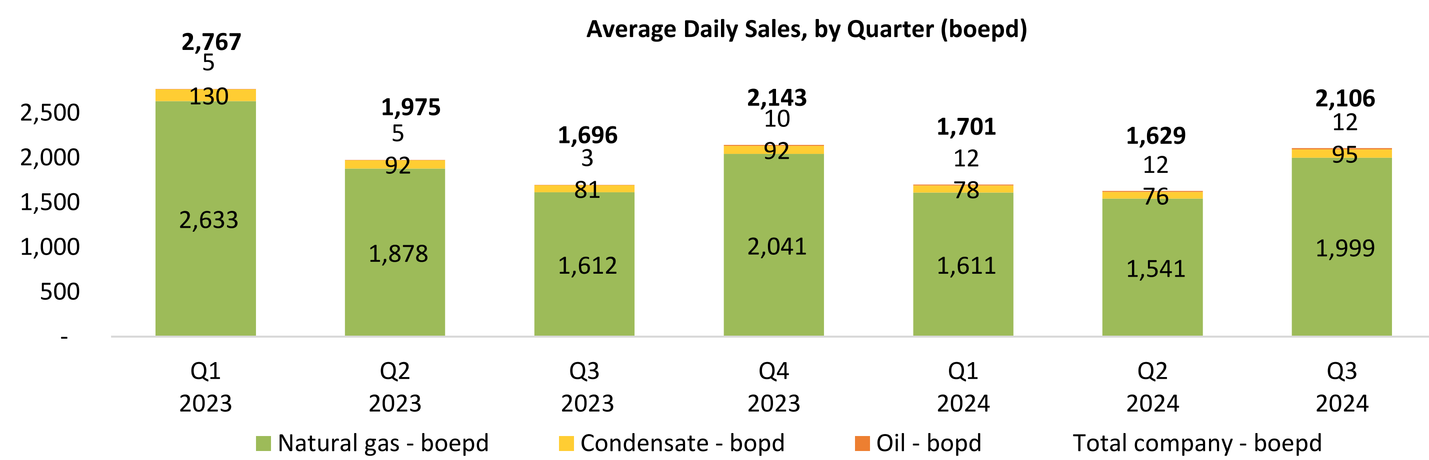
Alvopetro's E&E assets include Block 182 and the portion of Block 183 that is not part of the Murucututu project. Block 183 includes the 183-B1 well which was drilled and tested in 2022. Alvopetro is planning an optimization project on the well in the fourth quarter. Subsequent to September 30, 2024 the Company notified the ANP of its intention to relinquish Block 182. The Company had written off all costs associated with the Block in prior periods and the carrying value of the block was $nil as of September 30, 2024.

FINANCIAL AND OPERATING REVIEW

Sales Volumes

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change (%)	**2024**	2023	Change (%)
Total sales volumes by product:						
Caburé (Mcf)	**1,046,720**	823,284	27	**2,689,915**	3,209,754	(16)
Murucututu (Mcf)	**56,696**	66,773	(15)	**134,243**	127,369	5
Total natural gas (Mcf)	**1,103,416**	890,057	24	**2,824,158**	3,337,123	(15)
NGLs – condensate (bbls)	**8,731**	7,447	17	**22,766**	27,534	(17)
Oil (bbls)	**1,141**	260	339	**3,344**	1,113	200
Total sales (boe)	**193,775**	156,050	24	**496,803**	584,835	(15)
Average daily sales by product:						
Caburé (Mcfpd)	**11,378**	8,949	27	**9,817**	11,757	(17)
Murucututu(Mcfpd)	**616**	726	(15)	**490**	467	5
Total natural gas (Mcfpd)	**11,994**	9,675	24	**10,307**	12,224	(16)
NGLs – condensate (bopd)	**95**	81	17	**83**	101	(18)
Oil (bopd)	**12**	3	300	**12**	4	200
Average daily sales (boepd)	**2,106**	1,696	24	**1,813**	2,142	(15)

With increased demand from Bahiagás, sales volumes increased in Q3 2024 compared to both Q3 2023 and Q2 2024. Sales volumes for the nine months ended September 30, 2024 were impacted by reduced demand from Bahiagás in the first half of 2024 as well as reduced availability from the Unit due to increased production nominations from our partner on the field.



Take-or-pay provisions

Under the terms of the GSA, Bahiagás must prepay for gas volumes where monthly demand is below 80% of the firm volumes under our contract. Any prepayment will 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 Corporation'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 three or nine months ended September 30, 2024 and there was no unearned revenue balance as of September 30, 2024. In September 2023, Bahiagás demand was below 80% of the firm volumes and Alvopetro was entitled to receive a total of $0.4 million in prepayments in addition to the actual sales volumes delivered. Such repayments were recovered through gas deliveries in Q4 2023 and there was no unearned revenue balance as of September 30, 2024 or December 31, 2023 (September 30, 2023 - $0.4 million).

Average Realized Sales Prices

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change (%)	**2024**	2023	Change (%)
Average realized prices(1)**:**						
Natural gas ($/Mcf)	**10.92**	13.06	(16)	**11.70**	12.57	(7)
NGL – condensate ($/bbl)	**86.70**	89.43	(3)	**88.77**	85.31	4
Oil ($/bbl)	**68.36**	73.08	(6)	**68.48**	69.18	(1)
Total ($/boe)	**66.46**	78.90	(16)	**71.06**	75.90	(6)
Average benchmark prices:						
Brent oil ($/bbl)	**80.01**	86.65	(8)	**82.50**	81.99	1
Henry Hub ($/MMBtu)	**2.11**	2.59	(19)	**2.11**	2.46	(14)
National Balancing Point ($/MMBtu)	**10.64**	10.37	3	**9.68**	12.27	(21)
Average contracted natural gas price(2)						
BRL/m^3	**1.94**	2.00	(3)	**1.95**	1.99	(2)
Average foreign exchange rate:						
$1 USD = BRL	**5.545**	4.880	14	**5.244**	5.008	5

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

(2) 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 7% to the contracted volumetric natural gas price, which contributes to a higher realized price overall relative to the contractual price. The contracted price is then grossed-up for applicable sales taxes.

The natural gas price under our long-term GSA with Bahiagas is set semi-annually (as of February 1st and August 1st) based on a trailing weighted average of USD benchmark prices for Brent, Henry Hub and National Balancing Point, incorporating both a floor and ceiling price, which were $6.37/MMBtu and $10.83/MMBTU, respectively, as of August 1, 2024 ($6.19/MMBtu and $10.52/MMBtu, respectively, as of August 1, 2023) and $6.22 /MMBtu and $10.58/MMBtu as of February 1, 2024 ($6.02/MMBtu and $10.23/MMBtu, respectively, as of February 1, 2023). The floor and ceiling prices are adjusted for US inflation under the terms of the GSA. 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.

From February 1, 2022 up to and including the February 1, 2024 price adjustment, Alvopetro's contracted natural gas price was at the ceiling price under the GSA, adjusting semi-annually with US inflation. With the August 1, 2024 price reset, Alvopetro's contracted natural price is slightly below the ceiling price in the contract as a result of declining benchmark prices. In the third quarter of 2024 Alvopetro and Bahiagás agreed to review natural gas pricing on a monthly basis on interruptible sales volumes (shipped volumes above the firm contracted volumes of $300e^3m^3/d$). Overall, the net discount averaged 2% of Alvopetro's third quarter natural gas revenue. With the decrease in the average contracted price, the 14% depreciation in the average BRL to USD rate in Q3 2024 compared to Q3 2023, and the discount on interruptible sales volumes, Alvopetro's realized USD natural gas price decreased by 16% from $13.06/Mcf in Q3 2023 to $10.92/Mcf in Q3 2024.

Condensate production from the Caburé Unit, the Murucututu natural gas field and the Facility is sold pursuant to contracts based on Brent, often at a premium. Oil sales from the Bom Lugar field and the Mãe-da-lua fields are sold at a discount to Brent.

All sales and realized prices are reported net of applicable sales taxes. Alvopetro is entitled to a sales tax credit of 3.26% (2023 – 3.43%) which reduces the 12% ICMS tax otherwise owing on natural gas sales.

Natural Gas, Oil and Condensate Sales Revenue

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change (%)	**2024**	2023	Change (%)
Natural gas	**12,044**	11,628	4	**33,053**	41,961	(21)
Condensate	**757**	666	14	**2,021**	2,349	(14)
Oil	**78**	19	311	**229**	77	197
Total	**12,879**	12,313	5	**35,303**	44,387	(20)

Alvopetro's total natural gas, oil and condensate revenues increased by $0.6 million compared to Q3 2023 and decreased by $9.1 million for the nine months ended September 30, 2024 compared to 2023. The increase in Q3 2024 was due to the 24% increase in average daily sales volumes, partially offset by the 16% decrease in the average realized price. The decrease in the nine months ended September 30, 2024 compared to 2023 was due to both a 15% decrease in average sales volumes and a 6% decrease in the average realized price.

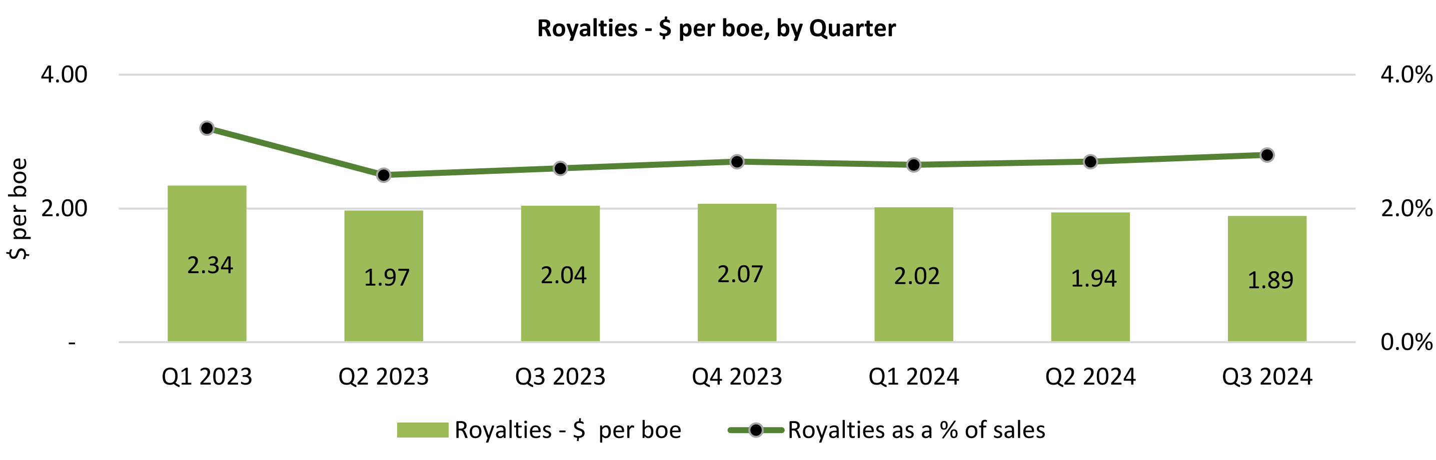
Royalties

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change (%)	**2024**	2023	Change (%)
Royalties	**367**	318	15	**966**	1,254	(23)
Royalties per boe ($)(1)	**1.89**	2.04	(7)	**1.94**	2.14	(9)
Royalties as a % of sales(1)	**2.8%**	2.6%	8	**2.7%**	2.8%	(4)

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

Alvopetro's sales (other than sales from the Bom Lugar Field) are subject to a base 7.5% 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 portion of the Caburé and Murucututu natural gas assets that were previously on Block 197 and the Mãe-da-lua field.

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), 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, Alvopetro's effective royalty rate fluctuates with changes in Henry Hub prices relative to Alvopetro's contracted natural gas price.



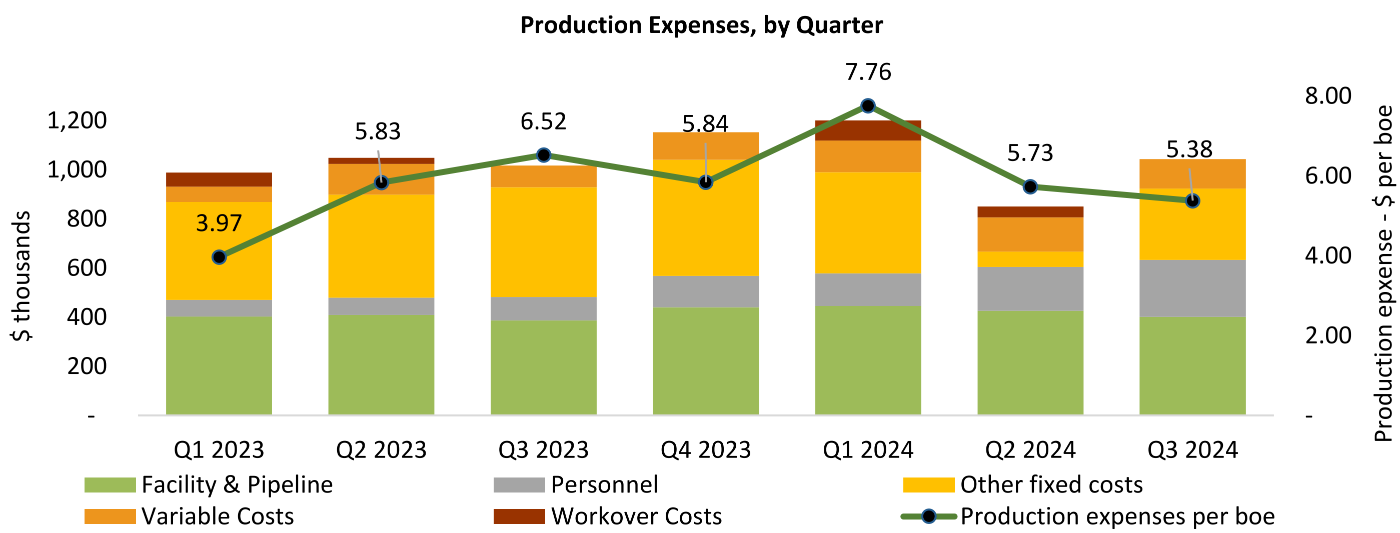
Production Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change (%)	**2024**	2023	Change (%)
Production expenses by type:						
Personnel costs	**232**	95	144	**543**	233	133
Facility and pipeline costs	**401**	387	4	**1,272**	1,198	6
Other fixed costs	**290**	446	(35)	**764**	1,265	(40)
Variable costs	**120**	89	35	**388**	275	41
Workover costs	**-**	-	-	**127**	82	55
Total production expenses	**1,043**	1,017	3	**3,094**	3,053	1

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change (%)	**2024**	2023	Change (%)
Production expenses per boe($)(1):						
Personnel costs	**1.19**	0.61	95	**1.09**	0.40	173
Facility and pipeline costs	**2.07**	2.48	(17)	**2.56**	2.05	25
Other fixed costs	**1.50**	2.86	(48)	**1.54**	2.16	(29)
Variable costs	**0.62**	0.57	9	**0.78**	0.47	66
Workover costs	**-**	-	-	**0.26**	0.14	86
Total	**5.38**	6.52	(17)	**6.23**	5.22	19

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

In Q3 2024 Alvopetro assumed operatorship of the Unit resulting in an increase in personnel costs and variable costs, offset by lower other fixed costs as amounts previously charged by our partner for Unit operations were included in this category. Overall, total production expenses are consistent with Q3 2023. Other fixed costs in the nine months ended September 30, 2024 included a reduction of $0.5 million for tax credits recognized in Q2 2024, partially offset by $0.1 million of additional costs associated with historical costs incurred at the Unit which were adjusted from Alvopetro's initial working interest of 49.1% to the redetermined working interest of 56.2%. On a per boe basis, production expenses in the nine months ended September 30, 2024 are impacted by lower sales volumes in 2024.



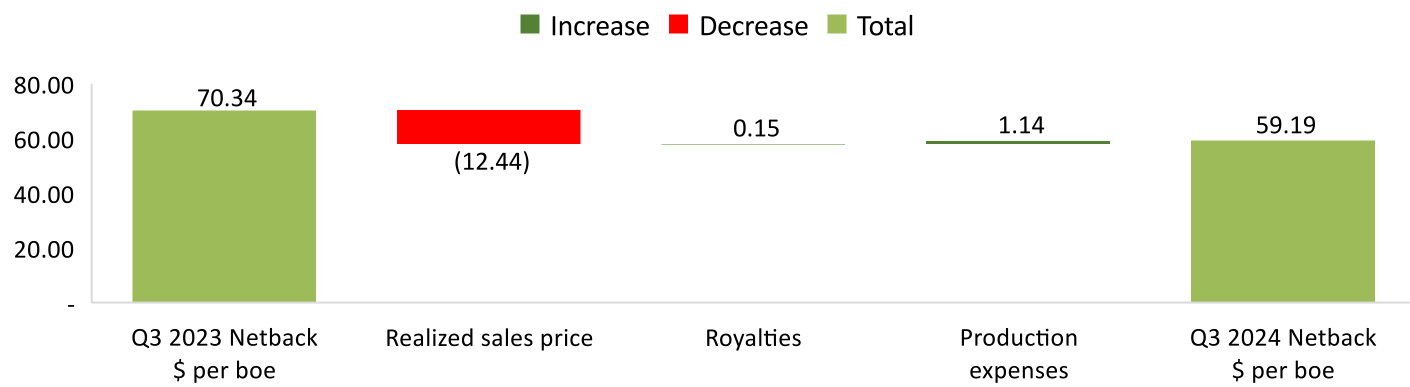
Operating Netback

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change (%)	**2024**	2023	Change (%)
Operating netback[(1)]						
Natural gas, oil and condensate sales	**12,879**	12,313	5	**35,303**	44,387	(20)
Royalties	**(367)**	(318)	15	**(966)**	(1,254)	(23)
Production expenses	**(1,043)**	(1,017)	3	**(3,094)**	(3,053)	1
Operating netback[(1)]	**11,469**	10,978	4	**31,243**	40,080	(22)
Operating netback - $ per boe[(1)]:						
Average realized sales price - $ per boe[(1)]	**66.46**	78.90	(16)	**71.06**	75.90	(6)
Royalties - $ per boe[(1)]	**(1.89)**	(2.04)	(7)	**(1.94)**	(2.14)	(9)
Production expenses - $ per boe[(1)]	**(5.38)**	(6.52)	(17)	**(6.23)**	(5.22)	19
Operating netback per boe	**59.19**	70.34	(16)	**62.89**	68.54	(8)
Operating netback margin[(1)]	**89%**	89%	-	**89%**	90%	(1)

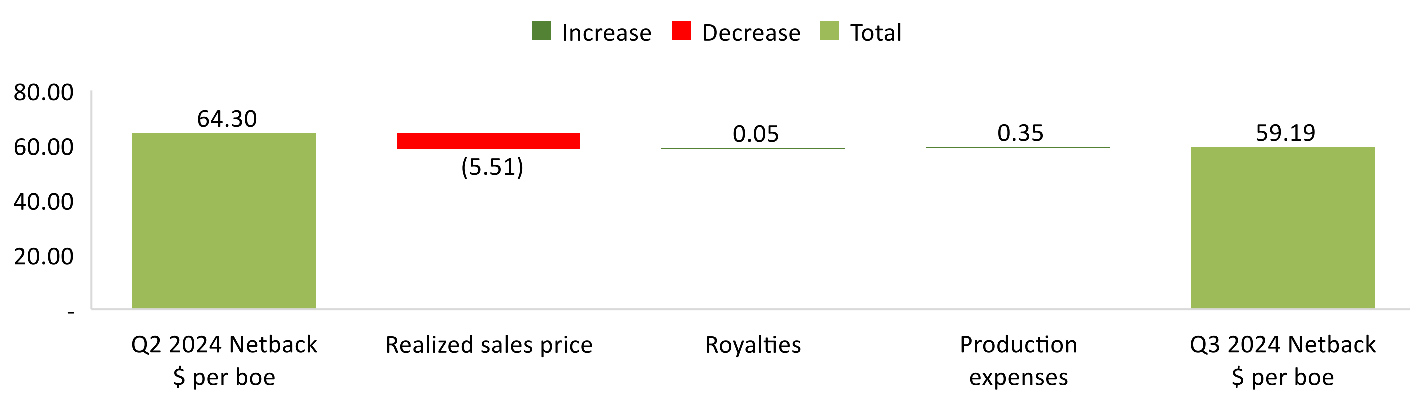
(1) See "*Non-GAAP and Other Financial Measures*" section within this MD&A.

With lower realized sales prices, Alvopetro's operating netback decreased by $11.15 per boe (-16%) in Q3 2024 compared to Q3 2023 and by $5.11 per boe (-8%) compared to Q2 2024.

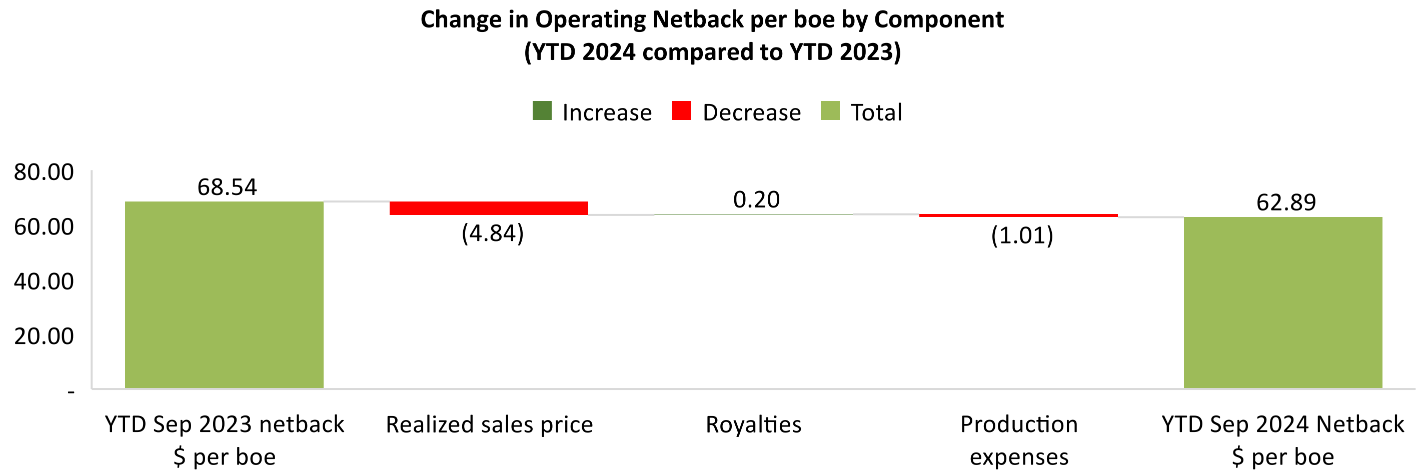
Change in Operating Netback per boe by Component
(Q3 2024 compared to Q3 2023)



Change in Operating Netback per boe by Component
(Q3 2024 compared to Q2 2024)



For the nine months ended September 30, 2024, Alvopetro's operating netback decreased $5.65 per boe (-8%) due to lower realized sales prices and higher production expenses.



Other Income

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change (%)	**2024**	2023	Change (%)
Interest income	**320**	360	(11)	**941**	1,019	(8)
Tax recoveries from operations and other	**135**	111	22	**356**	356	-
Total	**455**	471	(3)	**1,297**	1,375	(6)

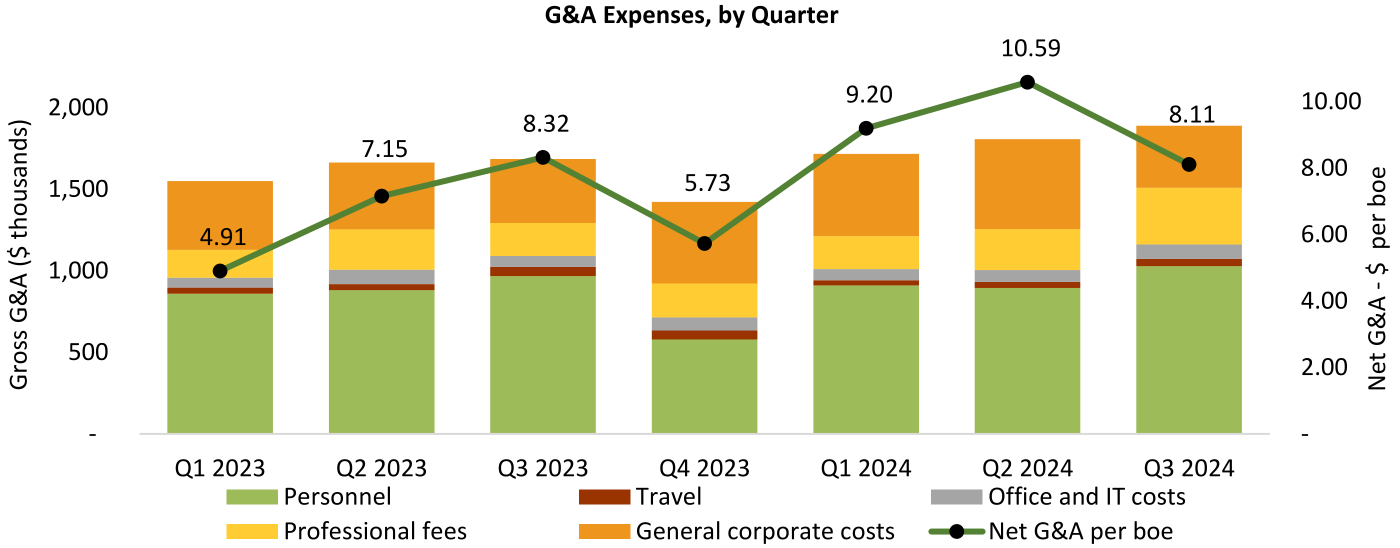
The majority of other income relates to interest income on cash and cash equivalent deposits and tax credits arising from ongoing operations. With lower average daily cash balances, Alvopetro's interest income decreased in 2024 compared to 2023.

General and Administrative ("G&A") Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
G&A Expenses, by type:	**2024**	2023	Change (%)	**2024**	2023	Change (%)
Personnel	**1,028**	968	6	**2,833**	2,708	5
Travel	**45**	56	(20)	**115**	131	(12)
Office and IT costs	**89**	67	33	**230**	217	6
Professional fees	**346**	203	70	**798**	621	29
General corporate costs	**383**	392	(2)	**1,439**	1,222	18
Gross G&A	**1,891**	1,686	12	**5,415**	4,899	11
Capitalized G&A	**(319)**	(388)	(18)	**(850)**	(1,093)	(22)
G&A expenses	**1,572**	1,298	21	**4,565**	3,806	20
$ per boe(1)	**8.11**	8.32	(3)	**9.19**	6.51	41

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

Gross G&A Expenses increased in 2024 compared to 2023 with increased personnel associated with increased activity levels, additional professional fees associated with the arbitration, as well as the impact of inflation across all categories. On a per boe basis, G&A expenses were also impacted by lower production volumes in 2024 compared to 2023.

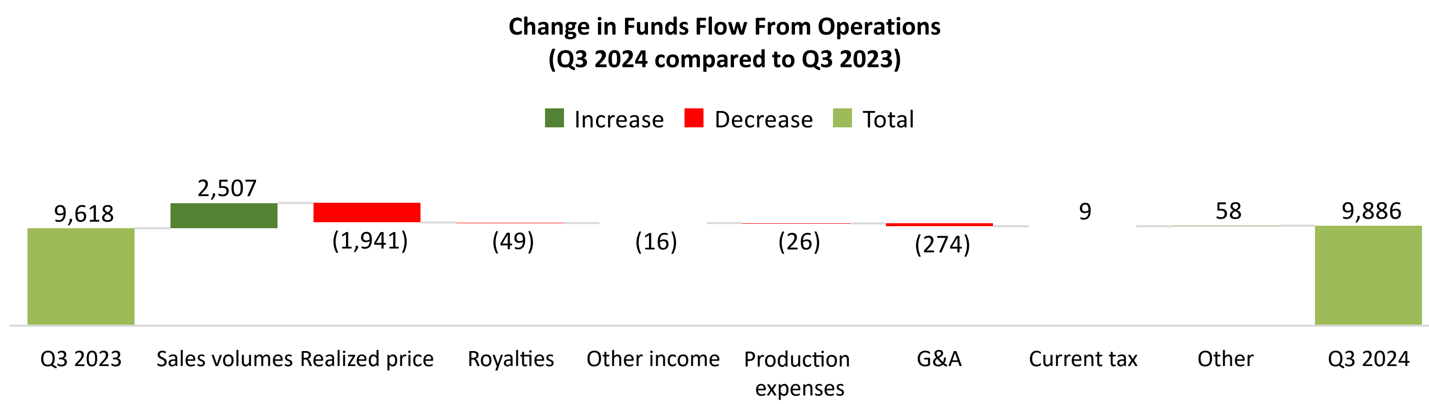


Cash Flows from Operating Activities and Funds Flow from Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change (%)	**2024**	2023	Change (%)
Cash flows from operating activities	**10,714**	12,469	(14)	**27,787**	39,798	(30)
Per share – basic ($)	**0.29**	0.34	(15)	**0.75**	1.07	(30)
Per share – diluted ($)	**0.28**	0.33	(15)	**0.74**	1.05	(30)
Funds flow from operations[(1)]	**9,886**	9,618	3	**26,309**	35,637	(26)
Per share – basic ($)	**0.27**	0.26	4	**0.71**	0.96	(26)
Per share – diluted ($)	**0.26**	0.25	4	**0.70**	0.94	(26)

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

Funds flow from operations in Q3 2024 increased $0.3 million (+3%) from Q3 2024 and $2.0 million (+25%) from Q2 2024 due mainly to higher sales volumes, partially offset by lower realized prices.



Change in Funds Flow From Operations
(Q3 2024 compared to Q2 2024)

In the nine months ended September 30, 2024, funds flow from operations decreased $9.3 million (-26%) compared to 2023 with lower sales volumes, lower realized prices and higher production expenses and G&A, partially offset by lower royalties and current tax expense.

Change in Funds Flow From Operations
(Nine months ended September 30, 2024 compared to September 30, 2023)

Foreign Exchange

	As at			% Appreciation (Depreciation) of BRL/CAD to USD	
	September 30, 2024	June 30, 2024	December 31, 2023	**Q3 2024**	**YTD 2024**
Rate at end of period:					
$1 USD = BRL	**5.448**	5.559	4.841	**2**	**(13)**
$1 USD = CAD	**1.350**	1.369	1.323	**1**	**(2)**

The Company's reporting currency is the USD, and its functional currencies are the 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 as specified are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,		% Appreciation (Depreciation) of BRL/CAD to USD	
	2024	2023	**2024**	2023	**Change from Q3 2023**	**Change from YTD 2023**
Average rate in the period:						
$1 USD = BRL	**5.545**	4.880	**5.244**	5.008	**(14)**	**(5)**
$1 USD = CAD	**1.364**	1.341	**1.360**	1.345	**(2)**	**(1)**

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 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 2% from June 30, 2024 resulting in an exchange gain in comprehensive income for Q3 2024 but depreciated 13% from December 31, 2023 resulting in an exchange loss in comprehensive income in the nine months ended September 30, 2024.

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 and the USD denominated lease liability of the Brazilian subsidiary associated with the Facility. The Company recorded a foreign exchange gain of $0.3 million on intercompany advances in Q3 2024 (Q3 2023 - $1.2 million foreign exchange loss) and a foreign exchange gain of $0.1 million on the lease liability (Q3 2023 -$0.3 million foreign exchange loss). For the nine months ended September 30, 2024 a foreign exchange loss of $2.9 million was recognized on intercompany advances (September 30, 2023 - $1.8 million foreign exchange gain) and a $1.0 million loss on the lease liability (September 30, 2023 - $0.4 million foreign exchange gain).

As discussed above, the Company is exposed to foreign exchange fluctuations on its natural gas revenues. With respect to Alvopetro's natural gas price resets on August 1, 2024 and February 1, 2024, respectively, the price determined in BRL was based on average historical exchange rates of 5.08 BRL to 1.00 USD and 4.92 BRL to 1.00 USD. In Q3 2024, the actual average rate was 5.55, a depreciation of 7% compared to the August 1, 2024 reset. 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 September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
Increase (Decrease) to Natural Gas Revenues from:				
5% Appreciation of BRL to USD	**634**	612	**1,740**	2,208
10% Appreciation of BRL to USD	**1,338**	1,292	**3,673**	4,662
5% Depreciation of BRL to USD	**(574)**	(554)	**(1,574)**	(1,998)
10% Depreciation of BRL to USD	**(1,095)**	(1,057)	**(3,005)**	(3,815)

To mitigate exposure to foreign exchange volatility with respect to the BRL, the Company has periodically entered into BRL/USD forward exchange rate contracts. The Company recognized the fair value of these contracts in the statement of financial position with changes in fair value recognized as an unrealized gain or loss included in net income. Realized gains or losses are recognized in the period the contracts are settled. No forward contracts were entered into or outstanding at any time in 2024 or 2023.

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 earnings.

Depletion and Depreciation

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change (%)	**2024**	2023	Change (%)
Depletion and depreciation on PP&E	**1,719**	1,324	30	**4,683**	4,596	2
Depreciation of right-of-use assets	**301**	297	1	**885**	880	1
Depletion and depreciation expense	**2,020**	1,621	25	**5,568**	5,476	2
$ per boe[1]	**10.42**	10.39	-	**11.21**	9.36	20

(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 higher production volumes in Q3 2024 compared to Q3 2023, depletion and depreciation on PP&E was higher in the quarter. For the nine months ended September 30, 2024, depletion and depreciation on PP&E was higher despite lower production volumes due to a higher depletable base.

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 September 30,			Nine Months Ended September 30,		
	2024	2023	Change (%)	**2024**	2023	Change (%)
Share-based compensation expense	**283**	249	14	**885**	813	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 September 30, 2024, a total of 2.8 million awards were outstanding (September 30, 2023 – 2.0 million) with 1,809,441 stock options (September 30, 2023 – 1,212,550) and 946,712 RSUs and DSUs (September 30, 2023 – 739,560). With the increase in awards outstanding, share-based compensation increased in both the three and nine months ended September 30, 2024 compared to the same periods in 2023.

Finance Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change (%)	**2024**	2023	Change (%)
Lease interest	**336**	373	(10)	**1,040**	1,135	(8)
Accretion on decommissioning liabilities	**25**	13	92	**75**	43	74
Finance expenses	**361**	386	(6)	**1,115**	1,178	(5)

Finance expenses decreased in 2024 compared to 2023 due mainly to a reduction in lease liabilities, partially offset by higher accretion on decommissioning liabilities with higher estimated abandonment obligations.

Income Tax Expense

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change (%)	**2024**	2023	Change (%)
Current income tax expense	**503**	512	(2)	**1,606**	1,865	(14)
Deferred income tax expense	**699**	93	652	**854**	2,596	(67)
Total	**1,202**	605	99	**2,460**	4,461	(45)
Effective tax rate	**14.4%**	9.4%	53	**14.9%**	13.8%	8

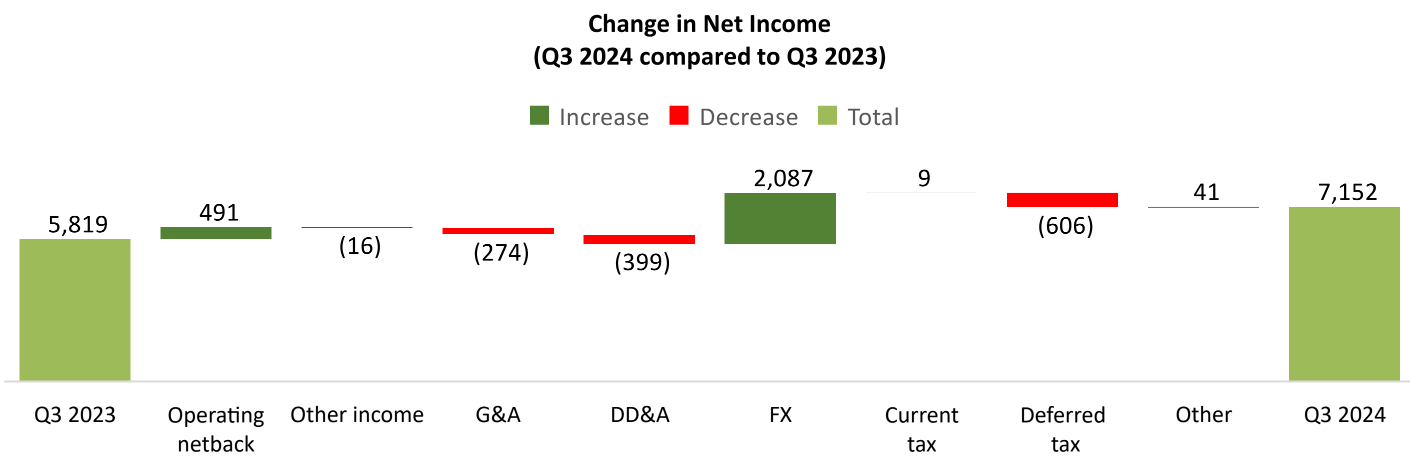
The statutory corporate tax rate in Brazil is 34%. This is comprised of a basic 15% corporate income tax, plus 10% surtax and a 9% social contribution tax. Alvopetro is eligible for Supertintendência de Desenvolvimento do Nordeste ("SUDENE"), a regional tax incentive offered in Bahia State. Under the 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 Alvopetro 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 Alvopetro expects the majority of temporary differences to reverse during the SUDENE period, for deferred tax purposes Alvopetro has estimated the future tax rate applicable to temporary differences based on the SUDENE rate of 15.25%.

For the nine months ended September 30, 2024, current tax expense decreased compared to 2023 due to lower net income, partially offset by lower tax deductions available in 2024 compared to 2023. Deferred tax was lower in 2024 due mainly to foreign exchange losses compared to foreign exchange gains in 2023. Overall, the Company's effective tax rate (computed as total income tax expense divided by income before taxes) is 14.9% for the nine months ended September 30, 2024 (2023 – 13.8%), consistent with the SUDENE rate of 15.25%.

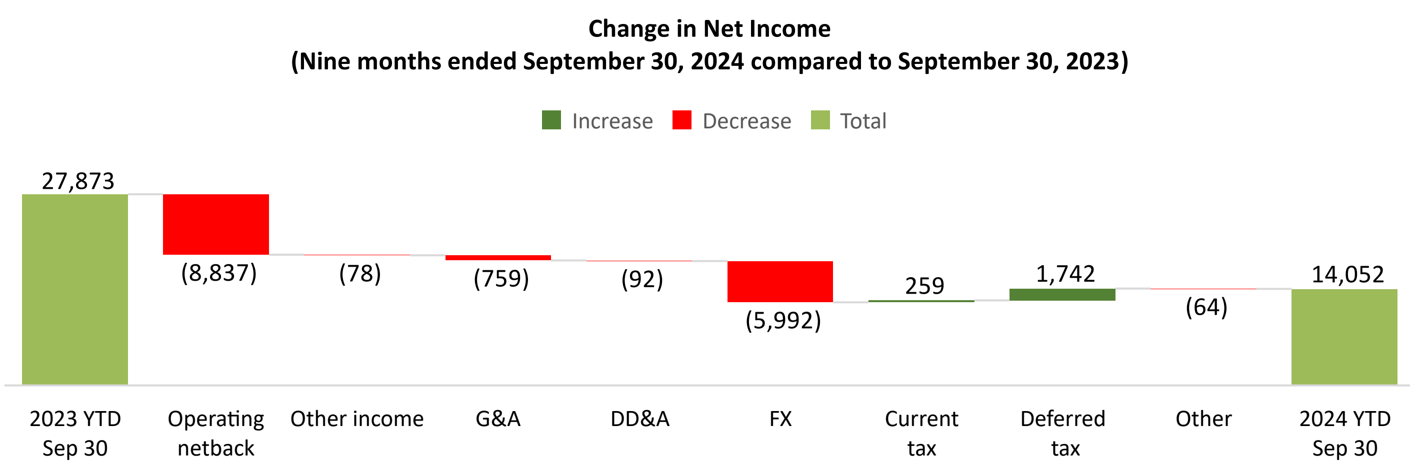
Net Income

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change (%)	**2024**	2023	Change (%)
Net income	**7,152**	5,819	23	**14,052**	27,873	(50)
Per share – basic ($)	**0.19**	0.16	19	**0.38**	0.75	(49)
Per share – diluted ($)	**0.19**	0.15	27	**0.37**	0.74	(50)

Net income in Q3 2024 increased $1.3 million compared to Q3 2023 with higher sales volumes and overall operating netback and foreign exchange gains in the period (compared to foreign exchange losses in Q3 2023), partially offset by higher deferred tax expense, G&A and depletion and depreciation.



In the nine months ended September 30, 2024 net income decreased $13.8 million compared to 2023 to lower sales volumes and realized prices, foreign exchange losses (compared to foreign exchange gains in 2023) and higher G&A, partially offset by lower current tax and deferred tax expense.



Capital Expenditures

Capital Expenditures by Type	Three Months Ended September 30, 2024	2023	Nine Months Ended September 30, 2024	2023
E&E				
Drilling and completions	**230**	3	**266**	292
Land, lease, and similar payments	**2**	14	**4**	52
Equipment inventory purchases	**94**	2,256	**617**	4,004
Capitalized G&A	**44**	13	**60**	101
Total E&E	**370**	2,286	**947**	4,449
PP&E				
Facility & equipment	**655**	205	**4,642**	630
Drilling & completions	**3,431**	7,741	**4,141**	16,313
Land, lease, and similar payments	**5**	(6)	**18**	17
Capitalized G&A	**275**	375	**790**	992
Furniture & fixtures and other	**11**	102	**85**	114
Total PP&E	**4,377**	8,417	**9,676**	18,066
Total Capital Expenditures	**4,747**	10,703	**10,623**	22,515

Capital Expenditures by Property	Three Months Ended September 30, 2024	2023	Nine Months Ended September 30, 2024	2023
E&E				
Blocks 182, 183	**276**	30	**330**	445
Equipment inventory purchases	**94**	2,256	**617**	4,004
Total E&E	**370**	2,286	**947**	4,449
PP&E				
Caburé and associated midstream assets	**572**	54	**4,466**	527
Murucututu	**3,793**	7,057	**5,187**	10,414
Bom Lugar	**2**	1,298	**7**	7,079
Mãe-da-lua	**2**	-	**2**	29
Other	**8**	8	**14**	17
Total PP&E	**4,377**	8,417	**9,676**	18,066
Total Capital Expenditures	**4,747**	10,703	**10,623**	22,515

Capital expenditures in Q3 2024 were focused on recompletion activities on our 183-A3 well and our 183-1 well on our Murucututu field as well as the facilities upgrade project at Caburé.

Summary of Quarterly Results

	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Financial								
Natural gas, oil and condensate sales	**12,879**	10,672	11,752	15,300	12,313	13,914	18,160	17,077
Net income	**7,152**	2,350	4,550	652	5,819	9,852	12,202	5,191
Per share – basic ($)(1)	**0.19**	0.06	0.12	0.02	0.16	0.27	0.34	0.14
Per share – diluted ($)(1)	**0.19**	0.06	0.12	0.02	0.15	0.26	0.33	0.14
Cash flows from operating activities	**10,714**	8,860	8,213	7,904	12,469	13,473	13,856	12,366
Per share – basic ($)(1)	**0.29**	0.24	0.22	0.21	0.34	0.37	0.38	0.34
Per share – diluted ($)(1)	**0.28**	0.24	0.22	0.21	0.33	0.36	0.37	0.33
Funds flow from operations (2)	**9,886**	7,910	8,513	12,393	9,618	11,047	14,972	13,193
Per share – basic ($)(1)	**0.27**	0.21	0.23	0.33	0.26	0.30	0.41	0.36
Per share – diluted ($)(1)	**0.26**	0.21	0.23	0.33	0.25	0.29	0.40	0.35
Dividends declared	**3,295**	3,296	3,296	5,127	5,122	5,109	5,104	4,357
Per share ($)(1)(2)	**0.09**	0.09	0.09	0.14	0.14	0.14	0.14	0.12
Capital expenditures	**4,747**	3,437	2,439	4,934	10,703	8,521	3,291	5,944
Net working capital(2)	**15,848**	14,692	15,047	13,117	11,392	18,084	20,915	14,698
Operations								
Average realized prices(2):								
Natural gas ($/Mcf)	**10.92**	11.83	12.57	12.85	13.06	12.86	12.06	11.18
NGL – condensate ($/bbl)	**86.70**	92.27	87.89	89.45	89.43	83.35	84.10	89.29
Oil ($/bbl)	**68.36**	71.87	65.06	73.67	73.08	63.93	72.29	79.50
Average foreign exchange ($1 USD = BRL)	**5.545**	5.213	4.952	4.955	4.880	4.949	5.196	5.255
Operating netback ($/boe) (2)								
Realized sales price	**66.46**	71.97	75.94	77.60	78.90	77.41	72.92	68.13
Royalties	**(1.89)**	(1.94)	(2.02)	(2.07)	(2.04)	(1.97)	(2.34)	(4.15)
Production expenses	**(5.38)**	(5.73)	(7.76)	(5.84)	(6.52)	(5.83)	(3.97)	(3.90)
Operating netback	**59.19**	64.30	66.16	69.69	70.34	69.61	66.61	60.08
Operating netback margin(2)	**89%**	89%	87%	90%	89%	90%	91%	88%
Average daily sales:								
Natural gas (Mcfpd)	**11,994**	9,244	9,666	12,245	9,675	11,269	15,795	15,546
NGL – condensate (bopd)	**95**	76	78	92	81	92	130	128
Oil (bopd)	**12**	12	12	10	3	5	5	5
Total average daily sales (boepd)	**2,106**	1,629	1,701	2,143	1,696	1,975	2,767	2,724

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 increased 29% in Q3 2024 compared to Q2 2024 with increased demand from Bahiagás resulting in a $2.2 million increase in natural gas, oil and condensate sales (+21%) despite the 8% decrease in the average realized sales price. With lower overall realized prices, our operating netback decreased $5.11 per boe from Q2 2024. While operating netbacks were 8% lower compared to Q2 2024, funds flow from operations increased $2.0 million with higher overall sales volumes while net income increased $4.8 million due mainly to foreign exchange gains in Q3 2024 compared to losses in Q2 2024.

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 which vary based on a number of factors. With lower overall production and cash flows, the Board of Directors decreased the quarterly dividend to $0.09 per share for all quarters to date in 2024 compared to $0.14 per share throughout 2023 and $0.12 per share in Q4 2022.

Commitments and Contingencies

The following is a summary of Alvopetro's contractual commitments as at September 30, 2024:

	< 1 Year	1-3 Years	Thereafter	Total
Gas Treatment Agreement[(1)]	1,420	2,840	3,905	8,165
Total commitments	**1,420**	**2,840**	**3,905**	**8,165**

(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 September 30, 2024. 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 Alvopetro's 11-kilometre transfer pipeline.

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. Alvopetro has recognized the estimated abandonment costs relating to these and all exploration 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.

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 the amounts become determinable and the probability of loss is more likely than not. The outcome of adverse decisions in any pending or threatened proceedings related to these and other matters could have a material impact on the Company's financial position, results of operations or cash flows.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Working Capital

At September 30, 2024, Alvopetro's cash and cash equivalents of $24.5 million and restricted cash of $0.1 million were held as follows:

	Total	U.S. Dollar	CAD Dollar[(1)]	BRL[(1)]
Cash and cash equivalents held in Canada	18,251	17,976	275	-
Cash and cash equivalents held in Brazil	6,264	-	-	6,264
Restricted cash - current	67	-	-	67
Total	**24,582**	**17,976**	**275**	**6,331**

(1) Amounts in the table above denote the U.S. dollar equivalent as at September 30, 2024.

The Company had cash and cash equivalents of $24.5 million and a total net working capital surplus of $15.8 million at September 30, 2024. Positive cash flows from natural gas deliveries and associated condensate sales are projected to be sufficient to fund the Company's operational activities, planned capital projects and future dividends. 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 Alvopetro was $1.2 million as at September 30, 2024, with $0.2 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 September 30, 2024, the Company had $5.7 million of equipment inventory to be utilized for future operations which is included in exploration and evaluation assets in the interim condensed 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 September 30, 2024 and December 31, 2023. Additional lease liabilities outstanding relate to office space in Canada and Brazil and surface land access for our midstream assets. The Company's lease liabilities are as follows:

	As at	
	September 30, 2024	December 31, 2023
Lease liabilities, beginning of period	**8,681**	9,428
Additions	**102**	26
Finance expense	**1,040**	1,495
Lease payments	**(1,707)**	(2,274)
Foreign currency translation	**(10)**	6
Lease liabilities, end of period	**8,106**	8,681
Current	**1,054**	959
Non-current	**7,052**	7,722
Total, end of period	**8,106**	8,681

Dividends

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Change (%)	**2024**	2023	Change (%)
Dividends declared	**3,295**	5,122	(36)	**9,887**	15,335	(36)
Dividends declared – per share ($)[1]	**0.09**	0.14	(36)	**0.27**	0.42	(36)

(1) See "*Non-GAAP and Other Financial Measures*" section within this MD&A. Dividends per share is based on the number of common shares outstanding at each dividend record date.

In 2024 the Board of Directors reduced the quarterly dividend to $0.09 per share from $0.14 per share paid in 2023. 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 Alvopetro'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 September 30,			Nine Months Ended September 30,		
	2024	2023	Change (%)	**2024**	2023	Change (%)
Shares repurchased (#)	**62,800**	-	-	**62,800**	-	-
Average price per share (C$)	**5.09**	-	-	**5.09**	-	-
Total cost of share repurchases - $000s[1]	**251**	-	-	**251**	-	-

(1) Includes applicable fees.

On August 13, 2024, Alvopetro launched a normal course issuer bid (the "2024 NCIB") to repurchase Alvopetro common shares. The terms of the 2024 NCIB permit Alvopetro 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 is completed or terminated by Alvopetro. Any shares repurchased under the NCIB will be cancelled. In 2023 Alvopetro also had a normal course issuer bid in place (the "2023 NCIB").

In the three months ended September 30, 2024, 62,800 shares were repurchased and have subsequently been cancelled pursuant to the 2024 NCIB. No share repurchases were made in the three or nine months ended September 30, 2023 under the 2023 NCIB.

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

November 6, 2024, there were 36,533,571 common shares, 1,809,441 stock options, 669,977 RSUs and 276,735 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 and production 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. Alvopetro 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 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 September 30,		Nine Months Ended September 30,	
	2024	2023	**2024**	2023
Operating netback - $ per boe	**59.19**	70.34	**62.89**	68.54
Average realized price - $ per boe	**66.46**	78.90	**71.06**	75.90
Operating netback margin	**89%**	89%	**89%**	90%

Funds Flow from Operations 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. 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:

$ per share	Three Months Ended September 30, 2024	2023	Nine Months Ended September 30, 2024	2023
Per basic share:				
Cash flows from operating activities	**0.29**	0.34	**0.75**	1.07
Funds flow from operations	**0.27**	0.26	**0.71**	0.96
Per diluted share:				
Cash flows from operating activities	**0.28**	0.33	**0.74**	1.05
Funds flow from operations	**0.26**	0.25	**0.70**	0.94

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 September 30, 2024	2023	Nine Months Ended September 30, 2024	2023
Cash flows from operating activities	**10,714**	12,469	**27,787**	39,798
Deduct changes in non-cash working capital	**(828)**	(2,851)	**(1,478)**	(4,161)
Funds flow from operations	**9,886**	9,618	**26,309**	35,637

Net Working Capital

Net working capital 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 September 30 2024	2023
Total current assets	**30,197**	27,354
Total current liabilities	**(14,349)**	(15,962)
Net working capital	**15,848**	11,392

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).

“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).

“DD&A expense per boe” is comprised of DD&A 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 September 30, 2024 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 and exploitation 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. An investment in Alvopetro should be considered speculative due to the nature of our activities and the stage of our development. 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, 2023.

There have been no significant changes in the three and nine months ended September 30, 2024 to the risks and uncertainties identified in the MD&A and Annual information Form for the year-ended December 31, 2023 other than with respect to the redetermination of Alvopetro’s working interest in the Unit.

Redetermination and Arbitration Proceedings

On April 4, 2024, Alvopetro and the Partner received the Expert’s decision wherein the Expert found in favour of Alvopetro, increasing Alvopetro’s working interest in the Unit from 49.1% to 56.2%. Alvopetro’s Partner filed a notice of dispute with respect to the Expert’s decision, seeking to stay the redetermination procedure. Alvopetro subsequently filed a request for emergency arbitration before the ICC seeking to make the Expert decision effective starting on June 1, 2024, as provided for in our UOA. On May 10, 2024, Alvopetro received the Order of the emergency arbitrator wherein the arbitrator found in favour of Alvopetro, making the Expert decision effective June 1, 2024 until such time as the dispute can be reviewed by an arbitral tribunal pursuant to the Rules of Arbitration of the ICC.

Effective June 1, 2024, Alvopetro’s working interest was adjusted to 56.2% and Alvopetro is now entitled to higher natural gas production and condensate entitlements from the Unit and will be responsible for its share of historical and new capital expenditures at this higher working interest as further discussed in the MD&A for the year-ended December 31, 2023. With Alvopetro’s Redetermined Working Interest above 50%, Alvopetro was entitled to assume operatorship of the Unit effective June 1, 2024. The transition of operatorship was completed in the third quarter of 2024.

The redetermination dispute is proceeding to a full arbitration under the Rules of the ICC. As the Order is interim in nature, it shall only apply until such time as the matter is reviewed and decided upon by an arbitral tribunal. The full arbitration process has commenced, however the timing and outcome of the full arbitration is uncertain and Alvopetro will be exposed to risks and uncertainties as further described in the MD&A for the year-ended December 31, 2023 which may impact future revenues, future cash flows and Alvopetro's reserves and reserve life and such impact may be material. In addition, the overall timeline to conclude this process is uncertain and Alvopetro will be exposed to additional legal and other costs associated with the arbitration. Even where Alvopetro is successful, the proceedings may be time consuming and costly. In addition, the UOA provides for future redeterminations which also may have a material impact to Alvopetro.

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 nine months ended September 30, 2024 are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended December 31, 2023, except as disclosed in Note 2 of the interim financial statements. There was no impact related to accounting policies adopted effective January 1, 2024. The Company has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

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 and Normal Course Issuer Bid 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. Similarly, the decision by the Corporation to repurchase shares pursuant to its normal course issuer bid and the amount and timing of such repurchases is also uncertain and there can be no assurance that the Company will repurchase any shares 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 arbitration procedures associated with the redetermination of working interests of the Unit, the Company's dividend policy and plans for dividends in the future, the Company's 2024 NCIB and plans for share repurchases, plans relating to the Company's operational activities, proposed exploration and development activities and the timing for such activities, 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 natural gas price, gas sales and gas deliveries under Alvopetro's long-term gas sales agreement, 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 timing of regulatory licenses and approvals, 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, general economic and business conditions, forecasted demand for oil and natural gas, 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. In addition, the declaration, timing, amount and payment of future dividends remain at the discretion of the Board of Directors 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. Similarly, the decision by the Company to repurchase shares pursuant to the normal course issuer bid and the amount and timing of such repurchases is uncertain and there can be no assurance that the Company will repurchase any shares in the future. 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 and general economic conditions. Certain of these risks are set out in more detail in our MD&A for the year ended December 31, 2023 and in our 2023 Annual Information Form which have 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^3m^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
MMcfpd	=	million cubic feet per day
NGLs	=	natural gas liquids
Q2 2024	=	three months ended June, 2024
Q3 2023	=	three months ended September 30, 2023
Q3 2024	=	three months ended September 30, 2024
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.