

The following Management’s Discussion and Analysis (“MD&A”) is dated March 18, 2025 and should be read in conjunction with the audited consolidated financial statements and accompanying notes of Alvopetro Energy Ltd. (“Alvopetro” or the “Company”) as at and for the years ended December 31, 2024 and 2023. Additional information for the Company, including the Annual Information Form (“AIF”), can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) or at [www.alvopetro.com](http://www.alvopetro.com). This MD&A contains financial terms that are not considered measures under IFRS Accounting Standards (“IFRS”) and forward-looking statements. As such, the MD&A should be used in conjunction with Alvopetro’s disclosure under the headings “Non-GAAP and Other Financial Measures” and “Forward Looking Information” at the end of this MD&A.

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

## MANAGEMENT’S DISCUSSION AND ANALYSIS

### OVERVIEW

#### Description of Business

Alvopetro is engaged in the exploration for and the acquisition, development and production of hydrocarbons in Brazil and Canada. Alvopetro’s shares are traded on the TSX Venture Exchange (TSX: ALV.V) and are also traded on the OTCQX® Best Market in the United States (OTCQX: ALVOF).

#### Strategy

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

## FINANCIAL & OPERATING SUMMARY

	As at and Three Months Ended			As at and Year Ended		
	December 31			December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
<b>Financial</b>						
<i>(\$000s, except where noted)</i>						
Natural gas, oil and condensate sales	10,214	15,300	(33)	45,517	59,687	(24)
Net income	2,243	652	244	16,295	28,525	(43)
Per share – basic (\$) <sup>(1)</sup>	0.06	0.02	200	0.44	0.77	(43)
Per share – diluted (\$) <sup>(1)</sup>	0.06	0.02	200	0.43	0.76	(43)
Cash flows from operating activities	7,114	7,904	(10)	34,901	47,702	(27)
Per share – basic (\$) <sup>(1)</sup>	0.19	0.21	(10)	0.94	1.29	(27)
Per share – diluted (\$) <sup>(1)</sup>	0.19	0.21	(10)	0.93	1.26	(26)
Funds flow from operations <sup>(2)</sup>	6,966	12,393	(44)	33,275	48,030	(31)
Per share – basic (\$) <sup>(1)</sup>	0.19	0.33	(42)	0.89	1.29	(31)
Per share – diluted (\$) <sup>(1)</sup>	0.19	0.33	(42)	0.89	1.27	(30)
Dividends declared	3,283	5,127	(36)	13,170	20,462	(36)
Per share <sup>(1) (2)</sup>	0.09	0.14	(36)	0.36	0.56	(36)
Capital expenditures	4,682	4,934	(5)	15,305	27,449	(44)
Cash and cash equivalents	21,697	18,326	18	21,697	18,326	18
Net working capital <sup>(2)</sup>	13,181	13,117	-	13,181	13,117	-
Weighted average shares outstanding						
Basic (000s) <sup>(1)</sup>	37,315	37,262	-	37,289	37,121	-
Diluted (000s) <sup>(1)</sup>	37,566	37,963	(1)	37,558	37,770	(1)
<b>Operations</b>						
Average daily sales volumes:						
Natural gas (Mcfpd), by field:						
Caburé (Mcfpd)	7,476	11,699	(36)	9,228	11,742	(21)
Murucututu (Mcfpd)	2,231	546	309	928	487	91
Total natural gas (Mcfpd)	9,707	12,245	(21)	10,156	12,229	(17)
NGLs – condensate (bopd)	109	92	18	90	99	(9)
Oil (bopd)	11	10	10	12	6	100
Total (boepd)	1,738	2,143	(19)	1,794	2,142	(16)
Average realized prices <sup>(2)</sup> :						
Natural gas (\$/Mcf)	10.51	12.85	(18)	11.42	12.64	(10)
NGLs – condensate (\$/bbl)	75.95	89.45	(15)	84.84	86.29	(2)
Oil (\$/bbl)	61.74	73.67	(16)	66.94	71.22	(6)
Total (\$/boe)	63.88	77.60	(18)	69.31	76.33	(9)
Operating netback (\$/boe) <sup>(2)</sup>						
Realized sales price	63.88	77.60	(18)	69.31	76.33	(9)
Royalties	(2.15)	(2.07)	4	(1.99)	(2.13)	(7)
Production expenses	(6.64)	(5.84)	14	(6.33)	(5.38)	18
Operating netback	55.09	69.69	(21)	60.99	68.82	(11)
Operating netback margin <sup>(2)</sup>	86%	90%	(4)	88%	90%	(2)

### Notes:

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

## HIGHLIGHTS AND SIGNIFICANT TRANSACTIONS FOR THE FOURTH QUARTER OF 2024

- Our average daily sales decreased to 1,738 boepd in Q4 2024 (-19% from Q4 2023 and -17% from Q3 2024) with reduced natural gas demand as well as shutdowns during the month of November for planned facility turnarounds and inspections.
- Our average realized natural gas price decreased to \$10.51/Mcf in Q4 2024 (-18% from Q4 2023 and -4% from Q3 2024), due mainly to the devaluation of the BRL relative to the USD, which depreciated 18% compared to the average rate in Q4 2023. Our overall averaged realized sales price was \$63.88 per boe (-18% from Q4 2023 and -4% from Q3 2024).
- With lower sales volumes and lower prices, our natural gas, oil and condensate revenue decreased to \$10.2 million (-33% from Q4 2023 and -21% from Q3 2024).
- Our operating netback<sup>(1)</sup> in the quarter was \$55.09 per boe (-\$14.60 per boe from Q4 2023) due mainly to the reduction in our realized sales price per boe as well as higher production expenses per boe with lower overall production.
- We generated funds flows from operations<sup>(1)</sup> of \$7.0 million (\$0.19 per basic share and per diluted share), decreases of \$5.4 million compared to Q4 2023 and \$2.9 million compared to Q3 2024 due mainly to lower sales volumes and lower realized prices.
- We reported net income of \$2.2 million in Q4 2024, an increase of \$1.6 million compared to Q4 2023 despite lower sales volumes and realized prices due to impairment losses recognized in Q4 2023, offset by foreign exchange losses in Q4 2024 compared to foreign exchange gains in Q4 2023.
- Capital expenditures totaled \$4.7 million, including costs to reenter the 183-B1 well on our exploratory Block 183 and costs associated with the facilities upgrade at our Caburé field.
- Our working capital<sup>(1)</sup> surplus was \$13.2 million as of December 31, 2024, increasing \$0.1 million from December 31, 2023 and decreasing \$2.7 million from September 30, 2024.

## HIGHLIGHTS AND SIGNIFICANT TRANSACTIONS FOR 2024

- Our annual sales volumes averaged 1,794 boepd (93% natural gas, 6% NGLs from condensate and 1% from crude oil production), a decrease of 16% compared to 2023.
- We reported net income of \$16.3 million, compared to \$28.5 million in 2023 (-43%).
- We generated funds flow from operations<sup>(1)</sup> of \$33.3 million (\$0.89 per basic share and per diluted share), a decrease of \$14.8 million compared to 2023.
- Capital expenditures totaled \$15.3 million in 2024.
- Dividends declared totaled \$0.36 per share in 2024 compared to \$0.56 per share in 2023 (-36%).

## RECENT HIGHLIGHTS

- Alvo Petro's updated long-term gas sales agreement came into effect on January 1, 2025 increasing Alvo Petro's contracted firm volumes by 33% to 400e<sup>3</sup>m<sup>3</sup>/d. The amended natural gas pricing model is now recalculated quarterly (rather than semi-annually) based on Brent oil equivalent prices and Henry Hub natural gas prices. The natural gas price effective February 1, 2025 is BRL 1.95/m<sup>3</sup>, a 7% increase from our January 2025 price of BRL 1.83/m<sup>3</sup> and consistent with the Q4 2024 price of BRL 1.94/m<sup>3</sup>. All natural gas sales from February 1, 2025 to April 30, 2025 will be sold at BRL 1.95/m<sup>3</sup> (\$10.55/Mcf, based on average heat content to date, the January 31, 2025 BRL/USD exchange rate of 5.83, net of sales taxes).
- On February 26, 2025, we announced our reserves at December 31, 2024 with total proved plus probable ("2P") reserves of 9.1 MMboe and a before tax net present value discounted at 10% of \$327.8 million. We also announced the Murucutu resources assessment with risked best estimate contingent resource of 4.5 MMboe (before tax net present value discounted at 10% of \$110.0 million) and risked best estimate prospective resource of 10.2 MMboe (before tax net present value discounted at 10% of \$208.9 million). The reserves and resources data is based on an independent reserves and resources assessment and evaluation prepared by GLJ Ltd. ("GLJ") dated February 26, 2025 with an effective date of December 31, 2024 (the "GLJ Reserves and Resources Report").
- On February 5, 2025, we announced the terms of a Canadian farmin agreement (the "Farmin"), pursuant to which Alvo Petro agreed to fund 100% of two earning wells in exchange for a 50% non-operated working interest in 12,243 acres (6,122 net acres) of land in Western Saskatchewan. The two earning wells have now been drilled and are being completed and equipped, with both wells expected to be on production within the next 30 days. Alvo Petro's total costs for the two earning wells is estimated to be C\$4.0 million. After these initial two earning wells, Alvo Petro's working interest share will be 50%.
- On March 18, 2025, our Board of Directors declared a dividend of \$0.10 per common share, payable in cash on April 15, 2025 to shareholders of record on March 31, 2025.

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

## NATURAL GAS AND OIL PROPERTIES

As at December 31, 2024, Alvo Petro held interests in the Caburé and Murucututu natural gas assets, one exploration block (Block 183) and two oil fields (Bom Lugar and Mãe-da-lua), in the Recôncavo basin onshore Brazil.

### Property, Plant and Equipment (“PP&E”) Assets

Field	Gross Acres	Current Phase Expiry	PP&E balance December 31, 2024 (\$000’s)	Net Present Value of 2P Reserves <sup>(1)</sup> (\$000’s)
Caburé	4,814	December 5, 2043 and May 12, 2044	20,074	185,164
Murucututu	6,988	April 18, 2048	29,260	134,792
Bom Lugar	2,240	December 31, 2035	3,554	6,857
Mãe-da-lua	431	February 22, 2044	26	966
<b>TOTAL<sup>(2)</sup></b>			<b>52,914</b>	<b>327,779</b>

(1) Before tax net present value discounted at 10%. See “Oil and Natural Gas Reserves” at the end of this MD&A.

(2) The total balance in the table above excludes \$0.1 million in other assets classified as PP&E as at December 31, 2024, largely relating to furniture and office equipment.

### Exploration and Evaluation (“E&E”) Assets

Block	Gross Acres	Current Phase Expiry	E&E balance December 31, 2024 (\$000’s)
183 <sup>(1)(2)</sup>	2,946	Extension requested	9,163

(1) The portion of Block 183 which is not part of the Murucututu project is currently in the Development Assessment Plan (“PAD”) phase. Alvo Petro has filed a request with the ANP to extend the expiry date of the PAD with an additional firm project to drill a natural gas prospect on the block, with a new expiry date equivalent to twelve months after receipt of the environmental license for the well. Alvo Petro is awaiting the decision of the ANP. See “Risks and Uncertainties – Legal and Regulatory Risks” within this MD&A for additional information.

(2) The total E&E balance reflected in the table above excludes \$5.5 million of other assets classified as E&E as at December 31, 2024, largely relating to equipment and materials inventory available for use on future capital projects.

## NATURAL GAS ASSETS AND MIDSTREAM INFRASTRUCTURE:

### Caburé Natural Gas Field (56.2% Working Interest)

Alvo Petro 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 Alvo Petro 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, Alvo Petro and the Partner finalized the terms of the Unit Operating Agreement (“UOA”), the unit development plan and all related agreements, with Alvo Petro’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 2023. The parties engaged an independent third party expert (the “Expert”) to evaluate each party’s interpretation of their respective working interests. In April 2024, Alvo Petro received the Expert’s final decision wherein the Expert accepted Alvo Petro’s Final Proposal which resulted in Alvo Petro’s working interest in the Unit being increased from our initial working interest of 49.1% to 56.2% (the “Redetermined Working Interest”). Subsequently, Alvo Petro received a notice of dispute from the Partner with respect to the Expert decision seeking to stay the redetermination procedure. As a result, Alvo Petro 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, Alvo Petro received the final order (the “Order”) of the emergency arbitrator wherein the arbitrator found in favour of Alvo Petro with respect to the binding nature of the decision of the Expert. As a result, Alvo Petro’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 – Arbitration of Alvo Petro’s Working Interest and Impact of Future Redeterminations” 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.

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 \$8.3 million and drilling of the first well is expected to commence in Q2 2025.

In January 2025 Alvopetro completed the commissioning phase of our recently installed compression system at the Caburé field, increasing our productive capacity from the Unit. Total costs of \$4.0 million were incurred in the year ended December 31, 2024 relating to this project.

#### **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 then brought on production. As a result, production from the field increased to 2.2 MMcfpd in Q4 2024, an increase of 309% from Q4 2023 and 262% from Q3 2024. In Q1 2025 Alvopetro commenced drilling the 183-D4 well, the first of two development wells planned for 2025 on the Murucututu field.

#### **Natural Gas Sales (100% Alvopetro)**

Alvopetro's share of natural gas from the Caburé Field and the Murucututu natural gas field is shipped via our 11-kilometre Caburé transfer pipeline and processed through the natural gas processing facility (the "Facility") owned and operated by Enerflex Ltd. ("Enerflex") pursuant to our Gas Treatment Agreement. 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<sup>3</sup>m<sup>3</sup>/d) and interruptible volumes of up to 7.1 MMcfpd (200 e<sup>3</sup>m<sup>3</sup>/d). In late 2024, Alvopetro and Bahiagás agreed to amend the terms of the GSA increasing firm volumes by 33% to 14.1 MMcfpd (400 e<sup>3</sup>m<sup>3</sup>/d), commencing January 1, 2025.

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 2023, Alvopetro drilled the first of two initially planned development wells on the Bom Lugar field (BL-06) and 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 a second development well. On the Mãe-da-lua field, future plans include a stimulation of the existing well to improve oil recovery.

### **EXPLORATION ASSETS (Block 183)**

Alvopetro's E&E assets include the portion of Block 183 that is not part of the Murucututu project. Block 183 includes the 183-B1 well which was drilled in 2022. In Q4 2024, Alvopetro re-entered the existing wellbore with a plan to sidetrack the well. Operational challenges, including loss of the bottom hole assembly prevented the project from continuing and the Company now plans to abandon the well. Total costs of \$3.2 million were incurred on the project in 2024 with an additional \$0.8 million estimated to date in 2025. The Company has identified an additional prospect on the block and has filed a request with the ANP to extend the expiry date with a plan to drill the additional prospect.

The Company previously held Block 182, an exploratory block. The block was relinquished in 2024.

### **CANADIAN OPERATIONS**

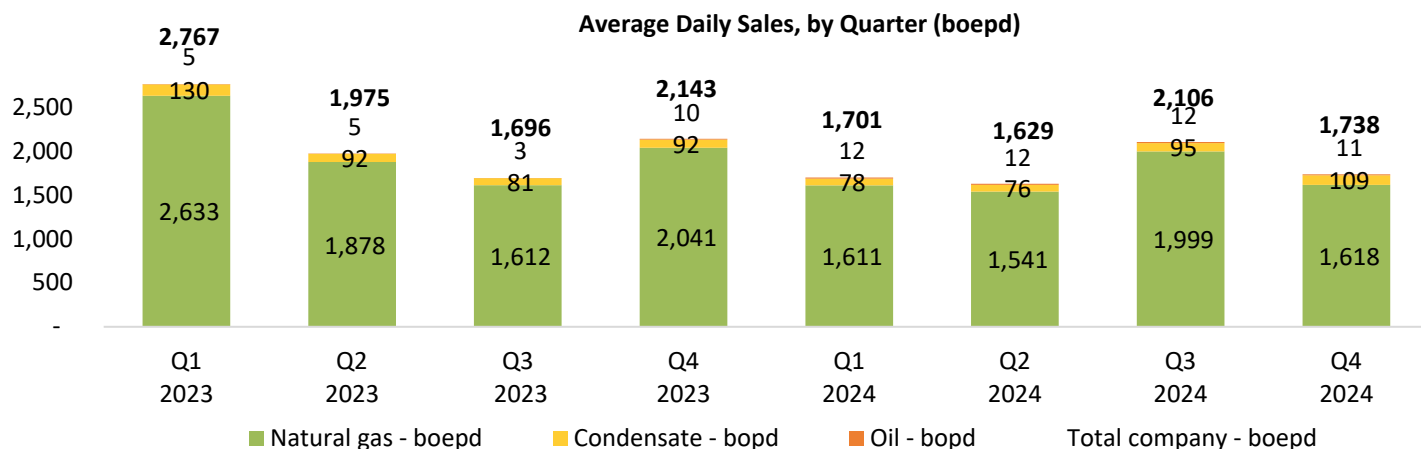
Subsequent to December 31, 2024, Alvopetro entered into the Farmin with a private company in Canada. Under the terms of the Farmin, Alvopetro agreed to fund 100% of two earning wells in exchange for a 50% non-operated working interest in 12,243 acres of land in Western Saskatchewan. To the extent well costs for the two wells exceed C\$5.0 million, the incremental amount is to be allocated based on working interest. The first two earning wells have now been drilled and are being completed and equipped. Alvopetro's estimated total costs for the two earning wells is expected to be approximately C\$4.0 million. Both wells are expected to be on production within the next 30 days. Following completion of these two earnings wells, Alvopetro's working interest will be 50%.

## FINANCIAL AND OPERATING REVIEW

### Sales Volumes

	Three Months Ended December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
<b>Total sales volumes:</b>						
Caburé (Mcf)	687,820	1,076,268	(36)	3,377,735	4,286,022	(21)
Murucututu (Mcf)	205,228	50,261	308	339,471	177,630	91
Total natural gas (Mcf)	893,048	1,126,529	(21)	3,717,206	4,463,652	(17)
NGLs – condensate (bbls)	10,059	8,496	18	32,825	36,030	(9)
Oil (bbls)	988	923	7	4,332	2,036	113
<b>Total sales (boe)</b>	<b>159,888</b>	<b>197,174</b>	<b>(19)</b>	<b>656,691</b>	<b>782,009</b>	<b>(16)</b>
<b>Average daily sales volumes:</b>						
Caburé (Mcfpd)	7,476	11,699	(36)	9,228	11,742	(21)
Murucututu (Mcfpd)	2,231	546	309	928	487	90
Total natural gas (Mcfpd)	9,707	12,245	(21)	10,156	12,229	(17)
NGLs – condensate (bopd)	109	92	18	90	99	(9)
Oil (bopd)	11	10	10	12	6	100
<b>Average daily sales (boepd)</b>	<b>1,738</b>	<b>2,143</b>	<b>(19)</b>	<b>1,794</b>	<b>2,142</b>	<b>(16)</b>

Sales volumes throughout much of 2024 were lower due to 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. In Q4 2024, sales volumes were also impacted by facility turnaround and inspection work at all facilities in the month of November.



### 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 months ended or year ended December 31, 2024. In September 2023, Bahiagás demand was below 80% of the firm volumes and Alvo Petro 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 December 31, 2024 or December 31, 2023.



## Average Realized Sales Prices

	Three Months Ended December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
<b>Average realized prices<sup>(1)</sup>:</b>						
Natural gas (\$/Mcf)	10.51	12.85	(18)	11.42	12.64	(10)
NGL – condensate (\$/bbl)	75.95	89.45	(15)	84.84	86.29	(2)
Oil (\$/bbl)	61.74	73.67	(16)	66.94	71.22	(6)
<b>Total (\$/boe)</b>	<b>63.88</b>	<b>77.60</b>	<b>(18)</b>	<b>69.31</b>	<b>76.33</b>	<b>(9)</b>
<b>Average benchmark prices:</b>						
Brent oil (\$/bbl)	74.66	84.01	(11)	80.52	82.49	(2)
Henry Hub (\$/MMBtu)	2.44	2.74	(11)	2.19	2.53	(13)
National Balancing Point (\$/MMBtu)	13.68	12.22	12	10.69	12.26	(13)
<b>Average contracted natural gas price<sup>(2)</sup></b>						
BRL/m <sup>3</sup>	1.94	1.99	(3)	1.95	1.99	(2)
<b>Average foreign exchange rate:</b>						
\$1 USD = BRL	5.837	4.955	18	5.392	4.995	8

(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 8% 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.

For all natural gas sales to December 31, 2024, the natural gas price under our long-term GSA with Bahiagás was set semi-annually (as of February 1<sup>st</sup> and August 1<sup>st</sup>) 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 were 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, Alvo Petro’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, Alvo Petro’s contracted natural price was slightly below the ceiling price in the contract as a result of declining benchmark prices. In Q3 2024 and Q4 2024 Alvo Petro 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<sup>3</sup>m<sup>3</sup>/d). Overall, the net discount averaged 1% of Alvo Petro’s Q4 2024 natural gas revenue and 2% of Alvo Petro’s natural gas revenue for the period July 1, 2024 to December 31, 2024. With the 3% decrease in the average contracted price, the 18% depreciation in the average BRL to USD rate in Q4 2024 compared to Q4 2023, and the discount on interruptible sales volumes, Alvo Petro’s realized USD natural gas price decreased by 18% from \$12.85/Mcf in Q4 2023 to \$10.51/Mcf in Q4 2024.

In December 2024, Alvo Petro and Bahiagás agreed to amend the GSA effective January 1, 2025 to increase contracted firm volumes to 400 e<sup>3</sup>m<sup>3</sup>/d and to adjust the natural gas pricing model. Under the new pricing structure, the natural gas price will be recalculated on a quarterly basis (rather than a semi-annual basis) and will incorporate only USD prices for Brent and Henry Hub. In addition, the floor and ceiling provisions with the original GSA were removed.

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

All sales and realized prices are reported net of applicable sales taxes. For the year ended December 31, 2024 Alvo Petro was 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 December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
Natural gas	9,389	14,472	(35)	42,442	56,433	(25)
Condensate	764	760	1	2,785	3,109	(10)
Oil	61	68	(10)	290	145	100
<b>Total</b>	<b>10,214</b>	<b>15,300</b>	<b>(33)</b>	<b>45,517</b>	<b>59,687</b>	<b>(24)</b>

With the 19% decrease in average daily production in Q4 2024 compared to Q4 2023 along with the 18% decrease in the average realized price, Alvo Petro's total natural gas, oil and condensate revenues decreased by \$5.1 million (-33%) compared to Q4 2023. For the year ended December 31, 2024, Alvo Petro's natural gas, oil and condensate revenues decreased by \$14.2 million (-24%) due to the 16% reduction in average daily sales volumes and the 9% decrease in the average realized price per boe.

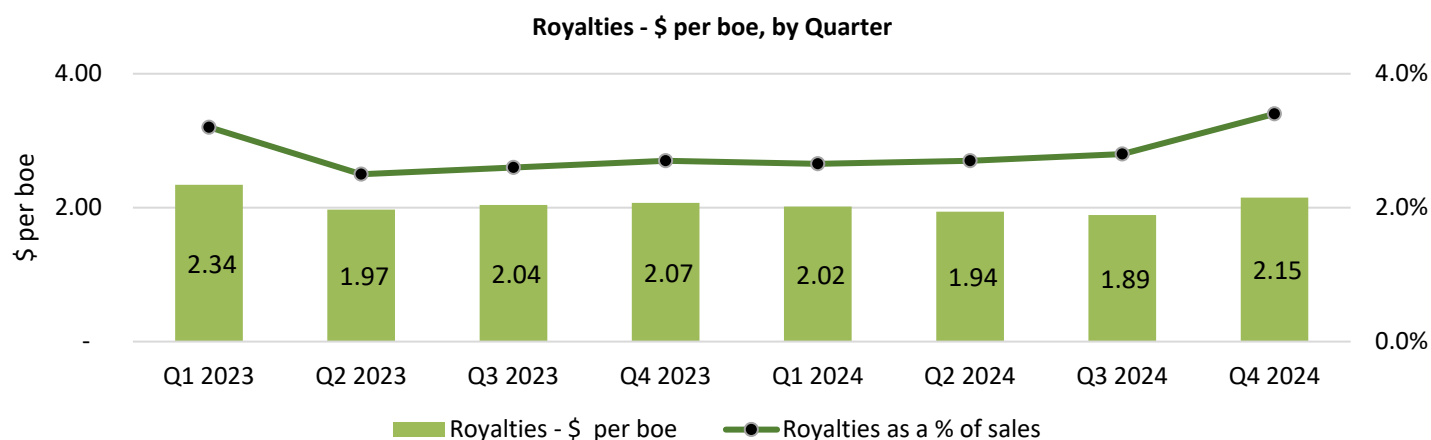
## Royalties

	Three Months Ended December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
Royalties	344	409	(16)	1,310	1,663	(21)
Royalties per boe (\$) <sup>(1)</sup>	2.15	2.07	4	1.99	2.13	(7)
Royalties as a % of sales <sup>(1)</sup>	3.4%	2.7%	26	2.9%	2.8%	4

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

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



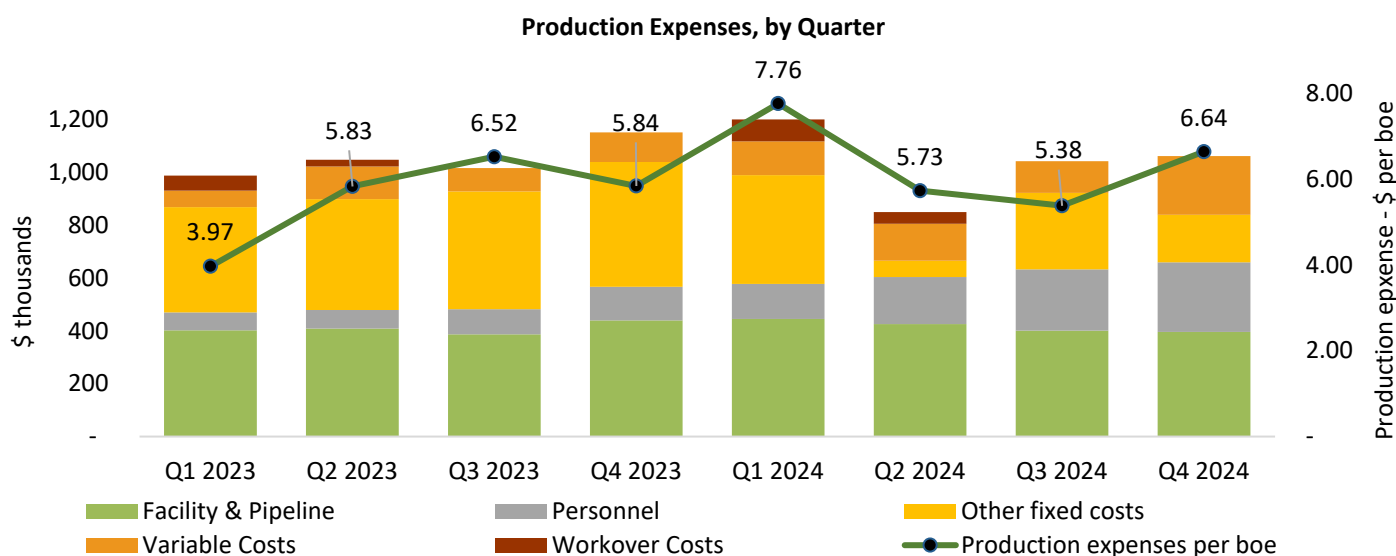
## Production Expenses

	Three Months Ended December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
Production expenses by type:						
Personnel costs	249	127	96	792	360	120
Facility and pipeline costs	396	440	(10)	1,668	1,638	2
Other fixed costs	195	473	(59)	959	1,738	(45)
Variable costs	222	112	98	610	387	58
Workover costs	-	-	-	127	82	55
<b>Total production expenses</b>	<b>1,062</b>	<b>1,152</b>	<b>(8)</b>	<b>4,156</b>	<b>4,205</b>	<b>(1)</b>

	Three Months Ended December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
Production expenses per boe <sup>(1)</sup> :						
Personnel costs	1.55	0.64	142	1.21	0.46	163
Facility and pipeline costs	2.48	2.23	11	2.54	2.10	21
Other fixed costs	1.22	2.40	(49)	1.46	2.23	(35)
Variable costs	1.39	0.57	144	0.93	0.49	90
Workover costs	-	-	-	0.19	0.10	90
<b>Total</b>	<b>6.64</b>	<b>5.84</b>	<b>14</b>	<b>6.33</b>	<b>5.38</b>	<b>18</b>

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

In Q3 2024 Alvo Petro assumed operatorship of the Unit resulting in an increase in personnel and variable costs in the second half of 2024, offset by lower other fixed costs as amounts previously charged by our partner for Unit operations were included in this category. The majority of production expenses for Unit operations are split between Alvo Petro and our Partner based on monthly production allocations and as a result Alvo Petro's share of such costs can fluctuate even where Alvo Petro production levels are consistent due to fluctuations in our Partner's natural gas nominations. Overall, total production expenses in Q4 2024 decreased by 8% compared to Q4 2023. In the year ended December 31, 2024, other fixed costs included a \$0.5 million reduction relating to additional 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 Alvo Petro's initial working interest of 49.1% to the redetermined working interest of 56.2%. On a per boe basis, production expenses in both the three months and year ended December 31, 2024 increased compared to 2023 due to the reduction in overall sales volumes.



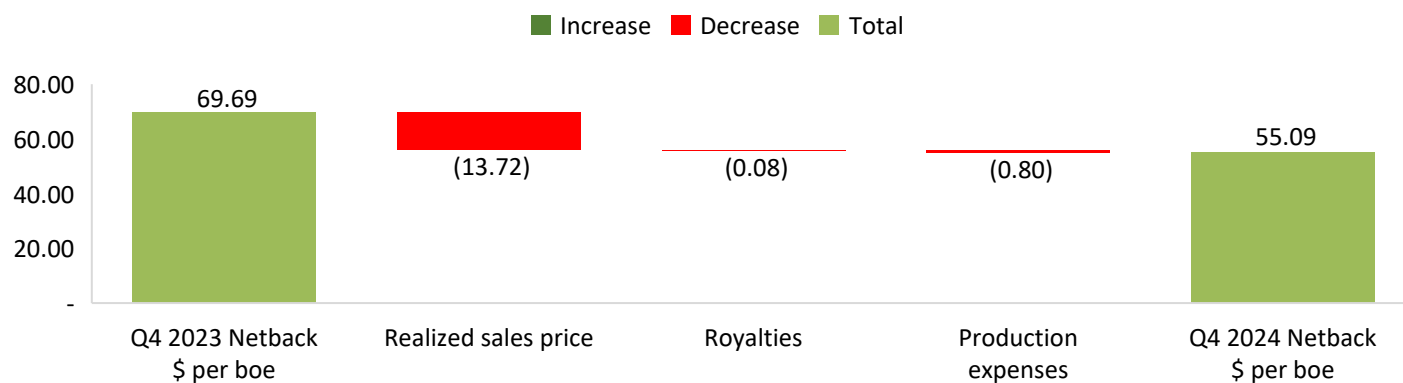
## Operating Netback

	Three Months Ended December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
Operating netback <sup>(1)</sup>						
Natural gas, oil and condensate sales	10,214	15,300	(33)	45,517	59,687	(24)
Royalties	(344)	(409)	(16)	(1,310)	(1,663)	(21)
Production expenses	(1,062)	(1,152)	(8)	(4,156)	(4,205)	(1)
Operating netback <sup>(1)</sup>	8,808	13,739	(36)	40,051	53,819	(26)
Operating netback - \$ per boe <sup>(1)</sup> :						
Average realized sales price - \$ per boe <sup>(1)</sup>	63.88	77.60	(18)	69.31	76.33	(9)
Royalties - \$ per boe <sup>(1)</sup>	(2.15)	(2.07)	4	(1.99)	(2.13)	(7)
Production expenses - \$ per boe <sup>(1)</sup>	(6.64)	(5.84)	14	(6.33)	(5.38)	18
Operating netback per boe	55.09	69.69	(21)	60.99	68.82	(11)
Operating netback margin <sup>(1)</sup>	86%	90%	(4)	88%	90%	(2)

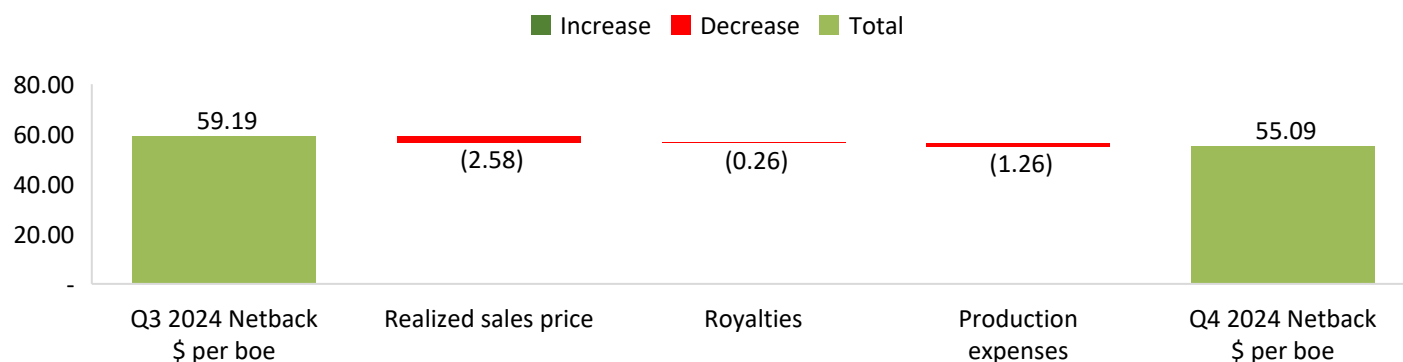
(1) See "Non-GAAP and Other Financial Measures" section within this MD&A.

With lower realized sales prices and higher production expenses per boe, Alvo Petro's operating netback decreased by \$14.60 per boe (-21%) in Q4 2024 compared to Q4 2023 and by \$4.10 per boe (-7%) compared to Q3 2024.

### Change in Operating Netback per boe by Component (Q4 2024 compared to Q4 2023)

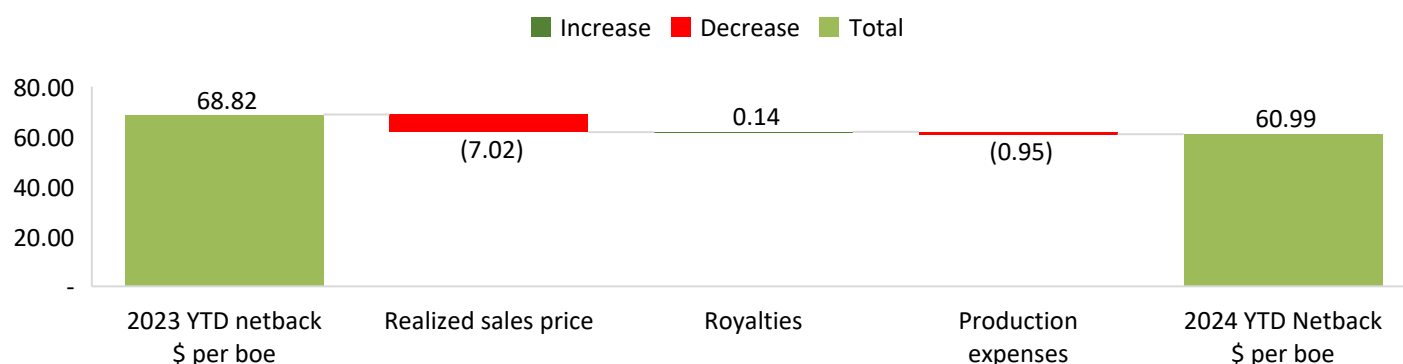


### Change in Operating Netback per boe by Component (Q4 2024 compared to Q3 2024)



For the year ended December 31, 2024, Alvo Petro's operating netback decreased \$7.83 per boe (-11%) due to lower realized sales prices and higher production expenses.

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



**Other Income**

	Three Months Ended December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
Interest income	300	258	16	1,241	1,277	(3)
Tax recoveries from operations and other	135	162	(17)	491	518	(5)
<b>Total</b>	<b>435</b>	<b>420</b>	<b>4</b>	<b>1,732</b>	<b>1,795</b>	<b>(4)</b>

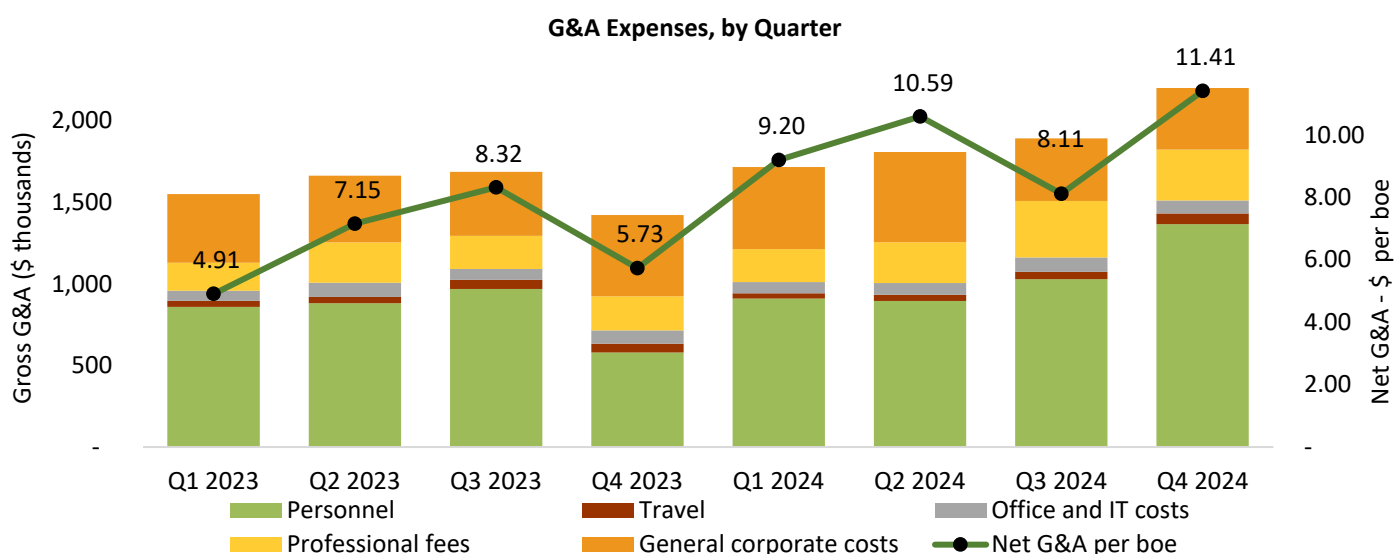
The majority of other income relates to interest income on cash and cash equivalent deposits and tax credits arising from ongoing operations. Alvo Petro's interest income in Q4 2024 increased compared to Q4 2023 with higher average daily cash balances in 2024 and improved interest rates in Brazil, offset by lower interest rates in Canada. For the year-ended December 31, 2024, interest income decreased 3% compared to 2023 mainly due to lower interest rates in Brazil in 2024 compared to 2023.

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

G&A Expenses, by type:	Three Months Ended December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
Personnel	1,366	579	136	4,199	3,287	28
Travel	65	54	20	180	185	(3)
Office and IT costs	80	81	(1)	310	298	4
Professional fees	312	209	49	1,110	830	34
General corporate costs	390	499	(22)	1,829	1,721	6
Gross G&A	2,213	1,422	56	7,628	6,321	21
Capitalized G&A	(389)	(292)	33	(1,239)	(1,385)	(11)
G&A expenses	1,824	1,130	61	6,389	4,936	29
\$ per boe <sup>(1)</sup>	11.41	5.73	99	9.73	6.31	54

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

Growing staffing levels associated with the assumption of Caburé Unit operations and higher activity levels increased personnel costs compared to 2023. Q4 2024 includes final adjustments for annual short-term incentive bonuses for personnel, contributing to increased personnel costs compared to prior quarters in 2024. Q4 2023 personnel expenses were impacted by reductions in annual short-term incentive bonuses contributing to lower personnel costs in the prior period. Gross G&A Expenses in 2024 were also impacted by 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 higher due to lower production volumes in 2024 compared to 2023.



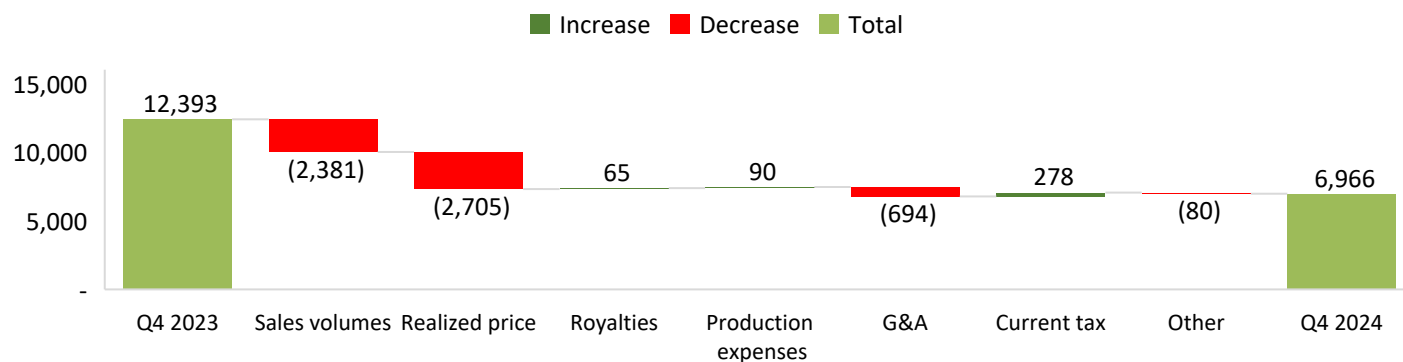
### Cash Flows from Operating Activities and Funds Flow from Operations

	Three Months Ended December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
Cash flows from operating activities	7,114	7,904	(10)	34,901	47,702	(27)
Per share – basic (\$)	0.19	0.21	(10)	0.94	1.29	(27)
Per share – diluted (\$)	0.19	0.21	(10)	0.93	1.26	(26)
Funds flow from operations <sup>(1)</sup>	6,966	12,393	(44)	33,275	48,030	(31)
Per share – basic (\$)	0.19	0.33	(42)	0.89	1.29	(31)
Per share – diluted (\$)	0.19	0.33	(42)	0.89	1.27	(30)

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

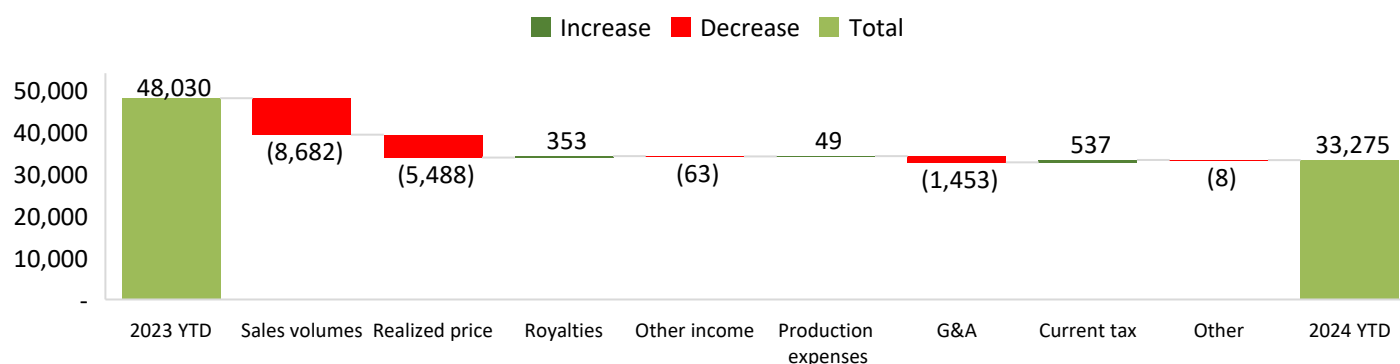
Funds flow from operations in Q4 2024 decreased \$5.4 million (-44%) from Q4 2023 due to the 19% decrease in daily sales volumes combined with the 18% decreased in the realized price and higher G&A, partially offset by lower production expenses and current tax expense.

### Change in Funds Flow From Operations (Q4 2024 compared to Q4 2023)



Funds flow from operations for the year ended December 31, 2024 decreased \$14.8 million (-31%) compared to 2023 with lower sales volumes, lower realized prices and higher G&A, partially offset by lower royalties and current tax expense.

### Change in Funds Flow From Operations (YTD 2024 vs YTD 2023)



### Foreign Exchange

	As at			% Appreciation (Depreciation) of BRL/CAD to USD	
	December 31, 2024	September 30, 2024	December 31, 2023	Q4 2024	YTD 2024
<b>Rate at end of period:</b>					
\$1 USD = BRL	6.192	5.448	4.841	(14)	(28)
\$1 USD = CAD	1.439	1.350	1.323	(7)	(9)

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 December 31,		Year Ended December 31,		% Appreciation (Depreciation) of BRL/CAD to USD	
	2024	2023	2024	2023	Change from Q4 2023	Change from YTD 2023
<b>Average rate in the period:</b>						
\$1 USD = BRL	5.837	4.955	5.392	4.995	(18)	(8)
\$1 USD = CAD	1.398	1.362	1.369	1.349	(3)	(1)

The assets and liabilities of Alvo Petro's Brazilian subsidiaries are translated to USD at the exchange rate on the reporting period date. The income and expenses of BRL-denominated items are translated to USD at the exchange rates on the date of the relevant transactions. All resulting foreign currency differences are recorded in exchange gain or loss on translation of foreign operations in other comprehensive income or loss. The BRL depreciated 14% from September 30, 2024 and 28% from December 31, 2023 resulting in an exchange loss in comprehensive income in both the three months and year ended December 31, 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 loss of \$1.0 million on intercompany advances in Q4 2024 (Q4 2023 - \$1.0 million foreign exchange gain) and a foreign exchange loss of \$1.1 million on the lease liability (Q4 2023 -\$0.3 million foreign exchange gain). For the year ended December 31, 2024 a foreign exchange loss of \$3.9 million was recognized on US dollar denominated intercompany advances (2023 - \$2.8 million foreign exchange gain) and a \$2.1 million loss on the lease liability (2023 - \$0.8 million foreign exchange gain). As of December 31, 2024, the USD denominated intercompany balance was \$4.7 million (December 31, 2023 - \$29.2 million) and the USD denominated lease liability was \$7.8 million (December 31, 2023 - \$8.6 million).

As discussed above, the Company is exposed to foreign exchange fluctuations on its natural gas revenues. With respect to Alvo Petro'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 Q4 2024, the actual average rate was 5.84, a

depreciation of 15% 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 December 31,		Year Ended December 31,	
	2024	2023	2024	2023
Increase (Decrease) to Natural Gas Revenues from:				
5% Appreciation of BRL to USD	494	762	2,234	2,970
10% Appreciation of BRL to USD	1,043	1,608	4,716	6,270
5% Depreciation of BRL to USD	(447)	(689)	(2,021)	(2,687)
10% Depreciation of BRL to USD	(854)	(1,316)	(3,858)	(5,130)

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 recognizes 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 December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
Depletion and depreciation on PP&E	1,723	1,895	(9)	6,406	6,491	(1)
Depreciation of right-of-use assets	301	297	1	1,186	1,177	1
Depletion and depreciation expense	2,024	2,192	(8)	7,592	7,668	(1)
\$ per boe <sup>(1)</sup>	12.66	11.12	14	11.56	9.81	18

(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. While production volumes decreased 19% in Q4 2024 compared to Q4 2023 and 16% for the year ended December 31, 2024 compared to December 31, 2023, depletion and depreciation on PP&E decreased by only 9% and 1% respectively due to a higher depletable base in 2024 compared to 2023.

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

## Impairment

	Three Months Ended December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
Bom Lugar	-	4,238	(100)	-	4,238	(100)
Block 182	-	6,748	(100)	-	6,748	(100)
Other	-	-	-	91	-	-
Total impairment expense	-	10,986	(100)	91	10,986	(99)

The impairment recognized in 2024 relates to equipment inventory sold for \$0.2 million during the year. Prior to the sale, the assets were first transferred to assets held for sale and written down to the estimated fair value at the time of the transfer, resulting in an impairment loss of \$0.1 million.

In Q4 2023, Alvo Petro recognized impairment losses of \$11.0 million, including \$4.2 million on PP&E with respect to the Bom Lugar field and \$6.7 million on E&E with respect to Block 182.



## Share-Based Compensation Expense

	Three Months Ended December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
Share-based compensation expense	355	334	6	1,240	1,147	8

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 December 31, 2024, a total of 3.2 million awards were outstanding (December 31, 2023 – 2.7 million) with 2,004,108 stock options (December 31, 2023 – 1,801,440) and 1,236,580 RSUs and DSUs (December 31, 2023 – 881,541). With the increase in awards outstanding, share-based compensation increased in both Q4 2024 and for the year ended December 31, 2024 compared to the same periods in 2023.

## Finance Expenses

	Three Months Ended December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
Lease interest	330	360	(8)	1,370	1,495	(8)
Accretion on decommissioning liabilities	25	15	67	100	58	72
Finance expenses	355	375	(5)	1,470	1,553	(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 December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
Current income tax expense	377	655	(42)	1,983	2,520	(21)
Deferred income tax expense	15	(842)	(102)	869	1,754	(50)
Total	392	(187)	(310)	2,852	4,274	(33)
Effective tax rate	14.9%	(40.2%)	(137)	14.9%	13.0%	14

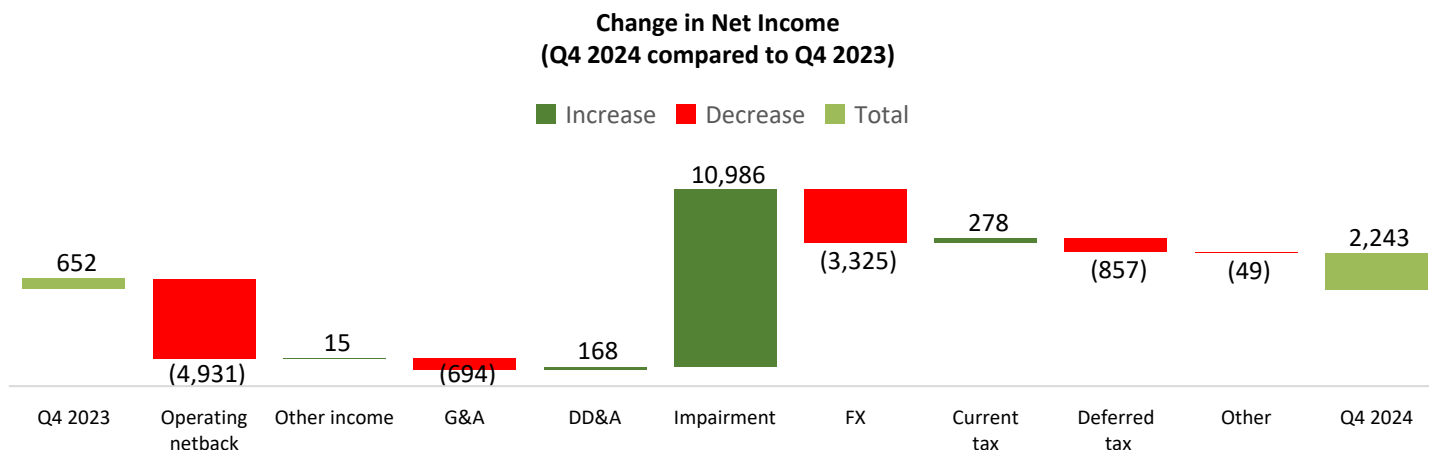
The statutory corporate tax rate in Brazil is 34%. This is comprised of a basic 15% corporate income tax, plus 10% surtax and a 9% social contribution tax. Alvo Petro is eligible for Supertintendência de Desenvolvimento do Nordeste (“SUDENE”), a regional tax incentive offered in Bahia State. Under the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

For the year ended December 31, 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, partially offset by impairment losses recognized in 2023 which contributed to the deferred tax recovery in Q4 2023. Overall, the Company’s effective tax rate (computed as total income tax expense divided by income before taxes) is 14.9% for Q4 2024 and the year ended December 31, 2024 consistent with the SUDENE rate of 15.25%. The Q4 2023 effective tax rate of -40% and the overall 2023 effective tax rate of 13% for the year ended December 31, 2023 was lower than the SUDENE rate of 15.25% due mainly to impairment losses recognized in Q4 2023 and the deferred tax asset arising from such amounts as the tax deduction for such losses is not immediately available.

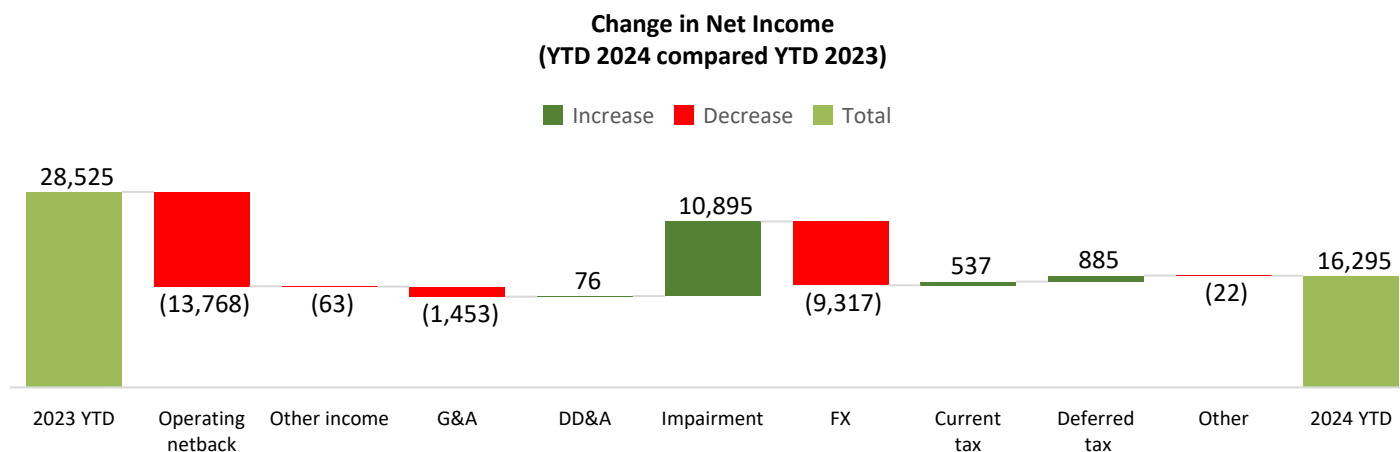
## Net Income

	Three Months Ended December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
Net income	2,243	652	244	16,295	28,525	(43)
Per share – basic (\$)	0.06	0.02	200	0.44	0.77	(43)
Per share – diluted (\$)	0.06	0.02	200	0.43	0.76	(43)

Net income in Q4 2024 increased \$1.6 million compared to Q4 2023 due to \$11.0 million in impairment losses recognized in Q4 2023 and lower current tax expense in Q4 2024, offset by lower overall operating netback, foreign exchange losses (compared to foreign exchange gains in Q4 2023) and higher deferred tax expense and G&A.



In the year ended December 31, 2024 net income decreased \$12.2 million compared to 2023 to lower operating netback (with lower overall sales volumes and realized prices), foreign exchange losses (compared to foreign exchange gains in 2023) and higher G&A, partially offset by lower impairment losses, current tax and deferred tax expense.



## Capital Expenditures

Capital Expenditures by Type	Three Months Ended December 31,		Year Ended December 31,	
	2024	2023	2024	2023
<b>E&amp;E</b>				
Drilling and completions	2,933	12	3,199	304
Land, lease, and similar payments	-	-	4	52
Equipment inventory purchases	316	1,624	933	5,628
Capitalized G&A	165	6	225	107
<b>Total E&amp;E</b>	<b>3,414</b>	<b>1,642</b>	<b>4,361</b>	<b>6,091</b>
<b>PP&amp;E</b>				
Facility & equipment	1,021	518	5,663	1,148
Drilling & completions	-	2,427	4,141	18,740
Land, lease, and similar payments	5	(23)	23	(6)
Capitalized G&A	224	286	1,014	1,278
Furniture & fixtures and other	18	84	103	198
<b>Total PP&amp;E</b>	<b>1,268</b>	<b>3,292</b>	<b>10,944</b>	<b>21,358</b>
<b>Total Capital Expenditures</b>	<b>4,682</b>	<b>4,934</b>	<b>15,305</b>	<b>27,449</b>

Capital Expenditures by Property	Three Months Ended December 31,		Year Ended December 31,	
	2024	2023	2024	2023
<b>E&amp;E</b>				
Blocks 182, 183	3,098	18	3,428	463
Equipment inventory purchases	316	1,624	933	5,628
<b>Total E&amp;E</b>	<b>3,414</b>	<b>1,642</b>	<b>4,361</b>	<b>6,091</b>
<b>PP&amp;E</b>				
Caburé and associated midstream assets	1,124	495	5,590	1,022
Murucututu	133	2,575	5,320	12,989
Bom Lugar	-	251	7	7,330
Mãe-da-lua	-	-	2	29
Other	11	(29)	25	(12)
<b>Total PP&amp;E</b>	<b>1,268</b>	<b>3,292</b>	<b>10,944</b>	<b>21,358</b>
<b>Total Capital Expenditures</b>	<b>4,682</b>	<b>4,934</b>	<b>15,305</b>	<b>27,449</b>

Capital expenditures in Q4 2024 included costs for re-entry and sidetrack of our 183-B1 well on our exploratory asset, Block 183, as well as the facilities upgrade project at Caburé.

## Summary of Annual Results

	2024	2023	2022
<b>Financial</b>			
Natural gas, oil and condensate sales	45,157	59,687	63,508
Net income	16,295	28,525	31,732
Per share – basic (\$) <sup>(1)</sup>	0.44	0.77	0.92
Per share – diluted (\$) <sup>(1)</sup>	0.43	0.76	0.86
Cash flows from operations	34,901	47,702	47,534
Per share – basic (\$) <sup>(1)</sup>	0.94	1.29	1.37
Per share – diluted (\$) <sup>(1)</sup>	0.93	1.26	1.29
Funds flow from operations <sup>(2)</sup>	33,275	48,030	49,879
Per share – basic (\$) <sup>(1)</sup>	0.89	1.29	1.44
Per share – diluted (\$) <sup>(1)</sup>	0.89	1.27	1.35
Net working capital surplus <sup>(2)</sup>	13,181	13,117	14,698
Total assets	101,023	109,825	98,427
Non-current liabilities	7,858	8,739	9,090
<b>Average daily sales:</b>			
Natural gas (Mcfpd)	10,156	12,229	14,647
NGL – condensate (bopd)	90	99	110
Oil (bopd)	12	6	6
<b>Total average daily sales (boepd)</b>	<b>1,794</b>	<b>2,142</b>	<b>2,557</b>

(1) 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.

In 2024 average daily sales volumes were 1,794 boepd, a decrease of 16% and 30% from 2023 and 2022 respectively. Lower sales volumes combined with lower average realized prices resulted in a 24% decrease in natural gas, oil and condensate sales compared to 2023 and a 29% decrease compared to 2022. Similarly net income and funds flow from operations in 2024 decreased 43% and 31% relative to 2023 and 49% and 33% relative to 2022. Net income in 2024 was negatively impacted by foreign exchange losses compared to foreign exchange gains in 2023 and 2022, partially offset by larger impairment losses recognized in 2022 and 2023.

The Company’s working capital surplus as of December 31, 2024 was consistent with December 31, 2023 and decreased \$1.5 million compared to December 31, 2022.

Total assets have increased 3% from December 31, 2022 but decreased 8% from December 31, 2023 despite capital spending due to DD&A as well as declines in USD equivalent balances of BRL denominated assets following the depreciation of the BRL relative to the USD which depreciated 28% from December 31, 2023 and 19% from December 31, 2022.

Non-current liabilities have decreased \$1.2 million (-14%) since December 31, 2022 with repayment of lease liabilities.

## Summary of Quarterly Results

	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
<b>Financial</b>								
Natural gas, oil and condensate sales	10,214	12,879	10,672	11,752	15,300	12,313	13,914	18,160
Net income	2,243	7,152	2,350	4,550	652	5,819	9,852	12,202
Per share – basic (\$) <sup>(1)</sup>	0.06	0.19	0.06	0.12	0.02	0.16	0.27	0.34
Per share – diluted (\$) <sup>(1)</sup>	0.06	0.19	0.06	0.12	0.02	0.15	0.26	0.33
Cash flows from operating activities	7,114	10,714	8,860	8,213	7,904	12,469	13,473	13,856
Per share – basic (\$) <sup>(1)</sup>	0.19	0.29	0.24	0.22	0.21	0.34	0.37	0.38
Per share – diluted (\$) <sup>(1)</sup>	0.19	0.28	0.24	0.22	0.21	0.33	0.36	0.37
Funds flow from operations <sup>(2)</sup>	6,966	9,886	7,910	8,513	12,393	9,618	11,047	14,972
Per share – basic (\$) <sup>(1)</sup>	0.19	0.27	0.21	0.23	0.33	0.26	0.30	0.41
Per share – diluted (\$) <sup>(1)</sup>	0.19	0.26	0.21	0.23	0.33	0.25	0.29	0.40
Dividends declared	3,283	3,295	3,296	3,296	5,127	5,122	5,109	5,104
Per share (\$) <sup>(1)(2)</sup>	0.09	0.09	0.09	0.09	0.14	0.14	0.14	0.14
Capital expenditures	4,682	4,747	3,437	2,439	4,934	10,703	8,521	3,291
Net working capital <sup>(2)</sup>	13,181	15,848	14,692	15,047	13,117	11,392	18,084	20,915
<b>Operations</b>								
Average realized prices <sup>(2)</sup> :								
Natural gas (\$/Mcf)	10.51	10.92	11.83	12.57	12.85	13.06	12.86	12.06
NGL – condensate (\$/bbl)	75.95	86.70	92.27	87.89	89.45	89.43	83.35	84.10
Oil (\$/bbl)	61.74	68.36	71.87	65.06	73.67	73.08	63.93	72.29
Average foreign exchange (\$1 USD = BRL)	5.837	5.545	5.213	4.952	4.955	4.880	4.949	5.196
Operating netback (\$/boe) <sup>(2)</sup>								
Realized sales price	63.88	66.46	71.97	75.94	77.60	78.90	77.41	72.92
Royalties	(2.15)	(1.89)	(1.94)	(2.02)	(2.07)	(2.04)	(1.97)	(2.34)
Production expenses	(6.64)	(5.38)	(5.73)	(7.76)	(5.84)	(6.52)	(5.83)	(3.97)
Operating netback	55.09	59.19	64.30	66.16	69.69	70.34	69.61	66.61
Operating netback margin <sup>(2)</sup>	86%	89%	89%	87%	90%	89%	90%	91%
Average daily sales volumes:								
Natural gas (Mcfpd)	9,707	11,994	9,244	9,666	12,245	9,675	11,269	15,795
NGL – condensate (bopd)	109	95	76	78	92	81	92	130
Oil (bopd)	11	12	12	12	10	3	5	5
Total average daily sales (boepd)	1,738	2,106	1,629	1,701	2,143	1,696	1,975	2,767

### 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 decreased 17% in Q4 2024 compared to Q3 2024 with reduced natural gas demand as well as planned shutdowns during the month of November for facility turnarounds and inspections. Lower daily sales volumes and a 4% reduction in the averaged realized sales price resulted in a \$2.7 million decrease in natural gas, oil and condensate sales (-21%) compared to Q3 2024 and our operating netback decreased \$4.10 per boe. With the lower operating netback and higher G&A, funds flow from operations decreased \$2.9 million while net income decreased \$4.9 million due mainly to foreign exchange losses in Q4 2024 compared to foreign exchange gains in Q3 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. 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.

## Commitments and Contingencies

The following is a summary of Alvopectro's contractual commitments as at December 31, 2024:

	< 1 Year	1-3 Years	Thereafter	Total
<b>Gas Treatment Agreement<sup>(1)</sup></b>	1,249	2,499	3,124	6,872
<b>Office lease</b>	32	144	16	192
<b>Total commitments</b>	<b>1,281</b>	<b>2,643</b>	<b>3,140</b>	<b>7,064</b>

(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 December 31, 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 Alvopectro's 11-kilometre transfer pipeline. The office lease commitment amounts above relate to a lease agreement the Company has entered into in Canada for an office lease which commences in 2025 and ends in 2029. Management has assessed that this agreement is a lease under IFRS 16 and it will be classified as such upon lease commencement.

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. Alvopectro 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.

In the normal course of operations we have disputes for which we currently cannot determine the ultimate results. The Company rigorously defends its positions in any such matters and has a policy to record contingent liabilities as the amounts become determinable and the probability of loss is more likely than not. The Company currently has no contingent liabilities recorded. However, the outcome of adverse decisions in any pending or threatened proceedings related to these and other matters are unknown and could have a material impact on the Company's financial position, results of operations or cash flows.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash and Working Capital

At December 31, 2024, Alvopectro's cash and cash equivalents of \$21.7 million were held as follows:

	Total	U.S. Dollar	CAD Dollar <sup>(1)</sup>	BRL <sup>(1)</sup>
Cash and cash equivalents held in Canada	18,382	18,062	320	-
Cash and cash equivalents held in Brazil	3,315	-	-	3,315
<b>Total</b>	<b>21,697</b>	<b>18,062</b>	<b>320</b>	<b>3,315</b>

(1) Amounts in the table above denote the U.S. dollar equivalent as at December 31, 2024.

The Company had cash and cash equivalents of \$21.7 million and a total net working capital surplus of \$13.2 million at December 31, 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 Alvopectro was \$1.3 million as at December 31, 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 December 31, 2024, the Company had \$5.2 million of equipment inventory to be utilized for future operations which is included in exploration and evaluation assets in the consolidated statements of financial position.

## Lease Liabilities

The lease liability to Enerflex in respect of the monthly facility payments under our Gas Treatment Agreement represents the majority of the Company's lease liabilities as at December 31, 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	
	December 31, 2024	December 31, 2023
Lease liabilities, beginning of period	8,681	9,428
Additions	114	26
Finance expense	1,370	1,495
Lease payments	(2,278)	(2,274)
Foreign currency translation	(24)	6
Lease liabilities, end of period	7,863	8,681
Current	1,069	959
Non-current	6,794	7,722
Total, end of period	7,863	8,681

## Dividends

	Three Months Ended December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
Dividends declared	3,283	5,127	(36)	13,170	20,462	(36)
Dividends declared – per share (\$) <sup>(1)</sup>	0.09	0.14	(36)	0.36	0.56	(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 Alvo Petro's long-standing capital allocation objective to balance spending from cash flows between reinvestment in growth opportunities and returns to stakeholders. However, the decision to declare any future quarterly dividend and the amount of such dividend, if any, remains subject to the discretion of the Board and may vary depending on numerous factors. There can be no assurance that dividends will be paid at the intended rate or at any rate in the future. On March 18, 2025, the Board of Directors declared a dividend of \$0.10 per common share, payable on April 15, 2025 to shareholders of record on March 31, 2025.

## Normal Course Issuer Bid

	Three Months Ended December 31,			Year Ended December 31,		
	2024	2023	Change (%)	2024	2023	Change (%)
Shares repurchased (#)	126,200	4,600	2,643	189,000	4,600	4,009
Average price per share (C\$)	4.89	6.76	(28)	4.95	6.76	(27)
Total cost of share repurchases - \$000s <sup>(1)</sup>	439	23	1,809	690	23	2,900

(1) Includes applicable fees.

On August 13, 2024, Alvo Petro launched a normal course issuer bid (the "2024 NCIB") to repurchase Alvo Petro common shares. The terms of the 2024 NCIB permit Alvo Petro to repurchase up to 2,953,044 common shares from August 13, 2024 to the earlier of August 12, 2025 or when the 2024 NCIB is completed or terminated by Alvo Petro. Any shares repurchased under the NCIB will be cancelled. In 2023 Alvo Petro also had a normal course issuer bid in place (the "2023 NCIB").

In 2024, 126,200 shares were repurchased and cancelled pursuant to the 2024 NCIB in Q4 2024 with total of 189,000 shares repurchased and cancelled for the year ended December 31, 2024. In Q4 2023, 4,600 shares were repurchased and cancelled pursuant to 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 March 18, 2025, there were 36,414,896 common shares, 1,914,108 stock options, 880,474 RSUs and 349,999 DSUs outstanding. There are no preferred shares outstanding.

## RELATED PARTY TRANSACTIONS

There were no related party transactions with entities outside the consolidated group in the years ended December 31, 2024 or December 31, 2023. Key management personnel include Alvopetro's directors and officers. In the year ended December 31, 2024, the Company recorded \$1.7 million (2023 - \$1.3 million) in salary and benefits to key management personnel and \$1.0 million in share-based compensation (2023 - \$1.0 million).

## 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		Year Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Operating netback - \$ per boe	55.09	69.69	60.99	68.82
Average realized price - \$ per boe	63.88	77.60	69.31	76.33
Operating netback margin	86%	90%	88%	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		Year Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Per basic share:				
Cash flows from operating activities	0.19	0.21	0.94	1.29
Funds flow from operations	0.19	0.33	0.89	1.29
Per diluted share:				
Cash flows from operating activities	0.19	0.21	0.93	1.26
Funds flow from operations	0.19	0.33	0.89	1.27

### **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		Year Ended	
	December 31,		December 31,	
	2024	2023	2024	2023
Cash flows from operating activities	7,114	7,904	34,901	47,702
Changes in non-cash working capital	(148)	4,489	(1,626)	328
Funds flow from operations	6,966	12,393	33,275	48,030

#### ***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 December 31	
	2024	2023
Total current assets	26,984	25,995
Total current liabilities	(13,803)	(12,878)
Net working capital	13,181	13,117

## **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 December 31, 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, exploitation, acquisition and disposition risk, operational and uninsurable risks, inflation and supply chain management risk, foreign operations risk, legal and regulatory risks including the impact of new and stricter environmental regulations, liquidity and financing risk and competitive risks within the oil and gas industry. In addition, Alvopetro’s working interest in the Caburé natural gas field is subject to redeterminations, the first of which was completed in 2024 but the results of which are under dispute. The dispute has proceeded to arbitration and the outcome of the arbitration is currently unknown and may have a material adverse effect on Alvopetro potentially increasing Alvopetro’s exposure to other risks as discussed herein.

This section presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk, and the Company’s management of capital. Further quantitative disclosures are included throughout the consolidated financial statements. Investors should carefully consider the following risk factors and the additional risk factors set forth under the heading "Risk Factors" in our Annual Information Form that can be found on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## A. Arbitration of Alvo Petro's Working Interest and Impact of Future Redeterminations

Historically, substantially all of Alvo Petro's natural gas and condensate sales have been from the Unit. Alvo Petro's current working interest in the Unit as of December 31, 2024 and the date of this MD&A is 56.2%; however, under the terms of the UOA, the working interest split is subject to redeterminations which may impact Alvo Petro's working interest in the future. The first redetermination commenced in 2023 and the parties engaged the Expert to evaluate each party's interpretation of the respective working interests. On April 4, 2024, Alvo Petro and the Partner received the Expert's decision wherein the Expert found in favour of Alvo Petro, increasing Alvo Petro's working interest in the Unit from 49.1% to 56.2%. Alvo Petro's Partner filed a notice of dispute with respect to the Expert's decision, seeking to stay the redetermination procedure. Alvo Petro 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 the UOA. On May 10, 2024, Alvo Petro received the Order of the emergency arbitrator wherein the arbitrator found in favour of Alvo Petro, 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, Alvo Petro's working interest was adjusted to 56.2% and Alvo Petro is now entitled to higher natural gas production and condensate entitlements from the Unit and will be responsible for its share of capital expenditures at this higher working interest. With Alvo Petro's Redetermined Working Interest above 50%, Alvo Petro was entitled to assume operatorship of the Unit which was completed in the third quarter of 2024. While assumption of operatorship has reduced Alvo Petro's reliance on the Partner to ensure Alvo Petro's entitlement to production from the Unit, Alvo Petro is now responsible for the daily activities of the Unit including adherence to regulatory requirements and all administrative matters. This may increase Alvo Petro's costs and exposure to additional legal, regulatory, environmental and operating hazards. The Company manages this risk through the employment of qualified personnel within Canada and Brazil to manage all local operations. In addition, Alvo Petro and the Partner entered into a comprehensive unitization agreement which governs the responsibilities of the operator and non-operators in a fair and balanced approach. Alvo Petro has comprehensive insurance coverage with respect to all operations of the Unit.

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 "Tribunal"). The full arbitration process has commenced, however the timing and outcome of the full arbitration is uncertain and Alvo Petro will be exposed to risks and uncertainties as further described below which may impact future revenues, future cash flows and Alvo Petro's reserves and reserve life and such impact may be material. In addition, the overall timeline to conclude this process is uncertain and Alvo Petro will be exposed to additional legal and other costs associated with the arbitration. Even where Alvo Petro 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 Alvo Petro.

### *Revenues*

Under the terms of the UOA, each party is entitled to nominate natural gas deliveries based on their working interest share of Unit production plus any natural gas not nominated by the other party. To the extent Alvo Petro's working interest is reduced following a decision of the Tribunal, Alvo Petro's entitlement to natural gas production from the Unit will be reduced resulting in lower revenues and cash flows in the future.

NGL production from the Unit is shared by each party according to working interest. Following the Order, Alvo Petro is currently entitled to 56.2% of the NGL production from the Unit plus an additional 5% until it has recovered the shortfall of historical NGL production (where Alvo Petro received only 49.1% of NGL production). To the extent Alvo Petro's working interest is reduced following the decision of the Tribunal, Alvo Petro's share of NGL sales from the Unit will be adjusted to this new lower working interest less the additional 5% adjustment, contributing to lower revenues and future cash flows.

To mitigate the risks associated with any reduction in working interest at the Unit and an associated reduction in natural gas sales, Alvo Petro is focused on developing the 100% owned and operated Murucutu natural gas field. Production from the field increased in 2024 and Alvo Petro's capital plans for 2025 include drilling two additional development wells on the field.

### *Reserves and Reserve Life*

Under the terms of the UOA the parties agreed to the "Unit Recoverable Volumes", an aggregate balance of recoverable hydrocarbon volumes defined as the estimated ultimate recovery of all hydrocarbons from the Unit on a best estimate basis. To the extent Alvo Petro's working interest is reduced following the decision of the Tribunal, Alvo Petro's share of remaining Unit Recoverable Volumes from the Unit will decrease. Once Alvo Petro has fully depleted its share of Unit Recoverable Volumes it will no longer be entitled to production allocations from the Unit which may result in a material adverse effect on Alvo Petro.

Alvopetro's reserves as of December 31, 2024 as presented in this MD&A are determined in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") and National Instrument 51-101 ("NI 51-101") and are based on Alvopetro's working interest of 56.2% as of December 31, 2024. To the extent Alvopetro's working interest is reduced following the arbitration decision, Alvopetro's reserves may be materially reduced which will increase Alvopetro's liquidity and financing risk which could have a material adverse effect on Alvopetro's business, financial condition, results of operations and prospects, and could result in the delay or indefinite postponement of further exploration, evaluation and development of Alvopetro's properties. Furthermore, Alvopetro's reserves as determined in accordance with the COGE Handbook and NI 51-101 may differ from Alvopetro's remaining entitlement to Unit Recoverable Volumes agreed by the parties under the provisions of the UOA. Even where Alvopetro is still entitled to Unit Recoverable Volumes as determined by the Unit, Alvopetro's remaining reserves determined in accordance with the COGE Handbook and NI 51-101 may be materially different.

#### *Capital expenditures*

Historical capital expenditures of the Unit will be adjusted to any revised working interest decided upon by the Tribunal. To the extent Alvopetro's working interest decreases, Alvopetro will be entitled to a recovery of past costs.

Future capital expenditures will be based on the updated working interests if adjusted by the Tribunal. The Unit has agreed to a development plan which includes five development wells for an estimated total gross cost of \$14.8 million. Alvopetro's share of the costs for the five development wells, based on the 56.2% working interest effective December 31, 2024, is \$8.3 million. Alvopetro's share of such costs will be adjusted to the extent any decision of the Tribunal adjusts the working interest.

#### *Operatorship*

Following the Order, Alvopetro assumed operatorship of the Unit. To the extent Alvopetro's working interest decreases below 50% following a decision of the Tribunal, the Partner may be entitled to assume operatorship. To the extent operatorship transitions to the Partner, Alvopetro may be unable to fully control the activities of the Unit and will be dependent on the Partner to ensure Alvopetro is able to meet production requirements under the GSA and generate future cash flows. Alvopetro will also be dependent on the Partner, to varying extents, to exercise best practices in terms of safety and employment law. While Alvopetro has entered into a comprehensive unitization agreement which governs the responsibilities of the operator and non-operator in a fair and balanced approach, this may not fully mitigate all risks. In addition, Alvopetro may incur additional costs on transition of operatorship.

#### *Escrow account*

The provisions of the UOA and related agreements require that where one party has reached 60% of its total production entitlement of Unit Recoverable Volumes, the parties shall carry out a calculation to forecast the net present value of future abandonment costs, and future capital costs net of future NGL sales. To the extent the forecasted costs exceed the forecasted revenues from NGL sales, once a party reaches 70% of its total production entitlement, it is required to contribute to an escrow account to cover the potential shortfall with a deposit of 33% of the balance due once 70% of the production has been reached, increasing to 66% once 80% of the production has been reached, and to 100% of the balance owing once 90% of the production has been reached. To the extent the decision of the Tribunal reduces Alvopetro's working interest in the Unit, Alvopetro may be required to fund a portion of the escrow account sooner than previously forecasted which may reduce Alvopetro's available cash and financial resources.

#### *Future redeterminations*

The UOA provides for a second redetermination of working interests which is to occur once 40% of the Unit Recoverable Volumes have been produced. To December 31, 2024, approximately 26% of the Unit Recoverable Volumes have been produced by both Alvopetro and the Partner. Subsequent redeterminations shall occur where there is a variation in the total Unit Recoverable Volumes as determined by the Unit of at least 5%. Any future changes to Alvopetro's working interest as a result of such future redeterminations may also materially impact Alvopetro.

## **B. Reservoir Performance Risk**

Lower than projected reservoir performance on the Company's assets could have a material adverse impact on the Company's future results of operations, cash flows, and overall financial condition. Estimates of future cash flows from Alvopetro's properties are based on judgment and assumptions with respect to timing and evaluation of development plans. Additional factors affecting the ultimate recoveries from Alvopetro's properties include working interest, initial production rates, production decline rates, future commodity prices, marketability of production, operating costs, and royalties and other government levies that may be imposed over the producing life of the reserves. All judgments and assumptions were based on the best information available at the date the forecasts were prepared and all are subject to change, some being beyond the control of Alvopetro. Actual production and funds flow derived therefrom will vary from these forecasts, and such variations may be material. Historically, virtually all of Alvopetro's natural gas production has been from the Caburé natural gas field, which increases the risks associated with reservoir performance and other

risks discussed herein. In Q4 2024, natural gas production from the Company's Murucututu natural gas project increased to 23% of total natural gas production and Alvo Petro has plans to further develop the Murucututu natural gas project to mitigate this risk further in the future.

### C. Market Risk

The Company is exposed to normal financial risks inherent within the oil and gas industry, including commodity price risk, exchange rate risk, interest rate risk and credit risk. Alvo Petro's results of operations and future cash flows are dependent on its ability to market its natural gas production and any change to price or volumes under its GSA may impact future earnings. The Company's GSA is with one counterparty and, as a result, Alvo Petro is subject to significant credit risk. In the year ended December 31, 2024, 93% of the Company's revenues were sold to one counterparty, Bahiagás, and Alvo Petro's future cash flows are dependent on ongoing demand from Bahiagás. If the GSA were terminated for any reason, Alvo Petro may be unable to enter into a relationship with another purchaser for such gas on a timely basis or on similar terms. Additional infrastructure development may be required to obtain a new gas sales contract with another party which may result in additional capital expenditures and delays in future cash flows. In addition, where demand is reduced for any reason, future earnings may be reduced as Alvo Petro does not currently have other gas sales contracts to sell natural gas to any other parties. During 2024, demand from Bahiagás was reduced below prior year levels and as a result Alvo Petro's net income and funds flow from operations was lower. The GSA contains take-or-pay provisions which mitigates some of the risk. Such provisions require prepayment for gas volumes where demand is below 80% of the firm volumes under the GSA. Any natural gas volumes which are prepaid pursuant to the take-or-pay provisions is recovered through future natural gas deliveries.

Natural gas and crude oil prices fluctuate widely and are influenced by global supply and demand, government regulations, actions of other hydrocarbon-producing countries, international conflicts, imposition of tariffs and trade restrictions or threats of tariffs or trade restrictions, weather conditions, worldwide political conditions, and other worldwide pandemics or other unforeseeable events. Fluctuations in crude oil and natural gas prices not only affect the Company's cash flows but may also affect the Company's access to capital, viability of prospective projects and valuation of existing assets. With the Company's expansion into Canadian activities in 2025, it may be more adversely impacted by trade disputes between Canada and the United States. The Company monitors market conditions and may selectively use derivative instruments to reduce exposure to commodity price movements.

Alvo Petro is exposed to market risks from fluctuations in foreign exchange rates, particularly with respect to its natural gas, oil and condensate revenues and on any cash and cash equivalent balances held in currencies other than USD. With respect to revenues, although natural gas, oil and condensate revenues within Brazil are linked to USD benchmark prices, actual invoices for such sales are denominated in BRL, exposing the Company to foreign currency risk. This is particularly significant with respect to natural gas sales under the Company's long-term GSA as the natural gas price under the Company's amended GSA is determined quarterly based on historical USD benchmark prices and converted to a fixed BRL denominated price. The Company then receives the fixed BRL denominated price until the next price determination date. As a result, fluctuations in the actual USD to BRL exchange rate from the average historical rate used to determine the BRL denominated natural gas price will result in USD realized prices which differ from the USD natural gas price at the price determination. Should the BRL depreciate from the average historical rate used in determining the BRL denominated natural gas price, the Company will realize lower equivalent USD until the next price reset which may result in a material decrease in funds flow. While the Company's amended GSA provides for more frequent price resets compared to the original GSA (which was on a semi-annual basis), there is still risk associated with this delay. At times the Company may enter into forward contracts to manage its exposure to foreign currency risk as further discussed above, in the Foreign Exchange section of this MD&A. With respect to cash and cash equivalent balances, Alvo Petro closely monitors foreign exchange rates and will determine the currency and location of cash held based on funding needs and opportunities to optimize on foreign currency and local interest rates. While Alvo Petro holds cash balances in USD in Canada wherever possible, significantly reducing exposure to foreign exchange fluctuations on such cash balances, funds held in Brazil in BRL are subject to foreign exchange fluctuations relative to the USD.

Cash and cash equivalents consist of balances on deposit at banks and short-term investments and deposits maturing in less than 90 days. Restricted cash consists of cash and cash equivalents and short-term deposits maturing in one year or less. Alvo Petro is exposed to credit risk related to such balances. Market uncertainty associated with financial institution instability, bank collapses, international conflicts and geopolitical factors increases Alvo Petro's exposure to credit risk. Alvo Petro manages this risk by investing only in term deposits or investments of investment grade credit rating, and therefore the Company considers these assets to have negligible credit risk. The Company is exposed to interest rate cash flow risk on cash and cash equivalents due to fluctuations in market interest rates applied to cash balances.



#### D. Exploration, Exploitation, Acquisition and Disposition Risk

The Company is exposed to a high level of exploration risk. The business of exploring for, developing or acquiring reserves is capital intensive and is subject to numerous estimates and interpretations of geological and geophysical data. The Company's current reserves will decline as reserves are produced unless the Company is able to discover new reserves which involves exploration risk. There can be no assurance that Alvo Petro's future exploration and exploitation activities will result in material additions to reserves or that such activities will lead to future cash flows. To manage this risk, Alvo Petro employs highly experienced geoscientists, uses technology and 3D seismic as primary exploration tools and focuses exploration efforts in known hydrocarbon producing basins.

In 2025 Alvo Petro announced the entry into Canadian operations with the Canadian Farmin, partnering with a private company. Alvo Petro may make other acquisitions and dispositions of businesses and assets in the ordinary course of business. With respect to the Canadian Farmin, while members of the management team and Board of Directors have previous experience operating in Canada, Alvo Petro has not previously held oil and gas assets within Canada and entry into a new country increases the Company's exposure to other risks discussed herein, including, but not limited to market risk, legal and regulatory risks, operational risks, inflation and supply chain management risks and competition risks. Achieving the benefits of the Farmin and any acquisitions or new activities depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as Alvo Petro's ability to realize the anticipated growth opportunities and synergies from combining the new or acquired businesses and operations with those of Alvo Petro. The integration of acquired businesses, properties and operations may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Actual operating, technological, strategic and revenue opportunities, if achieved at all, may be less significant than we expect or may take longer to achieve than anticipated. Management of Alvo Petro will continually assess the value and contribution of services provided and assets required to provide such services. In this regard, management expects that non-core assets will be periodically disposed of, so that Alvo Petro can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of Alvo Petro, if disposed of, could realize less than their carrying value on the financial statements of Alvo Petro.

#### E. Legal and Regulatory Risks

As an oil and gas company, Alvo Petro is subject to extensive governmental and environmental approvals and regulations. Oil and gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Delays in obtaining regulatory approvals could result in project delays and our inability to meet contractual obligations and commitments. Changes to these regulations could increase the costs of conducting business. Alvo Petro's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. The recent tariffs announced by the U.S. government as well as retaliatory tariffs or other counter measures may adversely affect Alvo Petro's operations within Canada as well as in Brazil, depending on the nature of and extent of such measures.

From time-to-time Alvo Petro must fulfill certain minimum work commitments or work plans on projects in Brazil. There are no assurances that all of these commitments and work plans will be fulfilled within the time frames permitted. As such, Alvo Petro may lose certain exploration rights on the blocks affected and may be subject to certain financial penalties that would be levied by the applicable governmental authority. Alvo Petro may request extensions or suspensions to the timeframe allotted for work commitments and work plans. There is no assurance that such future requests will be granted. To the extent requests are not approved, acreage positions may be lost, and fines or penalties may be applied. Alvo Petro has requested an extension to the PAD expiry date of Block 183, an exploratory block. As of the date of this MD&A, Alvo Petro has not yet received a response from the ANP on this matter. To the extent the extension is denied, some or all of the acreage associated with Block 183 may be lost. Alvo Petro's carrying value of this block is \$9.2 million as of December 31, 2024 and an estimated additional \$0.8 million in costs were incurred on the block to date in 2025. To the extent Alvo Petro's extension request is denied, an impairment may be required which will reduce Alvo Petro's net income in the future. Where the extension is approved, Alvo Petro will be responsible to drill an additional well on the block and there is no assurance that such future activity will result in any addition to reserves or that such activity will lead to future cash flows.

In the normal course of operations, we have disputes or legal proceedings, including regulatory proceedings, tax proceedings or other legal actions for which we currently cannot determine the ultimate results. Potential litigation may develop in relation to contract disputes, employment matters, personal injuries, property damage, environmental issues and securities law matters. Such litigation claims may be material. 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 Company currently has no contingent liabilities recorded for such matters. However, the outcome of any litigation is uncertain and may materially impact the Company's financial condition. Even where the Company is



successful in any dispute or legal proceeding, the proceeding may be time consuming and costly which could also have an adverse effect on the Company.

#### F. Operational and Uninsurable Risks

All of Alvo Petro's natural gas is processed through the Facility owned by Enerflex under the terms of the Gas Treatment Agreement. The Facility is owned and operated by Enerflex. Although Alvo Petro has full control over all gas delivered to the Facility, Alvo Petro does not have full control over all operational aspects of the Facility. From time to time, the Facility may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. While the GSA allows for scheduled downtime and routine maintenance, should such downtime be unplanned or extend for longer than anticipated, this could have a material adverse impact on the Company's operations and could give rise to ship or pay penalties under the GSA if the Company is unable to meet its firm production requirements. The terms of the Gas Treatment Agreement include strict availability requirements and downtime credits to minimize Alvo Petro's costs associated with reduced processing; however, such credits may not fully offset costs incurred by Alvo Petro due to ship or pay obligations under the GSA.

Alvo Petro has entered into the Farmin with a Canadian operator wherein Alvo Petro agreed to fund 100% of two earning wells in exchange for a 50% non-operated working interest in 19.13 sections (12,243 acres) of land in western Saskatchewan. As Alvo Petro is not the operator of this property, it is dependent on its partner for the timing and execution of the planned activities and is also dependent on its partner, to varying extents, to exercise best practices in terms of safety, environmental regulations, and employment law. To mitigate these risks, Alvo Petro partnered with an established operator with a proven track record operating in Canada and entered into a comprehensive Farmin Agreement governing the responsibilities of the operator and non-operators in a fair and balanced manner in accordance with standard operating procedures published by the Canadian Association of Petroleum Landmen.

Alvo Petro is exposed to a number of operational risks inherent in the industry including accidents, well blowouts, uncontrolled flows, labour strikes and environmental risks. Operational risks are managed using prudent field operating procedures. The Company has an emergency response plan to deal with potential incidents and maintains a comprehensive insurance program to reduce the risk of significant economic loss; however, not all risks can be eliminated. Should actual liabilities exceed policy limits under the Company's insurance program, Alvo Petro could incur significant costs that could have a material adverse effect on its financial position. As Alvo Petro has interests in a limited number of properties, such risk is more significant than if spread over a greater number of properties. Should operational problems reduce or limit Alvo Petro's future gas production, future cash flows may be less than expected and Alvo Petro may be subject to ship or pay penalties under its long-term GSA that may negatively impact the Company's financial position.

Extreme climate conditions including floods, forest fires, earthquakes, hurricanes, drought and other weather-related events may impact Alvo Petro's operations or that of its major customers or suppliers. Climate change may increase the frequency and severity of such events and future events may have a material adverse effect on Alvo Petro. The Company's financial results for 2024 and 2023 were not directly impacted from a climate event and the Company did not have any weather-related damages to its properties. The Company maintains insurance coverage that provides a level of insurance for certain events that may arise due to climate change factors, however, the Company's insurance program is subject to limits and various restrictions. No claims were made under the Company's insurance policies in 2024 or 2023 with respect to any climate related matters.

#### G. Inflation Risk and Supply Chain Management

Future capital costs and ongoing operating and other costs could escalate as a result of inflation cost pressures, supply limitations and other factors. Uncertainty with respect to international trade disputes and the timing and extent of new and expanded tariffs as well as the duration of any such measures increases the risk of escalating costs to the Company. A failure to secure the services and equipment necessary for the Company's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and cash flows. The Company's operating costs could escalate and become uncompetitive due to supply chain delays or disruptions, inflationary cost pressures, equipment availability limitations, escalating supply costs, commodity prices, or new taxes or other regulations. The Company's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows. The cost or availability of equipment and services may adversely affect the Company's ability to undertake exploration and development projects. These materials and services may not be available when required at reasonable prices. A failure to secure the services and equipment necessary to the Company's operations for the expected price or on the expected timeline may have an adverse effect on the Company's financial performance and future cash flows. Our inability to control rising costs may impact future funds flow from operations and may result in delays in project execution and planned developments, further impacting our financial performance.

## H. Foreign Operations Risk

Given the Company's historical operations in Brazil and additional projects which may be evaluated internationally, Alvo Petro will be subject to certain risks, including currency fluctuations and possible political risks from changes in policies and regulations, renegotiations or modifications of existing contracts, changes in tax and royalty regulations, foreign exchange controls and potential economic instability and uncertainty. Currently the state and federal governments' policies and fiscal regimes in Brazil are highly supportive of the exploration and development of its oil and gas properties by foreign companies. Nevertheless, there is no assurance that future political conditions will not result in the state or federal governments adopting different policies respecting foreign development and ownership of oil and gas, environmental protection and labour relations. Exploration and production activities may be affected in varying degrees by political stability and government regulations relating to the industry. To mitigate some of the risks associated with operating internationally, the Company announced an entry into Western Canada through a partnership with an established Canadian operator in 2025.

To help mitigate the risks associated with operating in foreign jurisdictions, the Company seeks to operate in regions where the petroleum industry is a key component of the economy. Alvo Petro believes that management's experience operating in other international jurisdictions helps reduce these risks. Brazil has a long history of democracy and an established legal framework that, in Alvo Petro's opinion, minimizes political risks. However, 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 Company. There can be no certainty as to any changes in regulations or laws within Brazil and the impact on the Company. Such changes may be material.

Income tax laws affecting the Company may change in the future or be interpreted in a manner that adversely affects the Company. To date Alvo Petro has been able to repatriate funds from Brazil in a tax efficient manner and there are currently no significant restrictions on the repatriation of capital and distribution of earnings from Brazil to foreign entities. However, changes in foreign exchange regulations, restrictions on repatriation of funds from Brazil or the imposition of additional income taxes or withholding taxes on repatriations may adversely affect the Company's ability to obtain cash from its Brazil subsidiaries to meet obligations within Canada, including the payment of dividends. The impact on future cash flows may be material.

The majority of Alvo Petro's operations are conducted in Portuguese and the Company may enter into significant contracts in Portuguese which may give rise to uncertainties. The Company manages this risk through the employment and involvement of qualified personnel within Brazil in all local operations.

## I. Trends in Environmental Regulation

Environmental legislation provides for, among other things, restrictions and prohibitions on spills and releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. While the Company operates in accordance with all relevant environmental legislation and strives to minimize the environmental impact of its operations by providing for safety and environmental issues in all of its business plans, there can be no assurance that future changes to environmental laws will not result in a curtailment of production or a material increase in future costs which may adversely affect Alvo Petro's financial condition. Alvo Petro anticipates increased capital and operating expenditures as a result of increasingly stringent laws relating to the protection of the environment.

In addition to regulatory requirements, there have been increasing concerns raised by investors and potential investors within the oil and gas industry as to the impact of oil and gas operations on the environment and communities in which oil and gas companies operate. As a result of these concerns, certain investors may divest of any interest in oil and gas companies or the industry as a whole. This may further limit Alvo Petro's ability to access sources of financing in the future should it be required. Furthermore, even where capital is available, such investors may require the implementation of more stringent policies and practices concerning environmental matters, including with respect to greenhouse gas ("GHG") emissions or otherwise, some of which may require the installation of emissions monitoring and measuring devices, the verification and reporting of emissions data and additional financial expenditures to comply with GHG emissions reduction requirements. More stringent policies and monitoring requirements may come at a significant cost and time commitment of management, which may increase the overall cost of capital and have a negative impact on future cash flows from operations and earnings. In addition, public statements with respect to ESG matters, including GHG emissions

reduction strategies, environmental targets, or, more broadly, ESG-related goals, are becoming increasingly subject to heightened scrutiny from public and governmental authorities with respect to the risk of potential “greenwashing,” i.e., misleading information or false claims overstating potential ESG benefits and are now subject to greater scrutiny as a result of the enactment of Bill C-59. As a result, the Corporation may face increased litigation risks from private parties and fines from governmental authorities related to its ESG efforts which could, in turn, lead to further negative sentiment and diversion of investments.

There may be additional costs to comply with sustainability disclosure standards. Emissions, carbon and other regulations impacting climate and climate related matters are constantly evolving. In 2023 the International Sustainability Standards Board (ISSB) issued two new international sustainability disclosure standards, *IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information* and *IFRS S2 - Climate-related Disclosures*, with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. Using these standards as a baseline, the Canadian Sustainability Standards Board has released its own two sustainability disclosure standards modified for the Canadian context, the *Canadian Sustainability Disclosure Standard 1 - General Requirements for Disclosure of Sustainability-related Financial Information* and *Canadian Sustainability Disclosure Standard 2 - Climate-related Disclosures*. In addition, the Canadian Securities Administrators is developing Proposed National Instrument 51-107 – Disclosure of Climate-related Matters, intended to introduce climate-related disclosure requirements for reporting issuers in Canada with limited exceptions. The cost to comply with new standards or any other similar disclosure standard has not yet been quantified and may be material to the Corporation. Alvo Petro may be adversely affected if it is unable to comply with new standards.

The expanded use of hydraulic fracturing as a recovery technique employed in oil and natural gas drilling has given rise to increased public scrutiny over potential environmental impacts. Alvo Petro’s development plans include plans for hydraulic fracture stimulations and are dependent on necessary regulatory approvals. Delays in obtaining these approvals may result in delays in our operational plans which may impact our business and future cash flows. Alvo Petro believes that the hydraulic fracturing we have conducted to date and may conduct in the future, given the depth and location of the wells and our consistent utilization of good oilfield practices, will be environmentally sound. Alvo Petro anticipates that there will be a trend towards changing and increased regulatory requirements concerning hydraulic fracturing in the future, in Brazil and internationally. Changes to these regulatory requirements may negatively impact our business plans.

#### J. Liquidity and Financing Risk

In 2022, Alvo Petro repaid all amounts borrowed under the credit facility which had been entered into in 2019. However, in the future the Company may seek to raise additional funds to fund future capital expenditures on Alvo Petro’s properties or other potential business development activities. There can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or, if debt or equity financing is available, that it will be on terms acceptable to Alvo Petro. The inability of Alvo Petro to access sufficient capital for its planned operations could have a material adverse effect on Alvo Petro’s business, financial condition, results of operations and prospects, and could result in the delay or indefinite postponement of further exploration, evaluation and development of Alvo Petro’s properties.

#### K. Competitive Risks within the Oil and Gas Industry

The oil and gas industry is highly competitive, with respect to the acquisition of prospective oil and gas properties and reserves, attracting financing sources for the acquisition of new reserves or the development of existing reserves and in marketing production from existing reserves. Alvo Petro’s competitive position depends on its geoscience and engineering expertise, its financial resources, its ability to develop its properties and its ability to select, acquire and develop proved reserves and its ability to execute sales contracts for future production. Alvo Petro will compete with a substantial number of other companies having larger technical staff and greater financial and operational resources and access to capital. Many such companies not only engage in the acquisition, exploration, development and production of petroleum reserves, but also carry on refining operations and market refined products. In Brazil particularly, *Petróleo Brasileiro SA (“Petrobras”)* dominates the majority of the industry, including all aspects of oil and gas exploration, development, transportation and sales. Alvo Petro competes with Petrobras and other larger independent oil and gas companies and other industries supplying energy and fuel in the marketing and sale of oil and gas to transporters, distributors and end users, including industrial, commercial and individual consumers. Access to pipelines and other transportation infrastructure may be limited and/or the terms on which such access is provided may not be favourable to the Company.

Alvo Petro also competes with other oil and gas companies in attempting to secure equipment necessary for drilling and completion of wells. Such equipment may be in short supply from time to time or may not meet the technical specifications required by Alvo Petro in its operations. In addition, equipment and other materials necessary to construct production and transmission facilities may be in short supply. Local content requirements in Brazil may reduce the control the Company has with respect to choice of service providers for its exploration and development activities.

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

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

Standard and Description	Date of Adoption	Expected Impact on Consolidated Financial Statements
Certain classification and measurement requirements in IFRS 9 <i>Financial Instruments</i> have been amended with corresponding amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> .	January 1, 2026	The Company is evaluating the expected impact on the financial statements.
The objective of IFRS 18 <i>Presentation and Disclosure in Financial Statements</i> , issued in April 2024, is to set out requirements for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	January 1, 2027	The Company expects an impact on the financial statements and is currently evaluating.

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

**Dividend 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 share repurchases under the Company's normal course issuer bid 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, the expected timing of production commencement within Canada, 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 approval of and timing of regulatory licenses, equipment availability, environmental regulation, including regulation relating to hydraulic fracturing and stimulation, the ability to monetize hydrocarbons discovered, the outlook for commodity markets and ability to access capital markets, foreign exchange rates, the outcome of any redeterminations, the outcome of any disputes, 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. Current and forecasted natural gas nominations are subject to change on a daily basis and such changes may be material. 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 a 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 2024 Annual Information Form which has been filed on SEDAR+ and can be accessed at [www.sedarplus.ca](http://www.sedarplus.ca). Except as may be required by applicable securities laws, Alvpetro 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.

**Oil and Natural Gas Reserves.** All net present values in this MD&A are based on estimates of future operating and capital costs and GLJ's forecast prices as of December 31, 2024. The reserves definitions used in this evaluation are the standards defined in the COGE Handbook reserve definitions and consistent with National Instrument 51-101 ("NI 51-101") and used by GLJ. References to the net present value of 2P reserves throughout this MD&A represents the reserves of Alvpetro for the associated fields and the before-tax net present value of future net revenue attributable to such reserves, discounted at 10%, as evaluated by GLJ in the GLJ Reserves and Resources Report as of December 31, 2024, based on forecast price and cost assumptions. The net present value of future net revenue attributable to Alvpetro's reserves as disclosed in this MD&A is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures, well abandonment and reclamation costs for only those wells assigned reserves and material dedicated gathering systems and facilities. The net present values of future net revenue attributable to the Alvpetro's reserves estimated by GLJ do not represent the fair market value of those reserves. The recovery and reserve estimates of the Company's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein and due to rounding, certain columns may not add exactly. The GLJ Reserves and Resources Report incorporates Alvpetro's working interest share of remaining recoverable reserves and resources. With respect to the Caburé natural gas field, Alvpetro's working interest was 56.2% as of December 31, 2024 but is subject to redetermination, the first of which was completed in 2024, but the results of which are currently under dispute as further discussed herein. The outcome of this arbitration is unknown and the resulting impact on the reserves and the net present value of future net revenue attributable to such reserves as presented herein may be material. The disclosure in the MD&A summarizes certain information contained in the GLJ Reserves and Resources Report but represents only a portion of the disclosure required under NI 51-101. Full disclosure with respect to the Company's reserves as at December 31, 2024 is contained in the Company's 2024 Annual Information Form which has been filed on SEDAR+ and can be accessed at [www.sedarplus.ca](http://www.sedarplus.ca).

**Contingent Resources.** This MD&A discloses estimates of Alvpetro's contingent resources and the net present value associated with net revenues associated with the production of such contingent resources contained in the GLJ Reserves and Resources Report. There is no certainty that it will be commercially viable to produce any portion of such contingent resources and the estimated future net revenues do not necessarily represent the fair market value of such contingent resources. Estimates of contingent resources involve additional risks over estimates of reserves. See the Company's Annual Information Form which has been filed on SEDAR+ and can be accessed at [www.sedarplus.ca](http://www.sedarplus.ca) for additional disclosures on the Company's contingent resources.

**Prospective Resources.** This MD&A discloses estimates of Alvpetro's prospective resources contained in the GLJ Reserves and Resources Report. There is no certainty that any portion of the prospective resources will be discovered and even if discovered, there is no certainty that it will be commercially viable to produce any portion. Estimates of prospective resources involve additional risks over estimates of reserves. The accuracy of any resources estimate is a function of the quality and quantity of available data and of



engineering interpretation and judgment. While resources presented herein are considered reasonable, the estimates should be accepted with the understanding that reservoir performance subsequent to the date of the estimate may justify revision, either upward or downward. See the Company's Annual Information Form which has been filed on SEDAR+ and can be accessed at [www.sedarplus.ca](http://www.sedarplus.ca) for additional disclosures on the Company's prospective resources.

**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 <sup>3</sup> m <sup>3</sup> /d	=	thousand cubic metre per day
m <sup>3</sup>	=	cubic metre
m <sup>3</sup> /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 2024	=	three months ended September 30, 2024
Q4 2023	=	three months ended December 31, 2023
Q4 2024	=	three months ended December 31, 2024
Q1 2025	=	three months ended March 31, 2025
Q2 2025	=	three months ended June 30, 2025
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.