The following Management's Discussion and Analysis ("MD&A") is dated November 15, 2022 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, 2022, MD&A for the year-ended December 31, 2021 and the audited consolidated financial statements as at and for the years ended December 31, 2021 and 2020. Additional information for the Company, including the Annual Information Form ("AIF"), can be found on SEDAR at www.sedar.com or at www.alvopetro.com. This MD&A contains financial terms that are not considered measures under International Financial Reporting Standards ("IFRS") and forward-looking statements. As such, the MD&A should be used in conjunction with Alvopetro's disclosure under the headings "Non-GAAP 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 anchored by the Company's core Caburé upstream and midstream project. 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 as dividends, share repurchases, and interest and principal repayments to debt capital providers.

FINANCIAL & OPERATING SUMMARY

	As at and Three Months Ended September 30,			As at and Nine Months Ended September 30,		
	2022	2021	Change (%)	**2022**	2021	Change (%)
Financial						
($000s, except where noted)						
Natural gas, oil and condensate sales	**16,672**	9,963	67	**46,431**	25,084	85
Net income (loss)(1)	**8,795**	(20)	-	**26,541**	2,817	842
Per share – basic ($)(1)(2)	**0.26**	(0.00)	-	**0.78**	0.09	767
Per share – diluted ($)(1)(2)	**0.24**	(0.00)	-	**0.72**	0.08	800
Cash flow from operating activities	**13,838**	7,234	91	**35,168**	17,203	104
Per share – basic ($)(2)	**0.40**	0.22	82	**1.03**	0.52	98
Per share – diluted ($)(2)	**0.37**	0.20	85	**0.96**	0.50	92
Funds flow from operations (3)	**13,348**	7,930	68	**36,686**	18,157	102
Per share – basic ($)(2)	**0.39**	0.24	63	**1.08**	0.55	96
Per share – diluted ($)(2)	**0.36**	0.22	64	**1.00**	0.52	92
Dividends declared	**2,896**	2,023	43	**8,340**	2,023	312
Per share(2)	**0.08**	0.06	33	**0.24**	0.06	300
Capital expenditures	**8,713**	1,261	591	**18,851**	3,043	519
Cash and cash equivalents	**17,380**	8,084	115	**17,380**	8,084	115
Net working capital surplus (3)	**12,225**	6,839	79	**12,225**	6,839	79
Working capital, net of debt(3)	**12,225**	294	4,058	**12,225**	294	4,058
Weighted average shares outstanding						
Basic (000s)(2)	**34,434**	32,923	5	**34,107**	32,860	4
Diluted (000s)(2)	**36,939**	35,310	5	**36,693**	34,717	6
Operations						
Natural gas, NGLs and crude oil sales:						
Natural gas (Mcfpd)	**15,139**	14,102	7	**14,344**	13,365	7
NGLs – condensate (bopd)	**117**	107	9	**104**	103	1
Oil (bopd)	**2**	2	-	**6**	2	200
Total (boepd)	**2,642**	2,459	7	**2,501**	2,333	7
Average realized prices(3):						
Natural gas ($/Mcf)	**11.18**	7.07	58	**11.03**	6.30	75
NGLs – condensate ($/bbl)	**101.57**	79.36	28	**109.38**	73.04	50
Oil ($/bbl)	**80.92**	61.11	32	**83.59**	60.06	39
Company total ($/boe)	**68.59**	44.04	56	**68.00**	39.39	73
Operating netback ($/boe)(3)						
Realized sales price	**68.59**	44.04	56	**68.00**	39.39	73
Royalties	**(5.42)**	(4.02)	35	**(5.05)**	(3.39)	49
Production expenses	**(3.34)**	(3.64)	(8)	**(3.77)**	(3.65)	3
Operating netback	**59.83**	36.38	64	**59.18**	32.35	83
Operating netback margin(3)	**87%**	83%	5	**87%**	82%	6

Notes:

(1) The 2021 comparative periods in the table above have been restated. See "Restatement of the 2021 Comparative Period" section within this MD&A for further details.

(2) 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 (loss) per share.

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

HIGHLIGHTS AND SIGNIFICANT TRANSACTIONS FOR THE THIRD QUARTER OF 2022

- Daily sales averaged 2,642 boepd in Q3 2022, a 7% increase from the Q3 2021 average of 2,459 boepd and a 12% increase from the Q2 2022 average of 2,359 boepd. The expansion of our gas processing facility was completed at the end of July and available processing capacity has now increased to 500,000 m3/d (18 MMcfpd) contributing to higher volumes in the quarter.
- As of August 1, 2022, Alvopetro's natural gas price has been reset to the new ceiling price of $10.22/MMBtu. Due to the appreciation of the BRL in the first half of 2022 compared to second half of 2021, the BRL contracted price remained consistent at BRL1.94/m^3. With all natural gas sales in Q3 2022 at the ceiling price, our average realized natural gas price increased to $11.18/Mcf compared to the Q3 2021 average price of $7.07/Mcf. Higher commodity prices and higher daily sales volumes resulted in a 67% increase in our natural gas, condensate and oil revenue compared to Q3 2021.
- Our operating netback was $59.83 per boe in Q3 2022, an improvement of $23.45 per boe from Q3 2021 (+64%). Despite consistent BRL denominated natural gas pricing, our operating netback decreased $4.13 per boe from Q2 2022 (-6%) due to the devaluation of the BRL relative to the USD and lower Brent pricing on condensate.
- We generated cash flows from operating activities of $13.8 million ($0.40 per basic share and $0.37 per diluted share) and funds flows from operations of $13.3 million ($0.39 per basic share and $0.36 per diluted share), increases of $6.6 million and $5.4 million, respectively compared to Q3 2021.
- We reported net income of $8.8 million in Q3 2022 compared to a loss of $0.02 million in Q3 2021.
- Capital expenditures totaled $8.7 million, and included drilling costs for our 183-B1, 182-C2 and Unit-C wells, testing costs on our 182-C1 well, long lead purchases and development costs on our Murucututu project.
- All outstanding warrants were exercised in the quarter, with 1,342,978 warrants exercised by way of cashless exercise and 1,342,978 warrants exercised at a strike price of $1.80 per share. Alvopetro received cash proceeds of $2.4 million and issued a total of 2,081,616 common shares on the exercise.
- We repaid the final $2.5 million outstanding on the credit facility and the facility has now been cancelled. As at September 30, 2022, we had a net working capital surplus of $12.2 million, including $17.4 million in cash and cash equivalents.

RECENT HIGHLIGHTS

- In October 2022, we completed drilling our 182-C2 well on Block 182. The 182-C2 was drilled to a total measured depth of 3,185 metres and, based on open hole logs, encountered 10.9 metres of potential net hydrocarbon pay in the Agua Grande Formation, with an average porosity of 8.9% and average water saturation of 25.1%. We plan to undertake a testing program later in the fourth quarter to assess the productive capability of the well and define the field development plan.
- In November 2022, we completed a formation test in the Sergi formation on our 183-B1 well, the deepest of three formations with hydrocarbons shows during drilling of the well. Cumulatively, over the duration of the 72-hour production test, we recovered 59 bbls of oil, seven bbls of water identified as completion fluid, and 0.28 MMcf of associated gas. The daily oil rate recovered during swabbing operations averaged 20 bopd. The 183-B1 well was then shut-in to measure reservoir pressure and obtain pressure build-up data to undertake a pressure transient analysis. After completing the pressure build-up test, the test will proceed up-hole to test the Agua Grande formation.
- On our Murucututu project, we completed commissioning of the field production facility and commenced production from our 183(1) well in mid-October. Our overall sales averaged 2,720 boepd in October including sales from the 183(1) well, with natural gas sales of 15.6 MMcfpd and natural gas liquids sales from condensate of 124 bopd, based on field estimates, an increase of 3% over our average daily sales volumes in Q3 2022.
- On November 15, 2022, we announced that our Board of Directors approved a 50% increase in our quarterly dividend to $0.12 per common share, payable in cash on January 13, 2023 to shareholders of record on December 30, 2022.

NATURAL GAS AND OIL PROPERTIES

As at September 30, 2022, Alvopetro held interests in the Caburé and Murucututu natural gas assets, two exploration blocks (Block 183 and Block 182) and two oil fields (Bom Lugar and Mãe-da-lua), in the Recôncavo basin onshore Brazil, as more explicitly described in the MD&A for the year-ended December 31, 2021.

Alvopetro's flagship asset, the Caburé natural gas field, commenced commercial natural gas deliveries on July 5, 2020, averaging 15.1 MMcfpd in Q3 2022 and 14.3 MMcfpd in the nine months ended September 30, 2022. The Caburé field extends across four blocks in the Recôncavo Basin in the state of Bahia in Brazil, two of which are held by Alvopetro and two of which are held by our partner, with Alvopetro's share of the unitized area (the "Unit") being 49.1%. Alvopetro's share of natural gas from the Unit 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. All natural gas is sold to Bahiagás, the local state distribution company, under the terms of our gas sales agreement (“GSA”), which provides for the sale of firm volumes and interruptible volumes. The GSA has take-or-pay provisions and ship-or-pay penalties to ensure performance by both parties which are based on the firm volumes. In Q3 2022, the 7-CARN-2D-BA Well (“Unit-C Well”) (49.1% Alvopetro) was drilled at the Unit and, based on Alvopetro’s analysis of open hole logs and fluid samples confirming hydrocarbons, the well encountered a total of 52.6 metres of potential net pay at an average 37.2% water saturation and average porosity of 16.8% across multiple formations. We expect the well to be tested in the fourth quarter of 2022.

Alvopetro’s Murucututu natural gas project extends across two blocks (Blocks 183 and 197), both held 100% by Alvopetro, and includes the 183(1) and 197(1) wells, both of which were drilled in 2014. In 2022, Alvopetro completed installation of a 9-kilometre transfer pipeline extension to connect the 183(1) well to our Caburé transfer pipeline and constructed and commissioned field production facilities. We have also completed pipeline construction to tie-in our 197(1) well. In mid-October, we commenced production from the 183(1) well. Future capital plans for the project include stimulation of our 197(1) well and drilling two additional “fit-for-purpose” development wells.

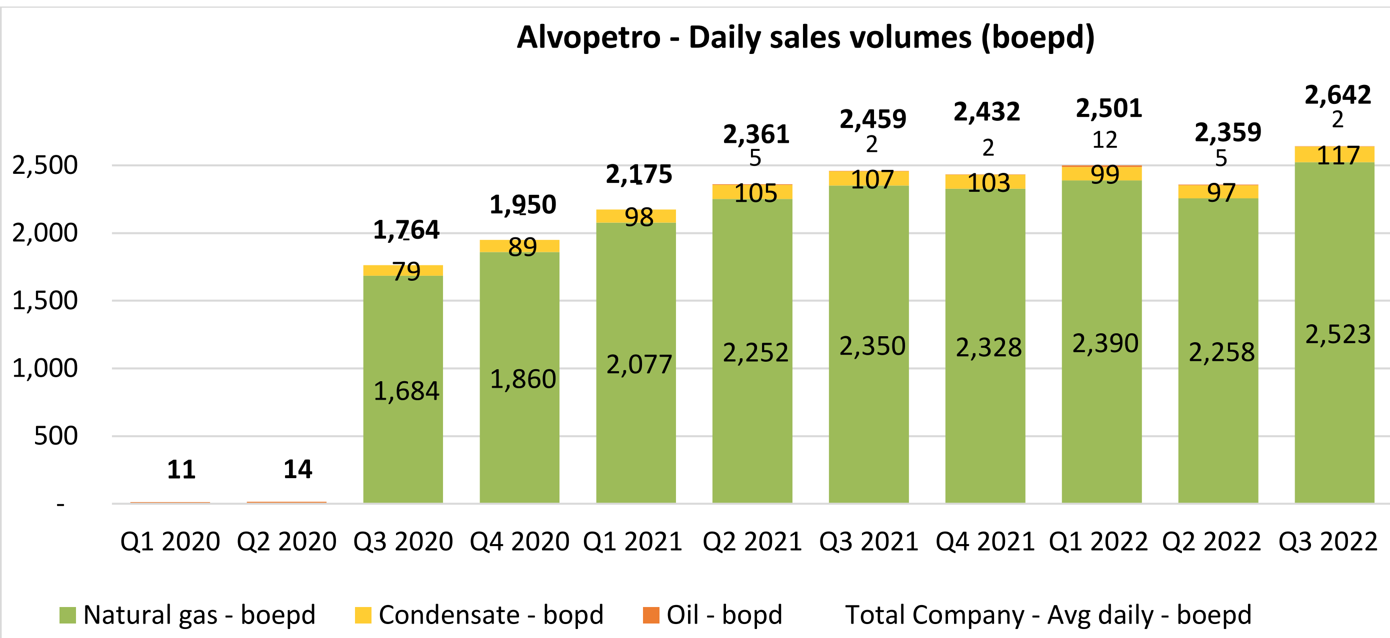
Alvopetro’s exploration and evaluation (“E&E”) assets include Block 182 and the portion of Block 183 that is not part of the Murucututu project. In 2022, Alvopetro drilled three wells on these blocks, the 182-C1 well (drilling completed in April 2022 and testing completed in Q3 2022 with no commercial discovery of hydrocarbons), the 183-B1 well (drilling completed in July 2022) and the 182-C2 well (drilling completed in October). Alvopetro is currently testing the 183-B1 well.

FINANCIAL AND OPERATING REVIEW

Sales Volumes

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change (%)	**2022**	2021	Change (%)
Total sales volumes by product:						
Natural gas (Mcf)	**1,392,792**	1,297,373	7	**3,915,988**	3,648,711	7
NGLs – condensate (bbls)	**10,761**	9,816	10	**28,480**	28,123	1
Oil (bbls)	**173**	180	(4)	**1,651**	616	168
Total sales (boe)	**243,066**	226,225	7	**682,797**	636,858	7
Average daily sales by product:						
Natural gas (Mcfpd)	**15,139**	14,102	7	**14,344**	13,365	7
NGLs – condensate (bopd)	**117**	107	10	**104**	103	1
Oil (bopd)	**2**	2	-	**6**	2	200
Average daily sales (boepd)	**2,642**	2,459	7	**2,501**	2,333	7

Natural gas sales volumes increased in Q3 2022 following expansion of the Facility to increase the available processing capacity to 500,000 m3/d (18 MMcfpd), averaging 15.6 MMcfpd in August and 15.4 MMcfpd in September, bringing average Q3 2022 natural gas sales volumes to 15.1 MMcfpd and overall sales volumes to 2,642 boepd, a new quarterly record for Alvopetro, increasing 7% over Q3 2021 and 12% over Q2 2022.



Average Realized Sales Prices

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change (%)	**2022**	2021	Change (%)
Average realized prices[1]:						
Natural gas ($/Mcf)	**11.18**	7.07	58	**11.03**	6.30	75
NGL – condensate ($/bbl)	**101.57**	79.36	28	**109.38**	73.04	50
Oil ($/bbl)	**80.92**	61.11	32	**83.59**	60.06	39
Total ($/boe)	**68.59**	44.04	56	**68.00**	39.39	73
Average benchmark prices:						
Brent oil ($/bbl)	**100.71**	73.51	37	**105.00**	67.89	55
Henry Hub ($/MMBtu)	**8.03**	4.35	85	**6.74**	3.61	87
National Balancing Point ($/MMBtu)	**33.16**	16.29	104	**27.10**	10.84	150
Average contracted natural gas price[2]						
BRL/m^3	**1.94**	1.23	58	**1.87**	1.10	70
Average foreign exchange rate:						
$1 USD = BRL	**5.246**	5.229	-	**5.136**	5.332	4

(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 natural gas price, which contributes to a higher realized price overall relative to the contractual price.

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 $5.65/MMBtu and $9.61/MMBtu, respectively, as of February 1, 2022 and $6.01/MMBtu and $10.22/MMBtu, respectively, as of August 1, 2022. 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.

As of February 1, 2022 and August 1, 2022, Alvopetro's natural gas price was set to the respective ceiling prices within the GSA. With all of Q3 2022 natural gas sales at the ceiling price, Alvopetro's realized natural gas price increased 58% to $11.18/Mcf in Q3 2022 compared to $7.07/Mcf in Q3 2021.

Condensate production from both the Caburé Unit and the Facility is sold pursuant to contracts based on Brent plus a premium. With average Brent prices increasing, our realized sales price on condensate improved 28% compared to Q3 2021.

Oil sales from the Bom Lugar field and the Mãe-da-lua fields are sold at a discount to Brent.

Natural Gas, Oil and Condensate Sales Revenue

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change (%)	**2022**	2021	Change (%)
Natural gas	**15,565**	9,173	70	**43,178**	22,993	88
Condensate	**1,093**	779	40	**3,115**	2,054	52
Oil	**14**	11	27	**138**	37	273
Total revenues	**16,672**	9,963	67	**46,431**	25,084	85

Due to the 56% increase in the average realized price per boe and the 7% increase in average daily sales volumes, Alvopetro's total natural gas, oil and condensate revenues increased $6.7 million compared to Q3 2021 and $0.9 million compared to Q2 2022.

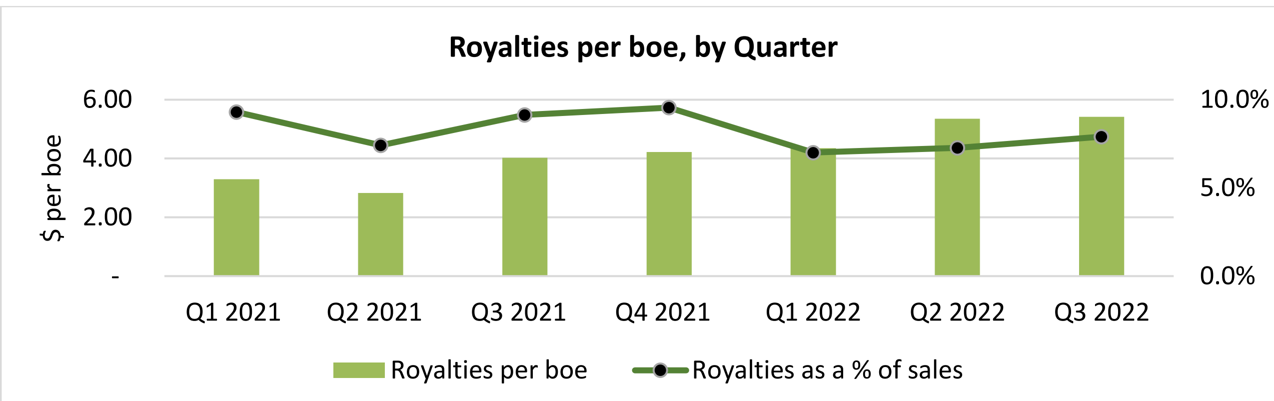
Royalties

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change (%)	**2022**	2021	Change (%)
Royalties	**1,318**	910	45	**3,445**	2,162	59
Royalties per boe ($)[(1)]	**5.42**	4.02	35	**5.05**	3.39	49
Royalties as a % of sales[(1)]	**7.9%**	9.1%	(13)	**7.4%**	8.6%	(14)

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

As of May 1, 2022, the majority of Alvopetro's properties (including the Caburé and Murucututu natural gas fields) are subject to a base 7.5% government royalty plus a 1% landowner royalty. Prior to this time, these properties were subject to a 10% government royalty rate and the 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, the Mãe-da-lua field and on Block 182.

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.



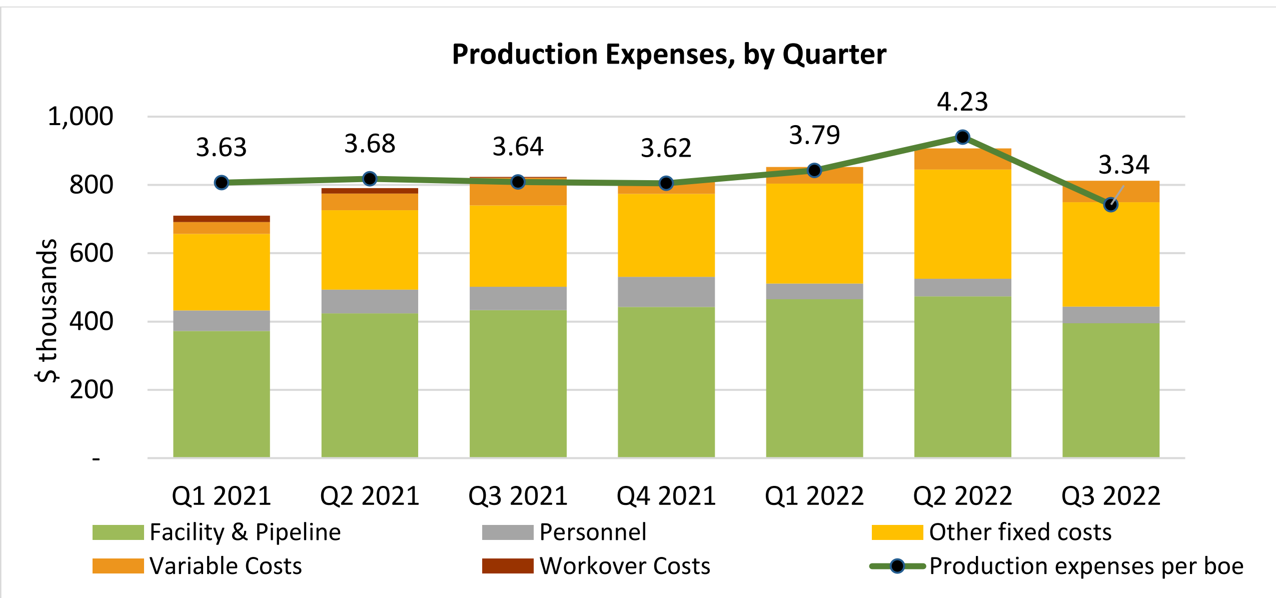
Production Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change (%)	**2022**	2021	Change (%)
Production expenses by type:						
Personnel costs	**49**	69	(29)	**146**	198	(26)
Facility and pipeline costs	**395**	433	(9)	**1,334**	1,229	9
Other fixed costs	**305**	238	28	**918**	696	32
Variable costs	**63**	81	(22)	**174**	164	6
Workover costs	**-**	3	(100)	**-**	38	(100)
Total production expenses	**812**	824	(1)	**2,572**	2,325	11

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change (%)	**2022**	2021	Change (%)
Production expenses per boe($)[(1)]:						
Personnel costs	**0.20**	0.31	(35)	**0.21**	0.31	(32)
Facility and pipeline costs	**1.63**	1.91	(15)	**1.95**	1.93	1
Other fixed costs	**1.25**	1.05	19	**1.35**	1.09	24
Variable costs	**0.26**	0.36	(28)	**0.26**	0.26	-
Workover costs	**-**	0.01	(100)	**-**	0.06	(100)
Total	**3.34**	3.64	(8)	**3.77**	3.65	3

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

The majority of the Company's production expenses relate to operational fees paid for the Facility and the transfer pipeline and agreed unit operating costs with our partner on the Caburé upstream assets. Following completion of the expansion of the Facility, a portion of the Facility and pipeline costs are now part of Alvopetro's right-of-use asset, resulting in lower production expenses in Q3 2022 compared to Q3 2021. With lower production expenses and record daily volumes, production expenses per boe decreased to $3.34. For the nine-months ended September 30, 2022, Alvopetro's production expenses were 11% higher compared to 2021 due to an increase in Alvopetro's share of unit operating costs with higher proportionate production allocations from the Caburé Unit in 2022 compared to 2021.

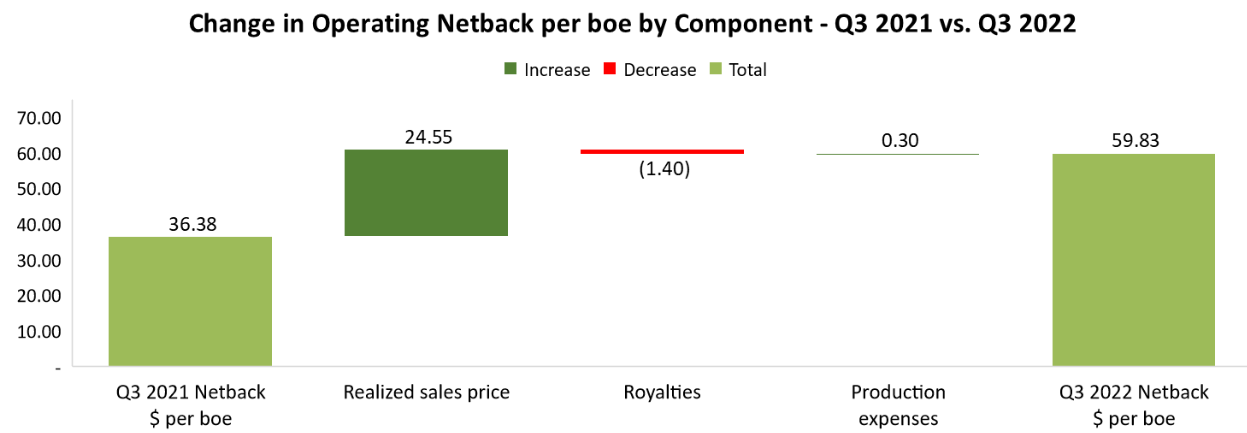


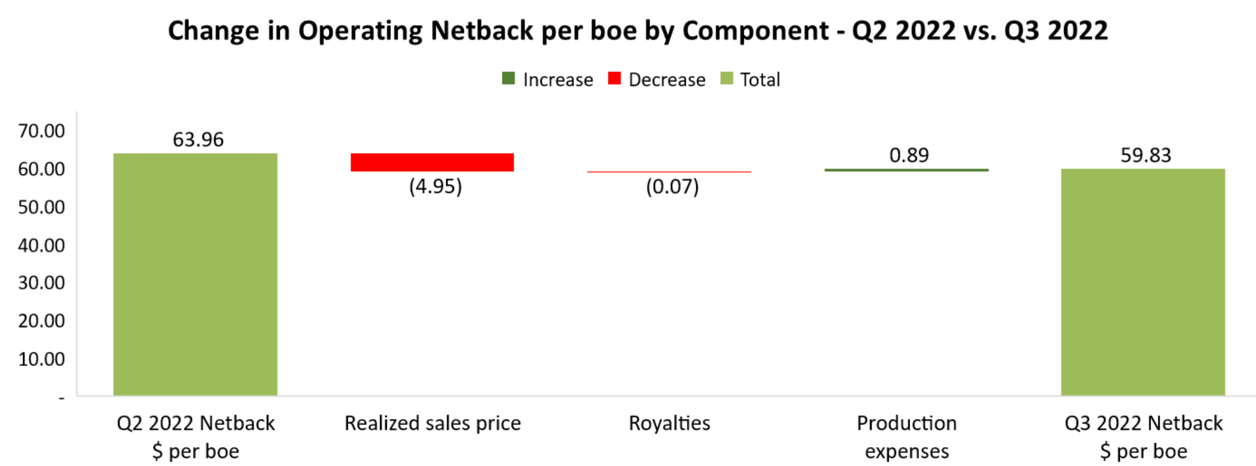
Operating Netback

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change (%)	**2022**	2021	Change (%)
Operating netback[1]						
Natural gas, oil and condensate sales	**16,672**	9,963	67	**46,431**	25,084	85
Royalties	**(1,318)**	(910)	45	**(3,445)**	(2,162)	59
Production expense	**(812)**	(824)	(1)	**(2,572)**	(2,325)	11
Operating netback	**14,542**	8,229	77	**40,414**	20,597	96
Operating netback per boe[1]:						
Average realized sales price - $ per boe[1]	**68.59**	44.04	56	**68.00**	39.39	73
Royalties - $ per boe[1]	**(5.42)**	(4.02)	35	**(5.05)**	(3.39)	49
Production expense - $ per boe[1]	**(3.34)**	(3.64)	(8)	**(3.77)**	(3.65)	3
Operating netback per boe	**59.83**	36.38	64	**59.18**	32.35	83
Operating netback margin[1]	**87%**	83%	5	**87%**	82%	6

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

Alvopetro's operating netback increased by $23.45 per boe (+64%) in Q3 2022 compared to Q3 2021 due to the improved realized sales prices partially offset by higher royalties. Compared to Q2 2022, Alvopetro's operating netback decreased $4.13 per boe (-6%) with a lower USD realized natural gas price under our GSA of $11.18/Mcf compared to $11.90/Mcf due to the depreciation of the BRL relative to the USD, which averaged 5.25 in Q3 2022 compared to 4.93 in Q2 2022 and due to lower Brent prices on condensate sales.





Other Income

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change (%)	**2022**	2021	Change (%)
Tax recoveries from operations	**120**	508	(76)	**315**	508	(38)
Retroactive tax recoveries	**-**	390	(100)	**-**	390	(100)
Interest income	**86**	9	856	**169**	14	1,107
Water disposal income and other	**34**	8	325	**82**	18	356
Total	**240**	915	(74)	**566**	930	(39)

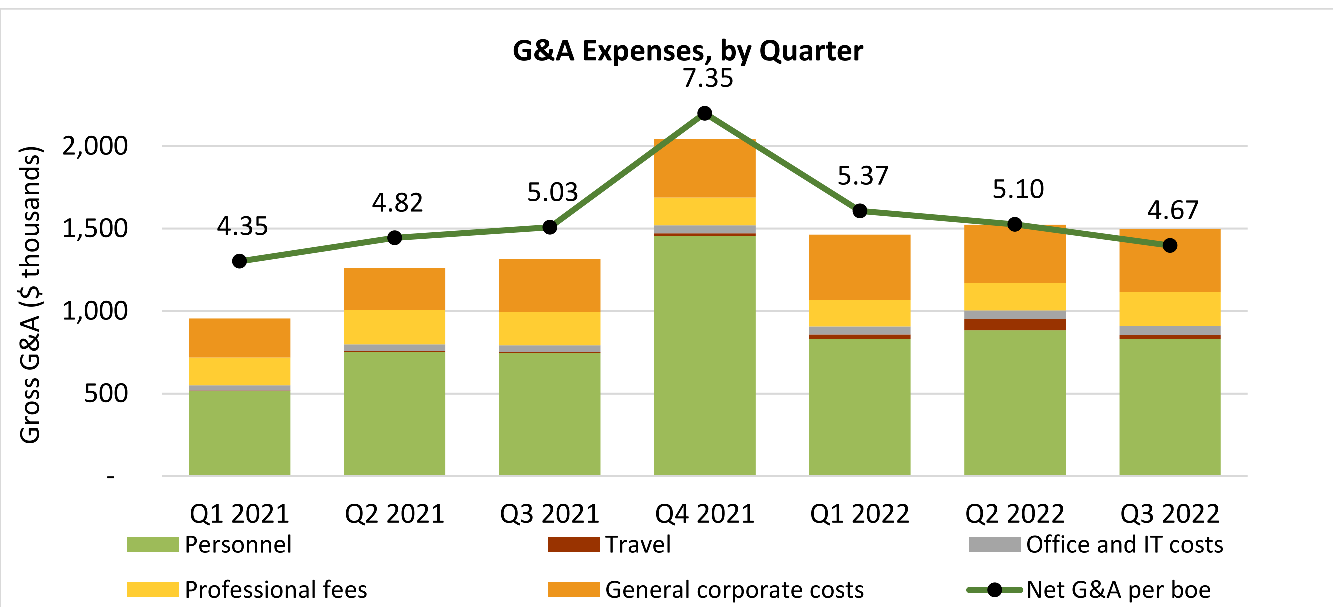
The majority of other income relates to tax credits arising from ongoing operations and interest income on cash and cash equivalent deposits. With rising cash balances in 2022, compared to 2021, Alvopetro's interest income has increased. Compared to 2021, other income has decreased as Alvopetro benefited from retroactive tax recoveries in 2021 following a change in Brazilian tax legislation.

General and Administrative ("G&A") Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
G&A Expenses, by type:	**2022**	2021	Change (%)	**2022**	2021	Change (%)
Personnel	**831**	745	12	**2,546**	2,015	26
Travel	**23**	8	188	**116**	15	673
Office and IT costs	**54**	39	38	**157**	110	43
Professional fees	**207**	203	2	**533**	579	(8)
General corporate costs	**381**	321	19	**1,132**	813	39
Gross G&A	**1,496**	1,316	14	**4,484**	3,532	27
Capitalized G&A	**(361)**	(177)	104	**(1,047)**	(506)	107
G&A expenses	**1,135**	1,139	-	**3,437**	3,026	14
$ per boe(1)	**4.67**	5.03	(7)	**5.03**	4.75	6

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

Annual salary adjustments and additional staffing levels resulted in higher personnel costs compared to 2021. With higher activity levels, travel and general corporate costs have increased. Gross G&A expenses were consistent with Q2 2022. With increased capital activities in 2022 compared to the same periods in 2021, capitalized G&A increased resulting in net G&A costs for Q3 2022 consistent with Q3 2021.



Cash Flow from Operating Activities and Funds Flow from Operations

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change (%)	**2022**	2021	Change (%)
Cash flows from operating activities	**13,838**	7,234	91	**35,168**	17,203	104
Per share – basic ($)	**0.40**	0.22	82	**1.03**	0.52	98
Per share – diluted ($)	**0.37**	0.20	85	**0.96**	0.50	92
Funds flow from operations(1)	**13,348**	7,930	68	**36,686**	18,157	102
Per share – basic ($)	**0.39**	0.24	63	**1.08**	0.55	96
Per share – diluted ($)	**0.36**	0.22	64	**1.00**	0.52	92

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

Funds flow from operations and cash flow from operating activities increased in both the three and nine months ended September 30, 2022 compared to the same periods in 2021 due to higher revenues associated with increased commodity prices and sales volumes, partially offset by higher royalties, G&A expense and current tax expense.

Foreign Exchange

	As at			% Appreciation (Depreciation) of BRL/CAD to USD	
	September 30, 2022	June 30, 2022	December 31, 2021	**Q3 2022**	**YTD 2022**
Rate at end of period:					
$1 USD = BRL	**5.407**	5.238	5.581	**(3.2)**	**3.1**
$1 USD = CAD	**1.371**	1.289	1.268	**(6.4)**	**(8.1)**

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 Canadian dollars ("CAD"). In each reporting period, the change in the values of the BRL and the CAD relative to the Company's reporting currency are recognized. 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**	
	2022	2021	**2022**	2021	**Change from Q3 2021**	**Change from YTD 2021**
Average rate in the period:						
$1 USD = BRL	**5.246**	5.229	**5.136**	5.332	**(0.3)**	**3.7**
$1 USD = CAD	**1.305**	1.260	**1.282**	1.251	**(3.6)**	**(2.5)**

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 depreciated 3% from June 30, 2022 resulting in exchange losses of $0.7 million recognized in other comprehensive income in Q3 2022; however, as the BRL appreciated 3% since December 31, 2021, exchange gains of $0.7 million were recognized in other comprehensive income in the nine months ended September 30, 2022.

Foreign exchange fluctuations on USD-denominated intercompany amounts advanced to the Brazilian subsidiaries are recorded in exchange gains or losses on translation of foreign operations and included in other comprehensive income, to the extent settlement is neither forecasted nor likely to occur in the foreseeable future. Where future settlement is anticipated in the foreseeable future, foreign exchange gains or losses on the amount expected to be settled are recognized in earnings. The Company recorded $0.5 million of foreign exchange losses on intercompany advances in Q3 2022 (Q3 2021 - $1.5 million foreign exchange loss) following the depreciation of the BRL to the USD; however, on a year-to-date basis $1.1 million of foreign exchange gains were recognized to September 30, 2022 (nine months ended September 30, 2021 - $1.2 million foreign exchange loss).

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 February 1, 2022 and August 1, 2022, respectively, the price determined in BRL was based on average historical exchange rates of 5.40 and 5.08. In Q3 2022, the actual average rate was 5.25, a depreciation of 3% compared to the rate used in the August 1st 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,**	
	2022	2021	**2022**	2021
Increase (Decrease) to Natural Gas Revenues from:				
5% Appreciation of BRL to USD	**819**	483	**2,272**	1,210
10% Appreciation of BRL to USD	**1,729**	1,019	**4,797**	2,555
5% Depreciation of BRL to USD	**(741)**	(437)	**(2,056)**	(1,095)
10% Depreciation of BRL to USD	**(1,415)**	(834)	**(3,925)**	(2,090)

To mitigate exposure to foreign exchange volatility with respect to the BRL, the Company has periodically entered into BRL/USD forward exchange rate contracts. In 2022, the Company entered into a total of BRL10.6 million forward exchange contracts with settlements based on fixed rates between 4.74 and 5.58 per USD and settlement dates spanning from February to July 2022. 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 (loss). Realized gains or losses are recognized in the period the contracts are settled. Total losses with respect to these contracts for the nine months ended September 30, 2022 were $0.1 million (2021 - $0.01 million loss). As of September 30, 2022 and December 31, 2021, no forward contracts were outstanding.

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 as foreign exchange gains or losses.

Depletion and Depreciation

	Three Months Ended September 30,			**Nine Months Ended September 30,**		
	2022	2021	Change (%)	**2022**	2021	Change (%)
Depletion and depreciation on PP&E(1)	**1,494**	2,182	(32)	**4,122**	5,038	(18)
Depreciation of right-of-use assets	**277**	261	6	**747**	736	1
Depletion and depreciation expense(1)	**1,771**	2,443	(28)	**4,869**	5,774	(16)
$ per boe(2)	**7.29**	10.80	(33)	**7.13**	9.07	(21)

(1) The 2021 comparative periods in the table above have been restated. See "Restatement of the 2021 Comparative Period" section within this MD&A for further details.

(2) 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, with higher production volumes resulting in a higher depletion rate. All midstream PP&E assets are depreciated over the estimated useful life of the assets on a straight-line basis and the Company's right-of-use assets are depreciated over the lease term on a straight-line basis. With the expansion of the Facility completed in the third quarter, the increase in future equipment rental costs associated with the expansion was recognized as an increased right-of-use asset, contributing to higher depreciation in the period. However, overall depletion is lower in 2022 as 2021 included depletion on a property that was fully depleted as of December 31, 2021.

Share-Based Compensation Expense

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change (%)	**2022**	2021	Change (%)
Share-based compensation expense	**158**	120	32	**592**	301	97

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 well as costs associated with dividend equivalents attributable to RSUs and DSUs granted to date. As of September 30, 2022, 1.2 million stock options, 0.4 million RSUs and 0.2 million DSUs were outstanding compared to 1.4 million stock options, 0.3 million RSUs and 0.2 million DSUs at September 30, 2021. Despite reduced stock options outstanding, with more RSUs outstanding and higher exercise prices for new stock options granted (due to higher share prices compared to 2021) and dividend equivalents attributable to RSUs and DSUs, overall share-based compensation expense increased in 2022.

Finance Expenses

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change (%)	**2022**	2021	Change (%)
Lease interest	**373**	364	2	**1,030**	1,050	(2)
Accretion on decommissioning liabilities	**14**	17	(18)	**41**	59	(31)
Amortization of deferred financing costs	**180**	161	12	**496**	479	4
Interest on Credit Facility	**61**	144	(58)	**306**	925	(67)
Finance expenses	**628**	686	(8)	**1,873**	2,513	(25)

Finance expenses decreased in Q3 2022 and for the nine months ended September 30, 2022, compared to the same periods in 2021 due mainly to decreased interest on our Credit Facility as a result of the declining principal balance following repayments. In September 2022, Alvopetro repaid all amounts owing under the Credit Facility bringing the balance to $nil, compared to a balance of $6.5 million outstanding as of September 30, 2021. Interest on capital leases increased marginally in Q3 2022 following completion of the Facility expansion and the associated increase in lease liabilities.

Income Tax Expense

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change (%)	**2022**	2021	Change (%)
Current income tax expense	**221**	79	180	**693**	374	85
Deferred income tax expense(1)	**1,386**	3,022	(54)	**4,237**	5,701	(26)
Total(1)	**1,607**	3,101	(48)	**4,930**	6,075	(19)

(1) The 2021 comparative periods in the table above have been restated. See ""Restatement of the 2021 Comparative Period" section within this MD&A for further details.

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. In the third quarter of 2021, the Company received approval from tax authorities in Brazil 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 profits Alvopetro earns for a period of ten taxation years, commencing January 1, 2021, and ending December 31, 2030. 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%.

Overall, the Company's effective tax rate (computed as total income tax expense divided by income before taxes) is 16% in the nine months ended September 30, 2022, higher than the SUDENE rate of 15.25% due to non-deductible amounts including share-based compensation and certain finance expenses. The benefit of the SUDENE incentive was recognized in the 2021 taxation year in the three months ended September 30, 2021, when Alvopetro received approval for the incentive from tax authorities. As Alvopetro had a deferred tax asset on January 1, 2021, the impact of the rate reduction from the statutory rate of 34% to the SUDENE rate of 15.25%

resulted in increased deferred tax expense in 2021 of $4.1 million as all available tax pools and other deductible temporary differences were valued at a lower future tax rate, which resulted in an effective tax rate in the nine months ended September 30, 2021 of 68%.

Net Income (Loss)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change (%)	**2022**	2021	Change (%)
Net income (loss)(1)	**8,795**	(20)	-	**26,541**	2,817	842
Per share – basic($)	**0.26**	(0.00)	-	**0.78**	0.09	767
Per share – diluted($)	**0.24**	(0.00)	-	**0.72**	0.08	800

(1) The 2021 comparative periods in the table above have been restated. See ""Restatement of the 2021 Comparative Period" section within this MD&A for further details.

The Company reported $8.8 million in net income in Q3 2022 compared to a loss in Q3 2021 due to higher funds flow from operations and lower depletion and depreciation and foreign exchange losses.

Capital Expenditures

Capital Expenditures by Type	Three Months Ended September 30, 2022	2021	Nine Months Ended September 30, 2022	2021
E&E				
Drilling and completions	**5,131**	108	**11,368**	471
Facility & equipment	**42**	5	**96**	17
Land, lease, and similar payments	**7**	2	**(7)**	8
Inventory purchases	**512**	21	**1,662**	526
Capitalized G&A	**228**	61	**584**	214
Total E&E	**5,920**	197	**13,703**	1,236
PP&E				
Facility & equipment	**1,157**	550	**2,985**	1,065
Drilling & completion	**1,303**	10	**1,354**	182
Land, lease and similar payments	**54**	9	**91**	21
Furniture & fixtures	**29**	9	**38**	27
Capitalized G&A	**133**	116	**463**	292
Other	**117**	370	**217**	220
Total PP&E	**2,793**	1,064	**5,148**	1,807
Total Capital Expenditures by Type	**8,713**	1,261	**18,851**	3,043

Capital Expenditures by Property	Three Months Ended September 30, 2022	2021	Nine Months Ended September 30, 2022	2021
E&E				
Blocks 182, 183	**5,408**	176	**12,066**	710
Inventory	**512**	21	**1,662**	526
Other	**-**	-	**(25)**	-
Total E&E	**5,920**	197	**13,703**	1,236
PP&E				
Caburé and associated midstream assets	**1,255**	13	**1,416**	30
Murucututu	**1,423**	669	**3,608**	1,546
Other	**115**	382	**124**	231
Total PP&E	**2,793**	1,064	**5,148**	1,807
Total Capital Expenditures by Property	**8,713**	1,261	**18,851**	3,043

Capital expenditures in the quarter included $1.4 million for testing the 182-C1 well which was drilled earlier in the year, $3.2 million for drilling the 182-C2 well, $1.2 million for drilling the Unit-C well, final drilling costs of $0.7 million on the 183-B1 well, development costs on our Murucututu field of $1.3 million for final production facility costs as well as tie-in costs of our 197-1 well, $0.5 million for long-lead inventory purchases and $0.4 million in capitalized G&A.

Summary of Quarterly Results

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Financial								
Natural gas, oil and condensate sales	**16,672**	15,787	13,972	9,896	9,963	8,182	6,939	5,887
Net income (loss)(1)	**8,795**	6,631	11,115	2,778	(20)	3,784	(947)	2,815
Per share – basic ($)(1)(2)	**0.26**	0.20	0.33	0.08	(0.00)	0.11	(0.03)	0.09
Per share – diluted ($)(1)(2)	**0.24**	0.18	0.30	0.08	(0.00)	0.11	(0.03)	0.08
Cash flows from operating activities	**13,838**	12,997	8,333	7,088	7,234	5,665	4,304	3,124
Per share – basic ($)(2)	**0.40**	0.38	0.25	0.21	0.22	0.17	0.13	0.09
Per share - diluted ($)(2)	**0.37**	0.35	0.23	0.20	0.20	0.16	0.13	0.09
Funds flow from operations (3)	**13,348**	12,434	10,904	6,480	7,930	5,471	4,756	4,252
Per share – basic ($)(2)	**0.39**	0.37	0.32	0.19	0.24	0.16	0.14	0.13
Per share - diluted ($)(2)	**0.36**	0.34	0.30	0.18	0.22	0.16	0.14	0.13
Dividends declared	**2,896**	2,729	2,715	2,034	2,023	-	-	-
Per share ($)(2)	**0.08**	0.08	0.08	0.06	0.06	-	-	-
Capital expenditures	**8,713**	6,338	3,800	1,470	1,261	918	864	452
Operations								
Average realized prices(3):								
Natural gas ($/Mcf)	**11.18**	11.90	10.03	7.07	7.07	6.06	5.68	5.36
NGL – condensate ($/bbl)	**101.57**	121.93	106.42	84.36	79.36	74.47	64.41	46.97
Oil ($/bbl)	**80.92**	94.47	79.50	76.47	61.11	59.63	-	-
Average foreign exchange ($1 USD = BRL)	**5.246**	4.927	5.233	5.586	5.229	5.291	5.483	5.392
Operating netback ($/boe) (3)								
Realized sales price ($/boe) (3)	**68.59**	73.54	62.08	44.22	44.04	38.08	35.45	32.82
Royalties (3)	**(5.42)**	(5.35)	(4.35)	(4.22)	(4.02)	(2.82)	(3.30)	(1.51)
Production expenses(3)	**(3.34)**	(4.23)	(3.79)	(3.62)	(3.64)	(3.68)	(3.63)	(3.39)
Operating netback ($/boe) (3)	**59.83**	63.96	53.94	36.38	36.38	31.58	28.52	27.92
Operating netback margin(3)	**87%**	87%	87%	82%	83%	83%	80%	85%
Average daily sales:								
Natural gas (Mcfpd)	**15,139**	13,546	14,339	13,966	14,102	13,512	12,464	11,163
NGL – condensate (bopd)	**117**	97	99	103	107	105	98	89
Oil (bopd)	**2**	5	12	2	2	5	-	-
Total average daily sales (boepd)	**2,642**	2,359	2,501	2,432	2,459	2,361	2,175	1,950

Notes:

(1) The 2020 and 2021 periods in the table above have been restated. See ""Restatement of the 2021 Comparative Period" section within this MD&A for further details.

(2) 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.

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

Average daily sales volumes increased 12% to 2,642 boepd following completion of the Facility expansion. Despite natural gas sales continuing at the ceiling price in the GSA, due to the decrease in Brent as well as the depreciation of the BRL relative to the USD, our realized sales price per boe decreased $4.95 (7%) and our operating netback decreased $4.13 per boe (6%). However, with higher sales volumes, our natural gas, oil and condensate sales increased $0.9 million (6%). With higher revenues and funds flow from operations and lower foreign exchange losses, net income increased $2.2 million to $8.8 million compared to $6.6 million in Q2 2022.

Commitments and Contingencies

The following is a summary of Alvopetro's contractual commitments as at September 30, 2022:

Commitments	< 1 Year	1-3 Years	Thereafter	Total
Minimum work commitments(1), (2)				
Bom Lugar	65	-	-	65
Mãe-da-lua	-	-	65	65
Minimum work commitments	65	-	65	130
Gas Treatment Agreement(2)	1,240	2,480	5,889	9,609
Total commitments	**1,305**	**2,480**	**5,954**	**9,739**

Notes:

(1) Under the terms of the ANP concession contracts for each of our exploration blocks, the Company has commitments which must be completed prior to the applicable phase expiry date. The Company is required to post a performance guarantee with the ANP for all minimum work commitments in the table above. Alvopetro previously reported a minimum work commitment for Block 183. This commitment was satisfied with the completion of drilling of the 183-B1 well in July 2022, subject to the approval of the ANP.

(2) Minimum work commitments and all 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, 2022. 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 Alvopetro's 11-kilometre transfer pipeline. All costs associated with equipment rental, including equipment rental costs for the Facility expansion, are treated as a capital lease obligation and reflected 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 they 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, 2022, Alvopetro's cash and cash equivalents of $17.4 million and restricted cash of $0.3 million were held as follows:

	Total	U.S. Dollar	CAD Dollar(1)	BRL(1)
Cash held in Canada	9,238	8,844	394	-
Cash held in Brazil	8,142	-	-	8,142
Restricted cash - current	255	-	-	255
Total	**17,635**	**8,844**	**394**	**8,397**

(1) Amounts in the table above denote the U.S. dollar equivalent as at September 30, 2022.

The Company had cash of $17.4 million and a total net working capital surplus of $12.2 million at September 30, 2022. In addition, the Company has a restricted cash balance of $0.3 million as at September 30, 2022, primarily in respect of abandonment guarantees on the Company's oil fields. Positive cash flows from natural gas deliveries and associated condensate sales are projected to be sufficient to fund the Company's operational activities and planned capital projects going forward. In addition, the Company expects to have sufficient cash flows to fund future dividends, following the Board of Director's decision to commence quarterly dividends in the third quarter of 2021 and to further increase the quarterly dividend in the first quarter of 2022. 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 Company has flexibility on future capital plans, other than with respect to work commitments and the Board of Directors has discretion with respect to any future dividend amounts.

The liability for decommissioning obligations of Alvopetro was $0.7 million as at September 30, 2022, with $0.07 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, 2022, the Company had $2.0 million of equipment inventory to be utilized for future operations which is included in exploration and evaluation assets in the consolidated statement of financial position.

Credit Facility

In 2019, the Company entered into a credit facility (the "Credit Facility") which was secured by all of Alvopetro's assets. The Credit Facility was subject to cash interest of 9.5% per annum, payable monthly. In September 2022, Alvopetro repaid all final amounts outstanding under the Credit Facility and the Facility has been cancelled.

Lease Liabilities

The lease liability to Enerflex in respect of the monthly equipment rental under our Gas Treatment Agreement represents the majority of the Company's lease liabilities as at September 30, 2022. In the third quarter of 2022, Enerflex completed the expansion of the Facility to increase the operational capacity to 500,000 m3/d (17.7 MMcfpd) under the terms of the existing Gas Treatment Agreement, resulting in lease liability additions in the period. 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, 2022	December 31, 2021
Lease liabilities, beginning of period	**7,979**	8,310
Additions	**1,930**	190
Finance expense	**1,030**	1,355
Lease payments	**(1,460)**	(1,856)
Foreign currency translation	**-**	(20)
Lease liabilities, end of period	**9,479**	7,979
Current	**705**	516
Non-current	**8,774**	7,463
Total, end of period	**9,479**	7,979

Dividends

In 2021 Alvopetro initiated a quarterly dividend program, with dividends of $0.06 per common share declared by the board of directors (the "Board") in the third quarter and fourth quarter of 2021. In March 2022, the quarterly dividend was increased to $0.08 per common share and in November 2022, Alvopetro further increased the dividend to $0.12 per common share, payable on January 13, 2023 to shareholders of record on December 30, 2022. All dividends are designated as "eligible dividends" for the purpose of the Income Tax Act (Canada). A total of $2.9 million in dividends were declared in Q3 2022 and $8.3 million dividends in the nine months ended September 30, 2022.

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 on reinvestment in growth opportunities with stakeholder returns. 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 a variety of factors. There can be no assurance that dividends will be paid at the intended rate or at any rate in the future.

RESTATEMENT OF THE 2021 COMPARATIVE PERIODS

In August 2022 the Company determined that there was an error in prior periods with respect to the application of *IAS 21 – The Effects of Changes in Foreign Exchange Rates* on accounting for the purchase price adjustment associated with the original acquisition of the

Company's Brazilian assets in the year-ended December 31, 2012 and the functional currency associated with such amounts. The comparative information for 2021 has been restated to correct the impact of this error. See Note 14 of unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2022 and September 2021 for further details.

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 15, 2022, there were 36,201,388 common shares, 1,193,997 stock options, 370,623 RSUs and 196,665 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 is calculated on a per unit basis, which is per barrel of oil equivalent ("boe"). It is a common non-GAAP measure used in the oil and gas industry and management believes this measurement assists in evaluating the operating performance of the Company. 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,	
	2022	2021	**2022**	2021
Operating netback - $ per boe	**59.83**	36.38	**59.18**	32.35
Average realized price - $ per boe	**68.59**	44.04	**68.00**	39.39
Operating netback margin	**87%**	83%	**87%**	82%

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 and is calculated before changes in non-cash working capital, 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 September 30,		Nine Months Ended September 30,	
$ per share	**2022**	2021	**2022**	2021
Per basic share:				
Cash flows from operating activities	**0.40**	0.22	**1.03**	0.52
Funds flow from operations	**0.39**	0.24	**0.96**	0.55
Per diluted share:				
Cash flows from operating activities	**0.37**	0.20	**1.08**	0.50
Funds flow from operations	**0.36**	0.22	**1.00**	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 September 30,		Nine Months Ended September 30,	
	2022	2021	**2022**	2021
Cash flows from operating activities	**13,838**	7,234	**35,168**	17,203
Add back changes in non-cash working capital	**(490)**	696	**1,518**	954
Funds flow from operations	**13,348**	7,930	**36,686**	18,157

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,	
	2022	2021
Total current assets	**24,545**	13,201
Total current liabilities	**(12,320)**	(6,362)
Net working capital surplus	**12,225**	6,839

Working Capital Net of Debt

Working capital net of debt is computed as net working capital surplus decreased by the carrying amount of the Credit Facility. Working capital net of debt is used by management to assess the Company's overall financial position.

	As at September 30,	
	2022	2021
Net working capital surplus	**12,225**	6,839
Credit Facility, balance outstanding	**-**	(6,545)
Working capital, net of debt	**12,225**	294

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, condensate and oil sales volumes (barrels of oil equivalent).

"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, condensate 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, condensate 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, condensate 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, 2022 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: market risk, reservoir performance risk, exploration risk, operational risks, foreign operations risk, liquidity and financing risk, legal and regulatory risks including the impact of new and stricter environmental regulations, competitive risks within the oil and gas industry and physical risk associated with climate change. 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.sedar.com and in our MD&A for the year-ended December 31, 2021. The presidential election took place in Brazil subsequent to September 30, 2022 and a new president has been elected to take effect January 1, 2023. Changes in government may alter the level of support for oil and gas activities, potentially resulting in changes to existing oil and gas regulations in Brazil or to tax or other laws that could adversely affect the Corporation. There can be no certainty as to the nature and impact of any future changes in regulations, tax or other laws that may apply, any of which may have a negative impact on Alvopetro. Other than with respect to the outcome of the election, there have been no significant changes in the nine months ended September 30, 2022 to the risks and uncertainties identified in the restated MD&A and restated Annual information Form for the year-ended December 31, 2021.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The accounting policies used in preparation of the interim financial statements as at and for the nine months ended September 30, 2022 are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended December 31, 2021. 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.

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 plans relating to the Company's operational activities, potential hydrocarbon pay in the 183-B1 well, the 182-C2 well and the Unit C well, exploration and development prospects of Alvopetro, future results from operations, the expected natural gas price, gas sales and gas deliveries under the Company's long-term gas sales agreement, projected financial results, the Company's plans for dividends in the future, future capital and operating costs, the expected timing and outcomes of certain of Alvopetro's testing activities, future production and sales volumes, proposed exploration and development activities and the timing for such activities, sources and availability of capital and capital spending levels. Forward-looking statements are necessarily based upon assumptions and judgments with respect to the future including, but not limited to, equipment availability, the timing and results of testing the 183-B1 well, the 182-C2 well and the Unit C well, the success of future drilling, completion, recompletion and development activities, foreign exchange rates, expectations regarding Alvopetro's working interest and the outcome of any redeterminations, the outlook for commodity markets and ability to access capital markets, the impact of the COVID-19 pandemic, the performance of producing wells and reservoirs, well development and operating performance, the timing of regulatory licenses and approvals, general economic and business conditions, forecasted demand for oil and natural gas, weather and access to drilling locations, the availability and cost of labour and services, environmental regulation, including regulation relating to hydraulic fracturing and stimulation, the ability to monetize hydrocarbons discovered, the regulatory and legal environment and other risks associated with oil and gas operations. 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. 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 this MD&A and in our 2021 Annual Information Form which has been filed on SEDAR and can be accessed at www.sedar.com. Except as may be required by applicable securities laws, Alvopetro assumes no obligation to publicly update or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.

Testing and Well Results. Data obtained from the 183-B1 well, the 182-C2 well and the Unit-C well identified in this MD&A, including hydrocarbon shows, open-hole logging, net pay and porosities and initial testing data should be considered to be preliminary until further testing, detailed pressure transient and other analysis and interpretation has been completed. Hydrocarbon shows can be seen during the drilling of a well in numerous circumstances and do not necessarily indicate a commercial discovery or the presence of commercial hydrocarbons in a well. There is no representation by Alvopetro that the data relating to the 183-B1, 182-C2 and Unit-C wells contained in this MD&A is necessarily indicative of long-term performance or ultimate recovery. The reader is cautioned not to unduly rely on such data as such data may not be indicative of future performance of the well or of expected production or operational results for Alvopetro in the future.

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
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 2022	=	three months ended June 30, 2022
Q3 2021	=	three months ended September 30, 2021
Q3 2022	=	three months ended September 30, 2022

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.