The following Management's Discussion and Analysis ("MD&A") is dated March 17, 2026 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 for the years ended December 31, 2025 and 2024. Additional information for the Company, including the Annual Information Form ("AIF"), can be found on SEDAR+ at www.sedarplus.ca or at www.alvopetro.com. This MD&A contains financial terms that are not considered measures under IFRS Accounting Standards ("IFRS") and forward-looking statements. As such, the MD&A should be used in conjunction with Alvopetro's disclosure under the headings "Non-GAAP and Other Financial Measures" and "Forward Looking Information" at the end of this MD&A.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

Description of Business

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

Strategy

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

FINANCIAL & OPERATING SUMMARY

	As at and Three Months Ended December 31,			As at and Year Ended December 31,		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Financial						
($000s, except where noted)						
Natural gas, oil and condensate sales	**15,756**	10,214	54	**57,954**	45,517	27
Net income	**5,585**	2,243	149	**23,098**	16,295	42
Per share – basic ($)[1]	**0.15**	0.06	150	**0.62**	0.44	41
Per share – diluted ($)[1]	**0.15**	0.06	150	**0.61**	0.43	42
Cash flows from operating activities	**9,362**	7,114	32	**40,805**	34,901	17
Per share – basic ($)[1]	**0.25**	0.19	32	**1.09**	0.94	16
Per share – diluted ($)[1]	**0.25**	0.19	32	**1.08**	0.93	16
Funds flow from operations[2]	**10,561**	6,966	52	**40,597**	33,275	22
Per share – basic ($)[1]	**0.28**	0.19	47	**1.09**	0.89	22
Per share – diluted ($)[1]	**0.28**	0.19	47	**1.08**	0.89	21
Dividends declared	**4,408**	3,283	34	**15,384**	13,170	17
Per share[1] [2]	**0.12**	0.09	33	**0.42**	0.36	17
Capital expenditures	**4,883**	4,682	4	**33,493**	15,305	119
Cash and cash equivalents	**32,372**	21,697	49	**32,372**	21,697	49
Net working capital[2]	**18,450**	13,181	40	**18,450**	13,181	40
Working capital, net of debt[2]	**2,450**	13,181	(81)	**2,450**	13,181	(81)
Weighted average shares outstanding						
Basic (000s)[1]	**37,260**	37,315	-	**37,270**	37,289	-
Diluted (000s)[1]	**37,717**	37,566	-	**37,666**	37,558	-
Operations						
Average daily sales volumes[3]:						
Brazil:						
Natural gas (Mcfpd), by field:						
Caburé (Mcfpd)	**9,655**	7,476	29	**10,467**	9,228	13
Murucututu (Mcfpd)	**5,437**	2,231	144	**3,080**	928	232
Total natural gas (Mcfpd)	**15,092**	9,707	55	**13,547**	10,156	33
NGLs – condensate (bopd)	**184**	109	69	**149**	90	66
Oil (bopd)	**19**	11	73	**11**	12	(8)
Total (boepd) - Brazil	**2,719**	1,738	56	**2,417**	1,794	35
Canada:						
Oil (bopd) - Canada	**148**	-	-	**106**	-	-
Total Company (boepd)	**2,867**	1,738	65	**2,523**	1,794	41
Average realized prices[2]:						
Natural gas ($/Mcf)	**9.97**	10.51	(5)	**10.49**	11.42	(8)
NGLs – condensate ($/bbl)	**69.18**	75.95	(9)	**73.75**	84.84	(13)
Oil ($/bbl)	**47.99**	61.74	(22)	**48.86**	66.94	(27)
Total ($/boe)	**59.75**	63.88	(6)	**62.92**	69.31	(9)
Operating netback ($/boe)[2]						
Realized sales price	**59.75**	63.88	(6)	**62.92**	69.31	(9)
Royalties	**(3.83)**	(2.15)	78	**(4.46)**	(1.99)	124
Production expenses	**(6.03)**	(6.64)	(9)	**(5.71)**	(6.33)	(10)
Transportation expenses	**(0.19)**	-	-	**(0.14)**	-	-
Operating netback	**49.70**	55.09	(10)	**52.61**	60.99	(14)
Operating netback margin[2]	**83%**	86%	(3)	**84%**	88%	(4)

Notes:

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

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

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

HIGHLIGHTS AND SIGNIFICANT TRANSACTIONS FOR THE FOURTH QUARTER OF 2025

- Average daily sales in Q4 2025 were 2,867 boepd(1) (+65% from Q4 2024 and +22% from Q3 2025). In Brazil, daily sales averaged 2,719 boepd (+56% compared to Q4 2024 and +23% from Q3 2025) and in Canada, oil sales averaged 148 bopd in the quarter (+7% from Q3 2025).
- Our average realized natural gas price was $9.97/Mcf (-5% from Q4 2024 and -10% from Q3 2025). Our overall average realized sales price per boe was $59.75/boe (-6% from Q4 2024 and -9% from Q3 2025).
- Our natural gas, oil and condensate revenue increased to $15.8 million (+54% from Q4 2024 and +11% from Q3 2025). The increases compared to Q4 2024 and Q3 2025 were driven by higher sales volumes, partially offset by lower realized prices.
- Our operating netback(2) in the quarter was $49.70 per boe, a decrease of $5.39 per boe compared to Q4 2024 and a decrease of $6.20 per boe compared to Q3 2025 due mainly to lower realized prices and higher royalties.
- We generated funds flows from operations(2) of $10.6 million ($0.28 per basic and per diluted share), increases of $3.6 million compared to Q4 2024 and $0.1 million compared to Q3 2025.
- We reported net income of $5.6 million ($0.15 per basic and diluted share), an increase of $3.3 million compared to Q4 2024.
- In October 2025, Alvopetro entered into an expanded area of mutual interest (the “Expanded AMI”) with our existing partner in Saskatchewan. Under the terms of the Expanded AMI, Alvopetro agreed to fund 100% of the costs for drilling two earning wells (1.0 net) in exchange for a 50% working interest in an additional 46.9 sections of land (15,010 net acres). The two earning wells were drilled in Q4 2025. Capital expenditures in Q4 2025 of $4.9 million included the cost of these two earning wells and a seismic program in Saskatchewan, additional Unit development costs to tie in the wells drilled earlier in the year as well as costs for facilities improvements at the Unit and Murucututu.
- During the quarter Alvopetro entered into a $20 million loan agreement (the “Loan”). The Loan has a two-year term and bears interest at 7% per annum (payable quarterly), including all applicable charges and fees. Repayments of the Loan commence quarterly on November 30, 2026, ending on November 29, 2027.
- Our working capital(2) surplus was $18.5 million as of December 31, 2025. Our working capital surplus net of debt was $2.5 million as of December 31, 2025.

HIGHLIGHTS AND SIGNIFICANT TRANSACTIONS FOR 2025

- Our annual sales volumes averaged 2,523 boepd, an increase of 41% from 2024, with Brazil sales volumes of 2,417 boepd (+35% from 2024) and 106 bopd from the newly added Canadian operations.
- We reported net income of $23.1 million, compared to $16.3 million in 2024 (+42%).
- We generated funds flow from operations(1) of $40.6 million ($1.09 per basic share and $1.08 per diluted share), an increase of $7.3 million (+22%) compared to 2024.
- Capital expenditures totaled $33.5 million in 2025.
- Dividends declared totaled $0.42 per share in 2025 compared to $0.36 per share in 2024 (+17%).

RECENT HIGHLIGHTS

- On February 25, 2026, we announced our reserves as at December 31, 2025 with total proved plus probable (“2P”) reserves of 13.1 MMboe (up 43% from 2024) and a before tax net present value discounted at 10% of $393.6 million. We also announced the Murucututu resources assessment with risked best estimate contingent resource of 3.8 MMboe (before tax net present value discounted at 10% of $88.0 million) and risked best estimate prospective resource of 12.1 MMboe (before tax net present value discounted at 10% of $264.3 million). The reserves and resources data is based on an independent reserves and resources assessment and evaluation prepared by GLJ Ltd. (“GLJ”) dated February 25, 2026 with an effective date of December 31, 2025 (the "GLJ Reserves and Resources Report").
- Sales volumes averaged 3,099 boepd(1) in January 2026 and 3,058 boepd in February 2026, including Brazil sales volumes of 2,908 boepd in January and 2,879 boepd in February and Canadian sales volumes of 191 bopd in January and 179 bopd in February.
- On March 17, 2026, our Board of Directors declared a dividend of $0.12 per common share, payable in cash on April 15, 2026 to shareholders of record on March 31, 2026.
- Effective February 1, 2026, our natural gas price under our long-term gas sales agreement (“GSA”) was adjusted to BRL1.85/m3 and will apply to all natural gas under our firm contract (up to 400,000 m3/d reference volumes (14.1MMcfpd)) from February 1, 2026 to April 30, 2026. Based on our average heat content to date and the January 31, 2026 BRL/USD exchange rate of 5.23, our expected realized price at the new contracted price is $10.69/Mcf, net of applicable sales taxes. Amounts ultimately received in equivalent USD will be impacted by exchange rates in effect during the period February 1,

2026 to April 30, 2026. 31, 2026. Natural gas sales above 400,000 m^3/d (14.1 MMcfpd) are being sold on a flexible basis at discounts to our firm contracted price.

(1) Alvopetro reported volumes are based on sales volumes which, due to the timing of sales deliveries, may differ from production volumes.
(2) See "*Non-GAAP and Other Financial Measures*" section within this MD&A.

NATURAL GAS AND OIL PROPERTIES

As at December 31, 2025, Alvopetro held interests in the Caburé and Murucututu natural gas assets and one exploration block (Block 183), in the Recôncavo Basin onshore Brazil as well as a 50% non-operated working interest in 75 sections (23,539 net acres) of land focused on the Mannville Formation in Western Saskatchewan

Property, Plant and Equipment ("PP&E") Assets

Field	Net Acres	PP&E balance December 31, 2025 ($000's)	Net Present Value of 2P Reserves(1) ($000's)
Caburé	4,814	29,467	134,501
Murucututu	6,988	39,999	243,916
Canada	23,539	7,592	8,854
TOTAL(2)		**77,058**	**387,271**

(1) Before tax net present value discounted at 10%. See "*Oil and Natural Gas Reserves*" at the end of this MD&A. The Company also has reserves assigned to two oil fields in Brazil which are classified as assets held for sale as of December 31, 2025 and are excluded from the table above.
(2) The total balance in the table above excludes $0.4 million in other assets classified as PP&E as at December 31, 2025, largely relating to furniture and office equipment.

Exploration and Evaluation ("E&E") Assets

Block	Net Acres	Current Phase Expiry	E&E balance December 31, 2025 ($000's)
183(1)(2)	2,946	October 1, 2027	11,221

(1) The portion of Block 183 which is not part of the Murucututu project is currently in the Development Assessment Plan ("PAD") phase. The Company has identified a prospect on the block which is expected to be drilled in advance of the expiry date of October 1, 2027. To the extent the company executes additional projects, the expiry date may be further extended.
(2) The total E&E balance reflected in the table above excludes $6.1 million of other assets classified as E&E as at December 31, 2025, largely relating to equipment and materials inventory available for use on future capital projects.

BRAZIL

NATURAL GAS ASSETS AND MIDSTREAM INFRASTRUCTURE:

Caburé Natural Gas Field (56.2% Working Interest)

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

Under the terms of the UOA, the working interest to each party is subject to redeterminations and the first redetermination was completed in 2024 wherein the appointed independent third party expert (the "Expert") accepted Alvopetro's final proposal which resulted in Alvopetro's working interest in the Unit being increased from our initial working interest of 49.1% to 56.2% (the "Redetermined Working Interest") effective June 1, 2024. Alvopetro's partner is disputing the Expert decision; however the findings of an emergency arbitration before the International Court of Arbitration of the International Chamber of Commerce ("ICC"), deemed the Expert decision to be binding 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 Alvopetro's Working Interest and Impact of Future Redeterminations*" for additional information. Operatorship of the Unit transitioned to Alvopetro in the third quarter of 2024.

Under the terms of the UOA each party is entitled to nominate for their working interest share of Unit production and for any natural gas not nominated for by the other party. Once a party produces their share of estimated proved plus probable recoverable hydrocarbons from the Unit, they will no longer be entitled to further production allocations. 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 agreed to a development plan at the Unit including drilling and completing five (2.8 net) wells. Four (2.2 net) of the five development wells were drilled in 2025. Alvopetro's share of unit development costs for the year ended December 31, 2025 was $7.6 million. One of the four wells drilled did not reach target depth and will be sidetracked in 2026.

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 capital expenditures of $0.3 million were incurred on this project in 2025.

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 four 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 and recompleted in the third quarter of 2024. The 183-D4 well was drilled in the first half of 2025 and in the third quarter, the well was completed in seven intervals. Total capital expenditures on the field in the year ended December 31, 2025 of $13.6 million largely related to this well. The well commenced production in August and as a result, natural gas sales from the field increased to 5.4 MMcfpd in Q4 2025 (+144% from Q4 2024). All Murucututu wells are tied into field production facilities. A 9-kilometre transfer pipeline connects the field to the Caburé transfer pipeline and then on to the natural gas processing facility.

Capital plans in 2026 on the Murucututu field are focused on expanding our field production facility and pipeline offtake capacity to support an increase in our field capacity from the current level of approximately 150 e^3m^3/d up to 600 e^3m^3/d. On the drilling and completions front, we have just recompleted our 183-1 well in the Gomo Formation on our Murucututu field and are working to bring the well back online. Upcoming plans on the field in involve drilling and completing a new well in the Caruaçu Formation, as well as permitting a new drilling pad to support future Caruaçu development updip of the successful 183-D4 well.

Natural Gas Sales (100% Alvopetro)

Alvopetro's share of natural gas from the Caburé Field and the Murucututu natural gas field is shipped via our 11-kilometre Caburé transfer pipeline and processed through the natural gas processing facility (the "Facility") owned and operated by Enerflex Ltd. ("Enerflex") pursuant to our Gas Treatment Agreement. In 2026, we plan to enhance our gas processing capability at the Facility to accommodate increasing proportions of richer gas production from our Murucututu field and also target a total capacity of up to 600 e^3m^3/d.

All natural gas is sold to Bahiagás, the local state distribution company, under the terms of our gas sales agreement ("GSA") and spot sales contracts from time to time. The GSA provides for the sale of firm volumes and interruptible volumes and has take-or-pay provisions and ship-or-pay penalties based on firm volumes to ensure performance by both parties. In late 2024 Alvopetro and Bahiagás agreed to amend the terms of the GSA, increasing firm volumes by 33% to 14.1 MMcfpd (400 e^3m^3/d) effective January 1, 2025. Take-or-pay provisions apply under the terms of the GSA where Bahiagás demand is below the firm volumes set out in the GSA. See "*Sales Volumes*" below for further details.

OIL ASSETS:

As of December 31, 2025 and the date of this MD&A, the Company also held two oil fields (Bom Lugar and Mãe-da-lua). In the third quarter of 2025, Alvopetro entered into an assignment agreement to dispose of its interests in both fields for total consideration of $0.6 million, including deferred consideration. The closing of the sale is subject to standard regulatory approvals, including approval by the ANP. In the third quarter of 2025, Alvopetro transferred these properties and related liabilities to assets held for sale and liabilities held for sale. An impairment loss of $1.9 million was recognized in 2025 on the transfer to held for sale.

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 prevented the project from continuing, and the Company now plans to abandon the well. The Company has identified an additional prospect on the block which is expected to be drilled in advance of the newly extended expiry date of October 1, 2027.

WESTERN CANADA

In Q1 2025, Alvopetro entered into a farmin agreement with a private company in Canada (the "Farmin"). 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. The two earning wells were drilled, completed and equipped and sales commenced in mid-April. In Q3 2025, an additional two (1.0 net) wells were drilled, completed and equipped and sales commenced in September 2025.

In October 2025, Alvopetro entered into the Expanded AMI with our existing partner, with Alvopetro agreeing to fund 100% of the costs for drilling two additional earning wells in exchange for a 50% working interest in an additional 47 sections of land (15,010 net acres). These two additional earning wells were drilled in Q4 2025. Total capital expenditures of $8.0 million were incurred in 2025 for Alvopetro's share of costs for drilling, completing and equipping the first six (3.0 net) wells. A further two (1.0 net) shared wells were drilled in early 2026. One of the wells requires remediation and as of the date of this MD&A, there are seven (3.5 net) wells on production. Alvopetro now holds a 50% interest in 80.5 sections of land (25,760 net acres).

FINANCIAL AND OPERATING REVIEW

Canadian operations commenced in the three months ended June 30, 2025. As such, all 2024 comparative data included in this MD&A relating to sales volumes, realized sales prices, natural gas, condensate and oil revenues, royalties, production expenses and operating netback relate solely to operations in Brazil.

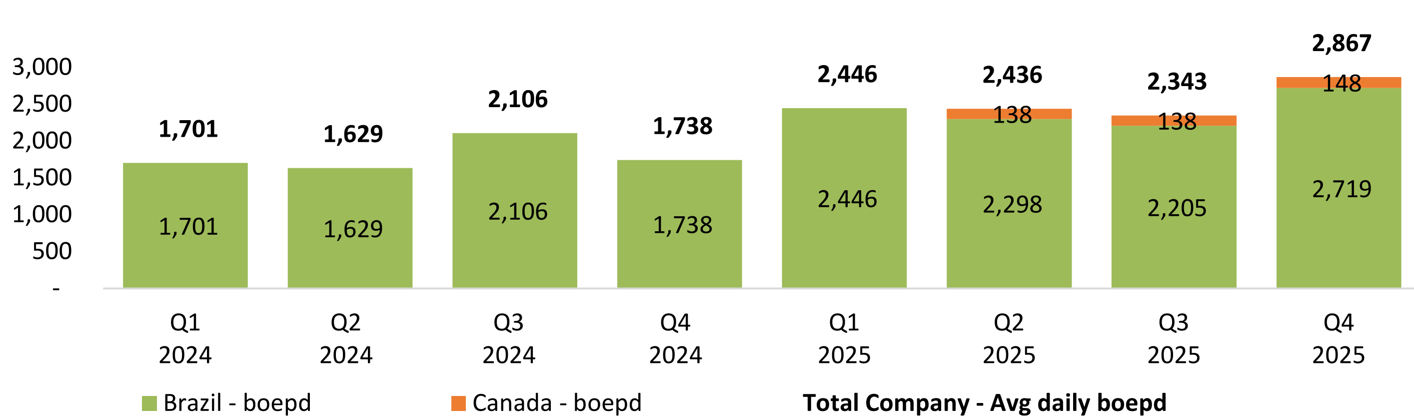
Sales Volumes

	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Total sales volumes[1]:						
Brazil:						
Caburé (Mcf)	**888,274**	687,820	29	**3,820,583**	3,377,735	13
Murucututu (Mcf)	**500,163**	205,228	144	**1,124,237**	339,471	231
Total natural gas (Mcf)	**1,388,437**	893,048	55	**4,944,820**	3,717,206	33
NGLs – condensate (bbls)	**16,912**	10,059	68	**54,207**	32,825	65
Oil (bbls)	**1,793**	988	81	**3,860**	4,332	(11)
Total sales (boe) - Brazil	**250,111**	159,888	56	**882,203**	656,691	34
Canada:						
Total oil sales (bbls) - Canada	**13,607**	-	-	**38,870**	-	-
Total Company sales (boe)	**263,718**	159,888	65	**921,073**	656,691	40
Average daily sales volumes[1]:						
Brazil:						
Caburé (Mcfpd)	**9,655**	7,476	29	**10,467**	9,228	13
Murucututu(Mcfpd)	**5,437**	2,231	144	**3,080**	928	232
Total natural gas (Mcfpd)	**15,092**	9,707	55	**13,547**	10,156	33
NGLs – condensate (bopd)	**184**	109	69	**149**	90	66
Oil (bopd)	**19**	11	73	**11**	12	(8)
Average daily sales (boepd) - Brazil	**2,719**	1,738	56	**2,417**	1,794	35
Canada:						
Average daily sales (bopd) - Canada	**148**	-	-	**106**	-	-
Average daily sales (boepd) - Total	**2,867**	1,738	65	**2,523**	1,794	41

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

In Q4 2025, sales volumes increased 65% compared to Q4 2024 and 22% compared to Q3 2025. The increases were mainly attributable to Brazil sales volumes, which increased 56% over Q4 2024 and 23% over Q3 2025 with Alvopetro and Bahiagás agreeing to a spot contract with discounted pricing for volumes above our firm contracted volumes. In Canada, average daily sales volumes of 148 bopd were 7% higher than Q3 2025 volumes. For the year ended December 31, 2025, average daily sales volumes increased 41% following the 33% increase in firm volumes under Alvopetro's GSA as of January 1, 2025 as well as the newly added Canadian operations.

Average Daily Sales, By Quarter (boepd)



Take-or-pay provisions – Brazil GSA

Under the terms of the GSA, Bahiagás must prepay for gas volumes where monthly demand is below 80% (or where annual demand is less than 90%) of the firm contract reference volumes under our contract. Any prepayment can be recovered through future natural gas deliveries where future offtake exceeds 90% of the firm volumes. Prepayment under the take-or-pay provisions in the GSA is reflected as unearned revenue through other liabilities on the 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 years ended December 31, 2025 or December 31, 2024.

Average Realized Sales Prices

	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Average realized prices[(1)]:						
Brazil:						
Natural gas ($/Mcf)	**9.97**	10.51	(5)	**10.49**	11.42	(8)
NGL – condensate ($/bbl)	**69.18**	75.95	(9)	**73.75**	84.84	(13)
Oil ($/bbl)	**56.33**	61.74	(9)	**59.33**	66.94	(11)
Average realized price ($/boe) - Brazil	**60.45**	63.88	(5)	**63.59**	69.31	(8)
Canada:						
Average realized price - Oil ($/bbl)	**46.89**	-	-	**47.83**	-	-
Total Company:						
Natural gas ($/Mcf)	**9.97**	10.51	(5)	**10.49**	11.42	(8)
NGL – condensate ($/bbl)	**69.18**	75.95	(9)	**73.75**	84.84	(13)
Oil ($/bbl)	**47.99**	61.74	(22)	**48.86**	66.94	(27)
Average realized price ($/boe)	**59.75**	63.88	(6)	**62.92**	69.31	(9)
Average benchmark prices:						
Henry Hub ($/MMBtu)	**3.73**	2.44	53	**3.52**	2.19	61
Brent oil ($/bbl)	**63.65**	74.66	(15)	**69.14**	80.52	(14)
WTI ($/bbl)	**59.62**	70.73	(16)	**65.39**	76.63	(15)
WCS ($/bbl)	**47.94**	58.17	(18)	**53.89**	61.29	(12)
WCS (C$/bbl)	**66.87**	81.32	(18)	**75.28**	83.90	(10)
Average contracted natural gas price[(2)]						
BRL/m^3	**1.84**	1.94	(5)	**1.94**	1.95	(1)
Average foreign exchange rate:						
$1 USD = BRL	**5.395**	5.837	8	**5.586**	5.392	(4)
$1 USD = CAD	**1.395**	1.398	-	**1.397**	1.369	(2)

(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.

Brazil

Alvopetro and Bahiagás agreed to amend the GSA effective January 1, 2025 to increase contracted firm reference volumes to 400 e^3m^3/d (14.1 MMcfpd) and to adjust the natural gas pricing model. Under the new pricing structure, the natural gas price is recalculated on a quarterly basis (rather than a semi-annual basis as in 2024 and prior years) and incorporates average USD benchmark prices for Brent and Henry Hub (no longer incorporating National Balancing Point prices). In addition, the floor and ceiling provisions within the original GSA were removed. 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.

In Q4 2025 Alvopetro agreed to discounted natural gas prices on interruptible sales volumes (shipped volumes above the firm contracted volumes of 400 e^3m^3/d applicable in 2025). Discounts were also agreed to in Q3 and Q4 2024 (for shipped volumes above the firm contracted volumes of 300 e^3m^3/d applicable in 2024). Overall, the net discount averaged 5% of Alvopetro's Q4 2025 natural gas revenues (Q4 2024 – 1%). With the 5% decrease in the average contracted price and the discount on interruptible sales volumes, Alvopetro's realized USD natural gas price decreased by 5% from $10.51/Mcf in Q4 2024 to $9.97/Mcf in Q4 2025. For the year ended December 31, 2025, Alvopetro's realized gas price was also impacted by the 4% devaluation of the average BRL to USD in 2025 compared to 2024.

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.

Canada

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

Natural Gas, Oil and Condensate Sales Revenue

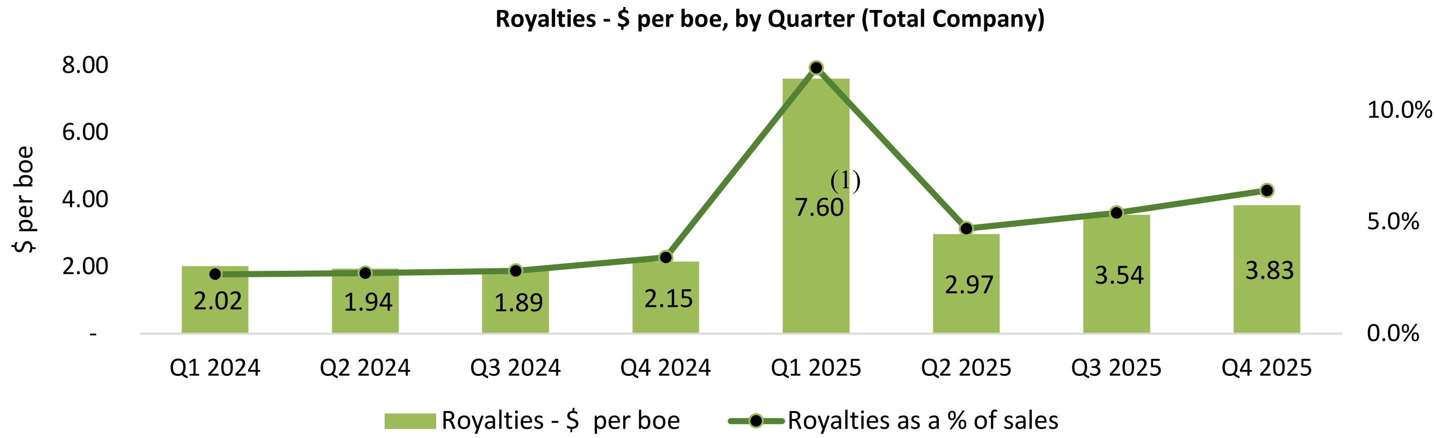
	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Brazil:						
Natural gas	**13,847**	9,389	47	**51,868**	42,442	22
Condensate	**1,170**	764	53	**3,998**	2,785	44
Oil	**101**	61	66	**229**	290	(21)
Total - Brazil	**15,118**	10,214	48	**56,095**	45,517	23
Canada:						
Oil – Total Canada	**638**	-	-	**1,859**	-	-
Total Company:						
Natural gas	**13,847**	9,389	47	**51,868**	42,442	22
Condensate	**1,170**	764	53	**3,998**	2,785	44
Oil	**739**	61	1111	**2,088**	290	620
Total Company	**15,756**	10,214	54	**57,954**	45,517	27

Total natural gas, oil and condensate revenues increased by $5.5 million (+54%) compared to Q4 2024 due to the 65% increase in average daily production, partially offset by the 6% decrease in the average realized sales price. For the year ended December 31, 2025, revenues increased $12.4 million (+27%).

Royalties

	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Royalties – Brazil	**908**	344	164	**3,808**	1,310	191
Royalties – Canada	**101**	-	-	**296**	-	-
Royalties – Total Company	**1,009**	344	193	**4,104**	1,310	213
Royalties per boe ($)[(1)]:						
Brazil	**3.63**	2.15	69	**4.32**	1.99	117
Canada	**7.42**	-	-	**7.62**	-	-
Royalties per boe ($)[(1)] – Total Company	**3.83**	2.15	78	**4.46**	1.99	1.24
Royalties as a % of sales[(1)]						
Brazil	**6.0%**	3.4%	76	**6.8%**	2.9%	134
Canada	**15.8%**	-	-	**15.9%**	-	-
Royalties as a % of sales[(1)]–Total Company	**6.4%**	3.4%	88%	**7.1%**	2.9%	145

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



(1) Includes additional non-recurring royalties arising out of GORR dispute, representing amounts from July 2020 to December 2024. For future periods we would expect our Brazilian royalties as a percentage of sales to be approximately 5% to 7%, based on forecasted commodity prices.

Brazil

Alvopetro's sales (other than sales from the Bom Lugar field) are subject to a base 7.5% government royalty plus a 1% landowner royalty. The Bom Lugar field is subject to a base 5% government royalty plus a 0.5% landowner royalty. Government and landowner royalties on natural gas are based on production volumes at an inherent reference price attributable to the raw natural gas produced at the wellhead (prior to midstream processing), resulting in lower effective royalty rates compared to base royalty rates. As Henry Hub spot prices are a significant component of the reference price used for natural gas royalties, Alvopetro's effective royalty rate fluctuates with changes in Henry Hub prices relative to Alvopetro's contracted natural gas price. With Henry Hub increasing 53% in Q4 2025 compared to Q4 2024, government and landowner royalties increased as a percentage of sales.

There is also an additional 2.5% gross-overriding royalty ("GORR") on the portion of the Alvopetro's fields that were previously on Block 197. In Q1 2025, Alvopetro recognized an additional amount owing with respect to the GORR on natural gas from Block 197, the computation of which is in dispute with the holders of the GORR. Pursuant to dispute resolution provisions, the matter proceeded to arbitration following the Rules of Arbitration of the ICC. In 2025 Alvopetro received the decision of the arbitral tribunal finding in favour of the GORR holders, requiring Alvopetro to adjust the sales price used in the computation of the GORR. Alvopetro has estimated the additional GORR owing pursuant to the decision of the tribunal and recognized the expected additional royalty (including inflation adjustments) in 2025 with interest owing on the balance outstanding recognized in finance expenses. The additional GORR is estimated from the date natural gas sales commenced in July 2020. The final amount owing by Alvopetro is uncertain as of the date of this MD&A as it remains subject to the calculation method chosen by the arbitral tribunal and may be adjusted by the tribunal. As a result, the ultimate amount owing may be different than the amounts recognized by Alvopetro and such difference may be material. Q1 2025 royalties include the GORR relating to the three months ended March 31, 2025 as well as the GORR adjustment impacting prior periods (from the date natural gas sales commenced in July 2020 to December 31, 2024) resulting in higher royalties in the year-ended December 31, 2025. Q4 2025 royalties include the additional GORR estimate relating to the three months ended December 31, 2025. For future periods, based on forecasted benchmark Brent and Henry Hub prices we would expect our Brazilian royalties to be approximately 7% of natural gas, oil and condensate revenues, subject to the final outcome of the GORR dispute.

Western Canada

Royalties in Canada include Saskatchewan Crown royalties, Saskatchewan resource surcharge as well as royalties paid to freehold mineral rights owners and gross-overriding royalty holders. Royalties vary depending on the specific contract terms in place. With respect to Crown royalty charges in Saskatchewan, the government has a multi-lateral oil well drilling incentive program effective for wells drilled from April 1, 2024 to March 31, 2028, reducing the Crown royalty rate for a set volume of production depending on the number of laterals drilled. Three (1.5 net) of the six (3.0 net) existing wells as of December 31, 2025 are subject to Saskatchewan Crown royalties and are eligible for the reduced Crown royalty rate for the first 100,000 barrels of production (50,000 net to Alvopetro).

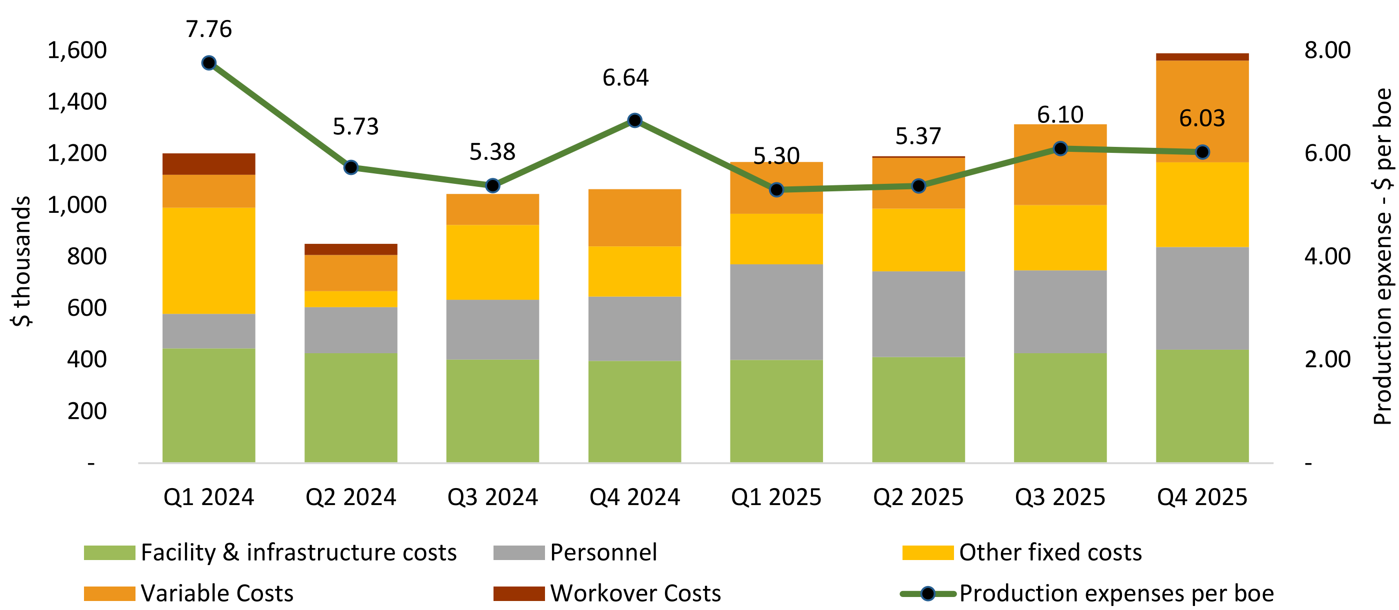
Production Expenses

	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Production expenses by type:						
Personnel costs	**453**	249	82	**1,476**	792	86
Facility and infrastructure costs	**439**	396	11	**1,676**	1,668	-
Other fixed costs	**274**	195	41	**967**	959	1
Variable costs	**394**	222	77	**1,105**	610	81
Workover costs	**29**	-	-	**36**	127	(72)
Production expenses – Total Company	**1,589**	1,062	50	**5,260**	4,156	27
Production expenses - Brazil	**1,464**	1,062	38	**5,020**	4,156	21
Production expenses - Canada	**125**	-	-	**240**	-	-

	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Production expenses per boe($)(1):						
Personnel costs	**1.72**	1.55	11	**1.60**	1.21	32
Facility and infrastructure costs	**1.67**	2.48	(33)	**1.82**	2.54	(28)
Other fixed costs	**1.04**	1.22	(15)	**1.05**	1.46	(28)
Variable costs	**1.49**	1.39	7	**1.20**	0.93	29
Workover costs	**0.11**	-	-	**0.04**	0.19	(79)
Total Company – per boe($)(1)	**6.03**	6.64	(9)	**5.71**	6.33	(10)
Brazil	**5.85**	6.64	(12)	**5.69**	6.33	(10)
Canada	**9.19**	-	-	**6.17**	-	-

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

Production Expenses, by Quarter (Total Company)



Brazil

With respect to Unit operations, the majority of production expenses are split between Alvopetro and our Partner based on monthly production allocations. As a result, Alvopetro's share of these costs can fluctuate even where Alvopetro production levels are consistent due to fluctuations in our Partner's natural gas deliveries. Production expenses in Q4 2025 increased compared to Q4 2024 with Murucututu operations increasing with the 183-D4 well coming online in August resulting in higher personnel costs, other fixed costs and variable costs. 2025 production expenses were also impacted by additional personnel associated with compression operations at Caburé which commenced at the start of the year as well as additional personnel for Murucututu operations in Q4 2025.

While overall production expenses were higher in 2025, on a per boe basis, costs decreased 9% in Q4 2025 and 10% for the year ended December 31, 2025, compared to the same periods in 2024 due to higher production volumes.

Canada

In Canada, production expenses include contract operator expenses, water trucking and disposal and other variable expenses.

Transportation Expenses

	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Transportation expenses – Canada	**50**	-	-	**129**	-	-
Transportation expenses – Total Company	**50**	-	-	**129**	-	-
Transportation expenses per boe ($)(1):						
Canada	**3.67**	-	-	**3.32**	-	-
Total Company – per boe($)(1)	**0.19**	-	-	**0.14**	-	-

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

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

Operating Netback

	Three Months Ended December 31,			Year Ended December 31,		
Brazil:	**2025**	2024	Change (%)	**2025**	2024	Change (%)
Operating netback(1)						
Natural gas, oil and condensate sales	**15,118**	10,214	48	**56,095**	45,517	23
Royalties	**(908)**	(344)	164	**(3,808)**	(1,310)	191
Production expenses	**(1,464)**	(1,062)	38	**(5,020)**	(4,156)	21
Operating netback(1)	**12,746**	8,808	45	**47,267**	40,051	18
Operating netback - $ per boe(1):						
Average realized sales price - $ per boe(1)	**60.45**	63.88	(5)	**63.59**	69.31	(8)
Royalties - $ per boe(1)	**(3.63)**	(2.15)	69	**(4.32)**	(1.99)	117
Production expenses - $ per boe(1)	**(5.85)**	(6.64)	(12)	**(5.69)**	(6.33)	(10)
Operating netback per boe	**50.97**	55.09	(7)	**53.58**	60.99	(12)
Operating netback margin(1)	**84%**	86%	(2)	**84%**	88%	(5)

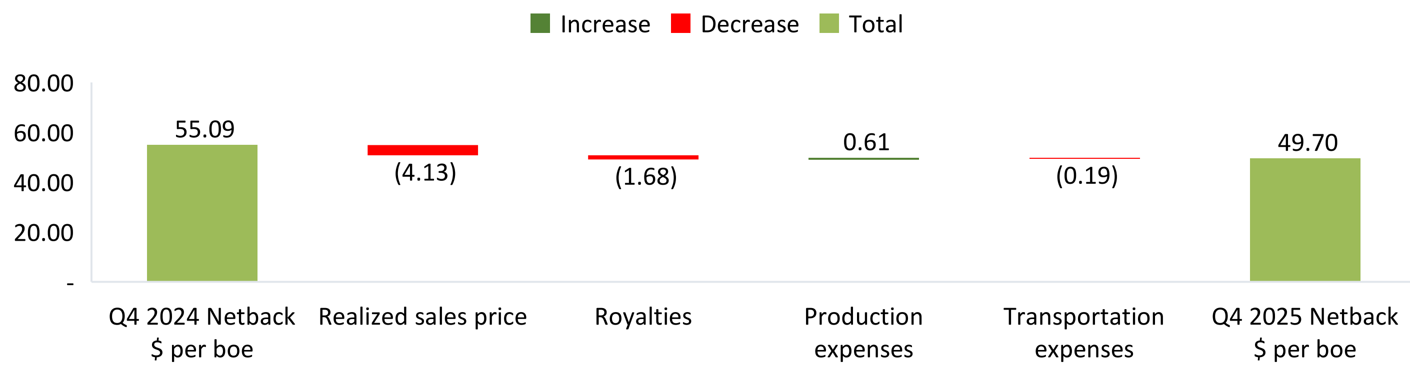
	Three Months Ended December 31,			Year Ended December 31,		
Canada:	**2025**	2024	Change (%)	**2025**	2024	Change (%)
Operating netback(1)						
Natural gas, oil and condensate sales	**638**	-	-	**1,859**	-	-
Royalties	**(101)**	-	-	**(296)**	-	-
Production expenses	**(125)**	-	-	**(240)**	-	-
Transportation expenses	**(50)**	-	-	**(129)**	-	-
Operating netback(1)	**362**	-	-	**1,194**	-	-
Operating netback - $ per boe(1):						
Average realized sales price - $ per boe(1)	**46.89**	-	-	**47.83**	-	-
Royalties - $ per boe(1)	**(7.42)**	-	-	**(7.62)**	-	-
Production expenses - $ per boe(1)	**(9.19)**	-	-	**(6.17)**	-	-
Transportation expenses - $ per boe(1)	**(3.67)**	-	-	**(3.32)**	-	-
Operating netback per boe	**26.61**	-	-	**30.72**	-	-
Operating netback margin(1)	**57%**	-	-	**64%**	-	-

Total Company:	Three Months Ended December 31, 2025	2024	Change (%)	Year Ended December 31, 2025	2024	Change (%)
Operating netback[1]						
Natural gas, oil and condensate sales	**15,756**	10,214	54	**57,954**	45,517	27
Royalties	**(1,009)**	(344)	193	**(4,104)**	(1,310)	213
Production expenses	**(1,589)**	(1,062)	50	**(5,260)**	(4,156)	27
Transportation expenses	**(50)**	-	-	**(129)**	-	-
Operating netback[1]	**13,108**	8,808	49	**48,461**	40,051	21
Operating netback - $ per boe[1]:						
Average realized sales price - $ per boe[1]	**59.75**	63.88	(6)	**62.92**	69.31	(9)
Royalties - $ per boe[1]	**(3.83)**	(2.15)	78	**(4.46)**	(1.99)	124
Production expenses - $ per boe[1]	**(6.03)**	(6.64)	(9)	**(5.71)**	(6.33)	(10)
Transportation expenses - $ per boe[1]	**(0.19)**	-	-	**(0.14)**	-	-
Operating netback per boe	**49.70**	55.09	(10)	**52.61**	60.99	(14)
Operating netback margin[1]	**83%**	86%	(3)	**84%**	88%	(5)

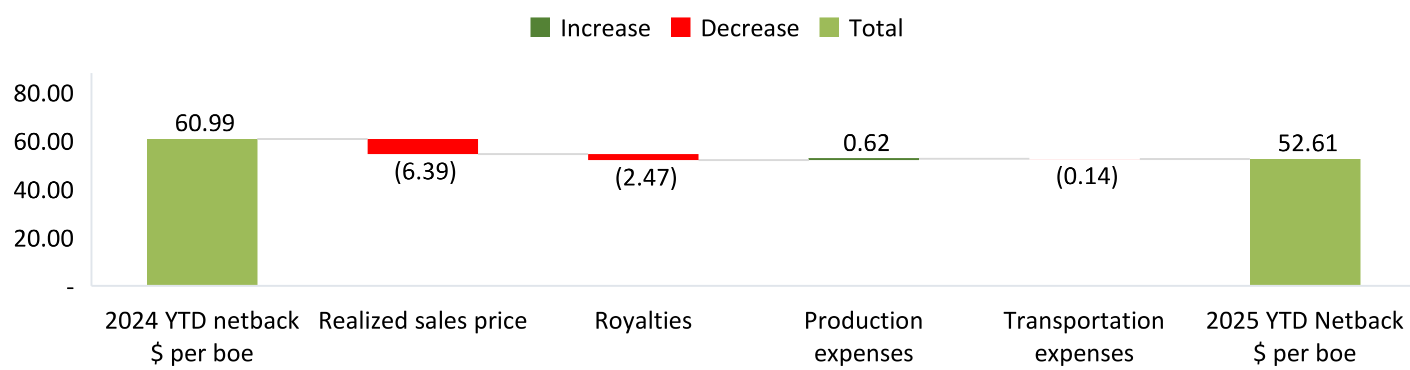
(1) See "*Non-GAAP and Other Financial Measures*" section within this MD&A.

With lower realized sales prices and higher royalties in Brazil and lower operating netbacks on new production from Canadian operations, Alvopetro's operating netback decreased by $5.39 per boe (-10%) in Q4 2025 compared to Q4 2024 and by $8.38 per boe (-14%) in the year ended December 31, 2025 compared 2024.

Change in Operating Netback per boe by Component
(Q4 2025 compared to Q4 2024)



Change in Operating Netback per boe by Component
(Year ended December 31, 2025 compared to December 31, 2024)



Other Income

	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Interest income	**318**	300	6	**1,121**	1,241	(10)
Tax recoveries from operations and other	**256**	135	90	**919**	491	87
Total	**574**	435	32	**2,040**	1,732	18

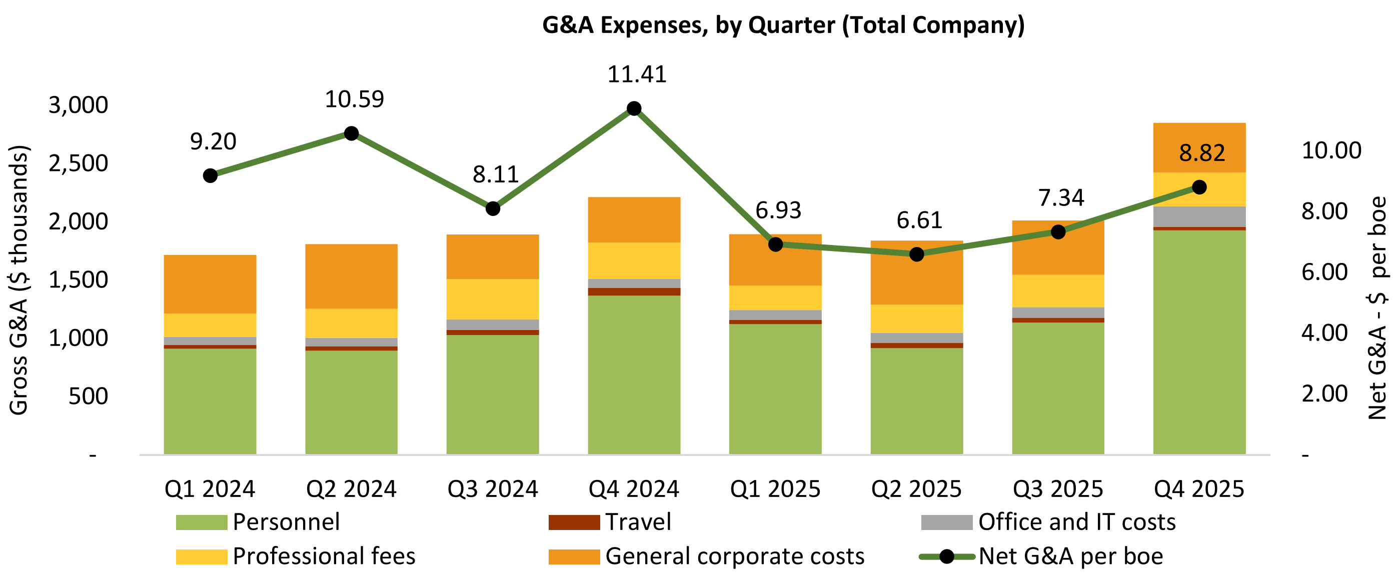
Interest income increased 6% in Q4 2025 compared to Q4 2024 with higher interest rates in Brazil. For the year ended December 31, 2025, interest income decreased 10% with lower average cash balances. This was offset by higher tax recoveries from operations in 2025 due to higher production volumes in Brazil.

General and Administrative ("G&A") Expenses

	Three Months Ended December 31,			Year Ended December 31,		
G&A Expenses, by type:	**2025**	2024	Change (%)	**2025**	2024	Change (%)
Personnel	**1,927**	1,366	41	**5,100**	4,199	21
Travel	**29**	65	(55)	**149**	180	(17)
Office and IT costs	**178**	80	123	**443**	310	43
Professional fees	**291**	312	(7)	**1,019**	1,110	(8)
General corporate costs	**424**	390	9	**1,884**	1,829	3
Gross G&A	**2,849**	2,213	29	**8,595**	7,628	13
Capitalized G&A	**(523)**	(389)	34	**(1,696)**	(1,239)	37
G&A expenses	**2,326**	1,824	28	**6,899**	6,389	8
$ per boe[1]	**8.82**	11.41	(23)	**7.49**	9.73	(23)

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

Growing staffing levels as well as inflationary adjustments and higher activity levels increased personnel costs in the year ended December 31, 2025 compared to 2024. Q4 2025 also includes final adjustments for annual short-term incentive bonuses, contributing to increased personnel costs compared to prior quarters in 2025. Higher personnel costs also resulted in higher capitalized G&A. On a per boe basis, G&A expenses were 23% lower in both Q4 2025 and for the year ended December 31, 2025, compared to the same periods in 2024 due to higher production volumes.



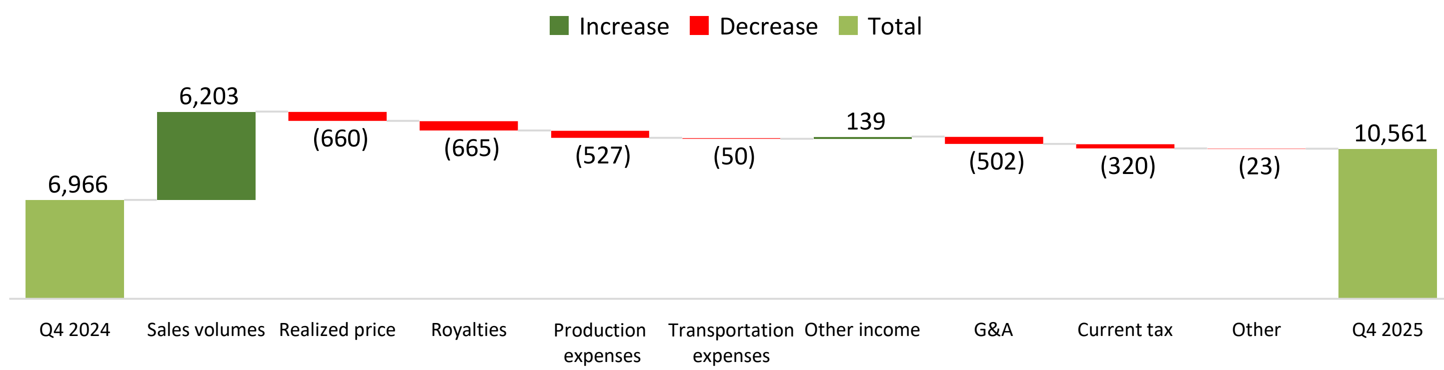
Cash Flows from Operating Activities and Funds Flow from Operations

	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Cash flows from operating activities	**9,362**	7,114	32	**40,805**	34,901	17
Per share – basic ($)	**0.25**	0.19	32	**1.09**	0.94	16
Per share – diluted ($)	**0.25**	0.19	32	**1.08**	0.93	16
Funds flow from operations(1)	**10,561**	6,966	52	**40,597**	33,275	22
Per share – basic ($)	**0.28**	0.19	47	**1.09**	0.89	22
Per share – diluted ($)	**0.28**	0.19	47	**1.08**	0.89	21

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

Funds flow from operations in Q4 2025 increased $3.6 million from Q4 2024 (+52%) and $7.3 million in the year ended December 31, 2025 compared to 2024 (+22%) due to higher sales volumes and other income, partially offset by lower realized sales prices and higher royalties, production expenses, transportation expenses, G&A and current tax.

Change in Funds Flow From Operations
(Q4 2025 compared to Q4 2024)



Change in Funds Flow From Operations
(Year ended December 31, 2025 vs. 2024)

Foreign Exchange

	As at			% Appreciation (Depreciation) of BRL/CAD to USD	
	December 31, 2025	September 30, 2025	December 31, 2024	**Q4 2025**	**YTD 2025**
Rate at end of period:					
$1 USD = BRL	**5.502**	5.319	6.192	**(3)**	**11**
$1 USD = CAD	**1.371**	1.392	1.439	**2**	**5**

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

	Three Months Ended December 31,		Year Ended December 31,		% Appreciation (Depreciation) of BRL/CAD to USD	
	2025	2024	**2025**	2024	**Change from Q4 2024**	**Change from YTD 2024**
Average rate in the period:						
$1 USD = BRL	**5.395**	5.837	**5.586**	5.392	**8**	**(4)**
$1 USD = CAD	**1.395**	1.398	**1.397**	1.369	**-**	**(2)**

The assets and liabilities of Alvopetro's Brazilian subsidiaries are translated to USD at the exchange rate on the reporting period date. The income and expenses of BRL-denominated items are translated to USD at the exchange rates on the date of the relevant transactions. All resulting foreign currency differences are recorded in exchange gain or loss on translation of foreign operations in other comprehensive income or loss. The BRL appreciated 11% from December 31, 2024, resulting in an exchange gain in comprehensive income in the year ended December 31, 2025.

Foreign exchange fluctuations on USD-denominated balances of the Brazilian subsidiary are recognized in earnings, including fluctuations on USD denominated intercompany amounts advanced to the Brazilian subsidiaries, the USD denominated lease liability of the Brazilian subsidiary associated with the Facility as well as the USD Loan entered into in Q4 2025 and any USD cash balances held. In Q4 2025, the Company recorded a foreign exchange loss of $0.2 million on all USD denominated amounts (Q4 2024: $2.1 million foreign exchange loss) and recorded a foreign exchange gain of $1.4 million for the year ended December 31, 2025 (2024: $5.8 million foreign exchange loss).

As discussed above, the Company is exposed to foreign exchange fluctuations on its natural gas revenues in Brazil. With respect to Alvopetro's natural gas price resets on August 1, 2025 and November 1, 2025 respectively, the price determined in BRL was based on average historical exchange rates of 5.67 BRL and 5.45 BRL to 1.00 USD. In Q4 2025, the actual average rate was 5.40, an appreciation of 5% and 1% compared to the exchange rates used in the August 1, 2025 price and the November 1, 2025 price. 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,	
	2025	2024	**2025**	2024
Increase (Decrease) to Natural Gas Revenues from:				
5% Appreciation of BRL to USD	**729**	494	**2,730**	2,234
10% Appreciation of BRL to USD	**1,538**	1,043	**5,763**	4,716
5% Depreciation of BRL to USD	**(659)**	(447)	**(2,470)**	(2,021)
10% Depreciation of BRL to USD	**(1,259)**	(854)	**(4,715)**	(3,858)

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 to date in 2025.

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

With increasing Canadian operations in 2025, Alvopetro reassessed the functional currency of the Canadian parent company and determined there had been a change in the functional currency from USD to CAD as of October 1, 2025. As a result of this change, for presentation purposes, the assets and liabilities of the Canadian parent company are now translated to USD at the exchange rate on the reporting period date. The income and expenses of CAD-denominated items are translated to USD at the exchange rates on the date of the relevant transactions. All resulting foreign currency differences are recorded in exchange gain or loss in other comprehensive income or loss.

Depletion and Depreciation

	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Depletion and depreciation on PP&E	**3,148**	1,723	83	**11,779**	6,406	84
Depreciation of right-of-use assets	**298**	301	(1)	**1,184**	1,186	-
Depletion and depreciation expense	**3,446**	2,024	70	**12,963**	7,592	71
$ per boe[(1)] – Total Company	**13.07**	12.66	3	**14.07**	11.56	22

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

Depletion is calculated on a unit-of-production basis for all upstream PP&E assets. All midstream PP&E assets are depreciated over the estimated useful life of the assets on a straight-line basis. With a higher depletable base in Q4 2025 with spending throughout 2025 as well as higher future development costs and higher production levels, depletion and depreciation expense on PP&E increased 83% in Q4 2025 and 84% in the year ended December 31, 2025 compared to the same periods in 2024. However, with higher sales volumes, on a per boe basis depletion and depreciation expense increased 3% in Q4 2025 and 22% for the year ended December 31, 2025 compared to 2024.

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,		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Bom Lugar	**-**	-	-	**1,837**	-	-
Mãe da lua	**-**	-	-	**22**	-	-
Assets held for sale	**(26)**	-	-	**(26)**	-	-
Other	**-**	-	-	**6**	91	(93)
Impairment	**(26)**	-	-	**1,839**	91	1,921

In Q3 2025, Alvopetro entered into an assignment agreement to dispose of its interest in the Bom Lugar and Mãe da lua oil fields for total consideration of $0.6 million, including deferred consideration. In connection with the disposition, the purchaser will assume all abandonment liabilities associated with the fields. Closing of the agreement is subject to approval of the ANP. Alvopetro classified these assets and the related liabilities as held for sale as of September 30, 2025, recognizing an impairment charge of $1.9 million at the time of the transfer to reflect the carrying value as the anticipated proceeds to be received on the sale. In Q4 2025, the Company recognized an adjustment to the expected recovery amount of the assets held for sale. The Company had also recognized an impairment earlier in 2025 on equipment inventory.

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.

Share-Based Compensation Expense

	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Share-based compensation expense	**288**	355	(19)	**1,215**	1,240	(2)

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, 2025, a total of 2.8 million awards were outstanding (December 31, 2024 – 3.2 million) with 1,868,914 stock options (December 31, 2024 – 2,004,108) and 944,951 RSUs and DSUs (December 31, 2024 – 1,236,580).

Finance Expenses

	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Lease interest	**296**	330	(10)	**1,232**	1,370	(10)
Interest on Loan	**132**	-	-	**132**	-	-
Accretion on decommissioning liabilities	**33**	25	32	**127**	100	27
Other	**31**	-	-	**185**	-	-
Finance expenses	**492**	355	39	**1,676**	1,470	14

Finance expenses increased 14% in the year ended December 31, 2025 due to interest on the Loan entered into in Q4 2025 as well as estimated additional interest owing on the GORR dispute, as further described above.

Income Tax Expense

	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Current income tax expense	**697**	377	85	**2,751**	1,983	39
Deferred income tax expense	**477**	15	3,080	**1,230**	869	42
Total	**1,174**	392	199	**3,981**	2,852	40
Effective tax rate	**17.4%**	14.9%	17	**14.7%**	14.9%	(1)

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

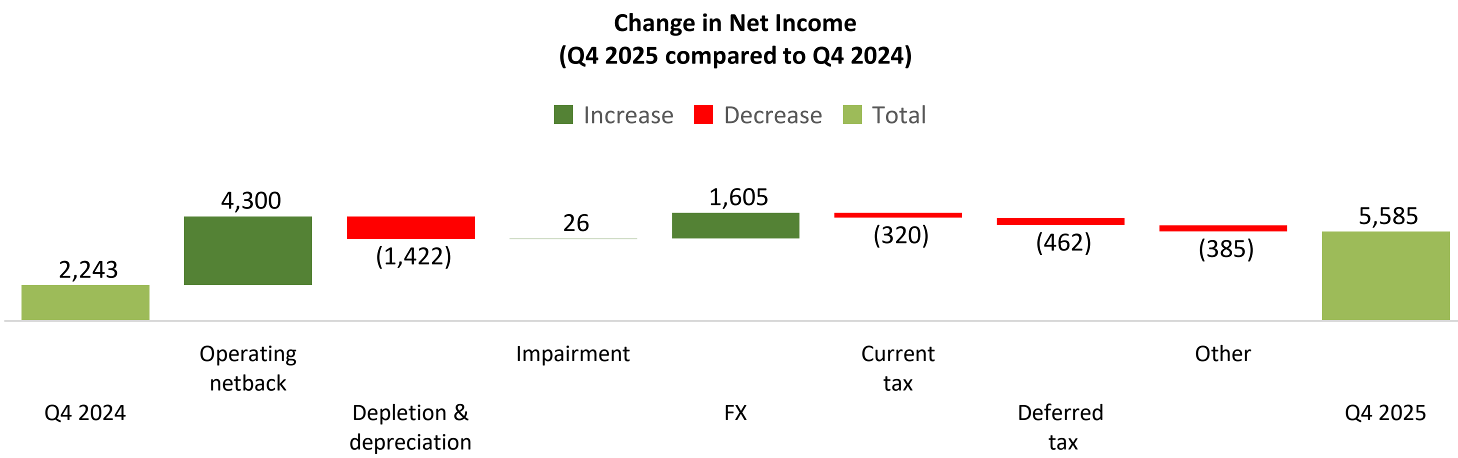
Current tax expense increased in 2025 compared to 2024 due to higher net income and lower available tax deductions. Deferred tax expense increased 42% in the year ended December 31, 2025. This was mainly due to tax claims in excess of accounting claims for various amounts as well as foreign exchange gains (compared to foreign exchange losses in 2024). In addition, in 2025, Brazil introduced a 10% withholding tax on dividends effective January 1, 2026 which applies to all undistributed earnings as of December 31, 2025. As such, Alvopetro recognized a deferred tax liability of $0.2 million in Q4 2025 in respect of future withholding tax anticipated on unrepatriated earnings. Overall, the effective tax rate (computed as total income tax expense divided by income before taxes) is 14.7% in 2025, marginally lower than the SUDENE rate of 15.25% as SUDENE profits exceed taxable income in the period, resulting in a lower overall effective tax rate, even when combined with the anticipated dividend withholding tax.

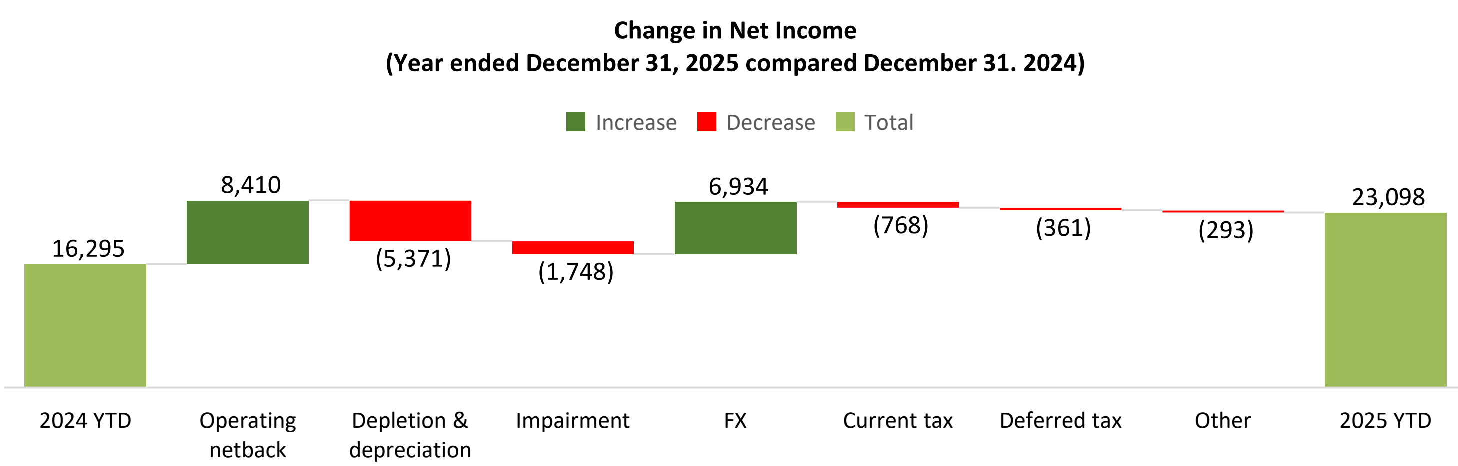
The Company has an unrecognized deferred tax asset in Canada of $2.3 million (December 31, 2024 - $1.3 million). Total tax pools of $15.5 million (December 31, 2024 - $6.7 million) are available to shelter future earnings from Canadian operations, including tax loss carryforwards of $7.8 million (December 31, 2024 - $6.9 million).

Net Income

	Three Months Ended December 31,			**Year Ended December 31,**		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Net income	**5,585**	2,243	149	**23,098**	16,295	42
Per share – basic ($)	**0.15**	0.06	150	**0.62**	0.44	41
Per share – diluted ($)	**0.15**	0.06	150	**0.61**	0.43	42

Net income in Q4 2025 increased $3.3 million compared to Q4 2024 and increased $6.8 million in the year ended December 31, 2025 compared to 2024 due mainly to higher operating netback with higher sales volumes as well as foreign exchange, partially offset by higher impairment in the year ended December 31, 2025 as well as higher depletion and depreciation expense and higher current and deferred tax expense in both Q4 2025 and for the year ended December 31, 2025 compared to 2024.





Capital Expenditures

Capital Expenditures by Type	Three Months Ended December 31, 2025	2024	Year Ended December 31, 2025	2024
E&E				
Drilling and completions	**3**	2,933	**1,022**	3,199
Land, lease, and similar payments	**3**	-	**9**	4
Equipment inventory purchases	**105**	316	**2,293**	933
Capitalized G&A	**19**	165	**60**	225
Total E&E	**130**	3,414	**3,384**	4,361
PP&E				
Drilling & completions	**3,347**	1,021	**25,607**	5,663
Facility & equipment	**317**	-	**1,652**	4,141
Land, lease, and similar payments	**50**	5	**229**	23
Seismic and other G&G costs	**496**	-	**590**	-
Capitalized G&A	**504**	224	**1,636**	1,014
Office equipment, furniture and other	**39**	18	**395**	103
Total PP&E	**4,753**	1,268	**30,109**	10,944
Total Capital Expenditures	**4,883**	4,682	**33,493**	15,305

Capital Expenditures by Property	Three Months Ended December 31, 2025	2024	Year Ended December 31, 2025	2024
E&E - Brazil				
Block 183	**25**	3,098	**1,091**	3,428
Equipment inventory purchases	**105**	316	**2,293**	933
Total E&E – Brazil	**130**	3,414	**3,384**	4,361
PP&E - Brazil				
Caburé and associated midstream assets	**407**	1,124	**8,149**	5,590
Murucututu	**548**	133	**13,577**	5,320
Other	**-**	-	**-**	9
PP&E – Brazilian Properties	**955**	1,257	**21,726**	10,919
PP&E - Canada				
Western Saskatchewan	**3,787**	**-**	**8,033**	**-**
PP&E – Corporate	**11**	11	**350**	25
Total PP&E	**4,753**	1,268	**30,109**	10,944
Total Capital Expenditures	**4,883**	4,682	**33,493**	15,305

Brazil capital expenditures in the fourth quarter on our 100% Murucututu field include final tie-in costs for the 183-D4 well as well as facilities upgrades at the field. Capital expenditures on the Caburé field include our share of unit development costs incurred in the quarter, including well tie-in and facility costs.

Capital expenditures in Canada in the quarter include drilling and completing the two additional earning wells (1.0 net) under the Expanded AMI as well as costs for our share of a seismic program.

Summary of Annual Results

	2025	2024	2023
Financial			
Natural gas, oil and condensate sales	**57,954**	45,157	59,687
Net income	**23,098**	16,295	28,525
Per share – basic ($)(1)	**0.62**	0.44	0.77
Per share – diluted ($)(1)	**0.61**	0.43	0.76
Cash flows from operations	**40,805**	34,901	47,702
Per share – basic ($)(1)	**1.09**	0.94	1.29
Per share – diluted ($)(1)	**1.08**	0.93	1.26
Funds flow from operations(2)	**40,597**	33,275	48,030
Per share – basic ($)(1)	**1.09**	0.89	1.29
Per share – diluted ($)(1)	**1.08**	0.89	1.27
Net working capital surplus(2)	**18,450**	13,181	13,117
Net working capital surplus, net of debt(2)	**2,450**	13,181	13,117
Total assets	**140,116**	101,023	109,825
Non-current liabilities	**23,300**	7,858	8,739
Average daily sales:			
Natural gas (Mcfpd)	**13,547**	10,156	12,229
NGL – condensate (bopd)	**149**	90	99
Oil (bopd)	**117**	12	6
Total average daily sales (boepd)	**2,523**	1,794	2,142
Brazil	**2,417**	1,794	2,142
Canada	**106**	-	-

(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 2025 daily sales volumes averaged 2,523 boepd, increases of 41% and 18% from 2024 and 2023 respectively, following the amended gas sales agreement with Bahiagás which came into effect as of January 1, 2025, increasing Alvopetro's firm contracted volumes 33% from 2023 and 2024. Sales volumes were also impacted by newly added Canadian operations contributing 106 bopd in 2025. With higher sales volumes, natural gas, oil and condensate sales increased 27% compared to 2024 but decreased 3% compared to 2023 due to lower realized sale prices. Net income and funds flow from operations increased 42% and 22% compared to 2024 but decreased 19% and 15% compared to 2023 due to lower realized pricing, fluctuations in impairment losses, and changes in foreign exchange gains and losses.

The Company's working capital surplus, net of debt as of December 31, 2025 decreased $10.7 million compared to December 31, 2024 and 2023 due to higher capital expenditures in 2025 relative to funds flow from operations.

Total assets have increased 28% since December 31, 2023 due to capital spending, partially offset by depletion and deprecation and impairment.

The Company entered into the $20.0 million Loan in Q4 2025, resulting in higher non-current liabilities in 2025 compared to 2024 and 2023. As of December 31, 2025, $4.0 million of the Loan balance is classified as current with $16.0 million classified as non-current.

Summary of Quarterly Results

	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Financial								
Natural gas, oil and condensate sales	**15,756**	14,175	14,010	14,013	10,214	12,879	10,672	11,752
Net income	**5,585**	4,613	6,830	6,070	2,243	7,152	2,350	4,550
Per share – basic ($)(1)	**0.15**	0.12	0.18	0.16	0.06	0.19	0.06	0.12
Per share – diluted ($)(1)	**0.15**	0.12	0.18	0.16	0.06	0.19	0.06	0.12
Cash flows from operating activities	**9,362**	12,153	10,473	8,817	7,114	10,714	8,860	8,213
Per share – basic ($)(1)	**0.25**	0.33	0.28	0.24	0.19	0.29	0.24	0.22
Per share – diluted ($)(1)	**0.25**	0.32	0.28	0.23	0.19	0.28	0.24	0.22
Funds flow from operations (2)	**10,561**	10,448	10,366	9,222	6,966	9,886	7,910	8,513
Per share – basic ($)(1)	**0.28**	0.28	0.28	0.25	0.19	0.27	0.21	0.23
Per share – diluted ($)(1)	**0.28**	0.28	0.27	0.24	0.19	0.26	0.21	0.23
Dividends declared	**4,408**	3,673	3,660	3,643	3,283	3,295	3,296	3,296
Per share ($)(1)(2)	**0.12**	0.10	0.10	0.10	0.09	0.09	0.09	0.09
Capital expenditures	**4,883**	11,249	8,986	8,375	4,682	4,747	3,437	2,439
Net working capital(2)	**18,450**	2,209	6,838	9,742	13,181	15,848	14,692	15,047
Net working capital, net of debt(2)	**2,450**	2,209	6,838	9,742	13,181	15,848	14,592	15,047
Operations								
Average realized prices(2):								
Natural gas ($/Mcf)	**9.97**	11.04	10.62	10.44	10.51	10.92	11.83	12.57
NGL – condensate ($/bbl)	**69.18**	74.16	72.32	81.05	75.95	86.70	92.27	87.89
Oil ($/bbl)	**47.99**	50.42	47.10	64.96	61.74	68.36	71.87	65.06
Average benchmark prices:								
Henry Hub ($/Mmbtu)	**3.73**	3.03	3.19	4.14	2.44	2.11	2.06	2.15
Brent oil ($/bbl)	**63.65**	69.03	68.07	75.87	74.66	80.01	84.68	82.92
WTI ($/bbl)	**59.62**	65.78	64.57	71.78	70.73	76.43	81.81	77.50
WCS ($/bbl)	**47.94**	54.43	54.11	58.83	58.17	62.27	66.92	57.68
WCS (C$/bbl)	**66.87**	74.95	74.89	84.42	81.32	84.93	91.54	77.81
Average foreign exchange ($1 USD = BRL)	**5.395**	5.449	5.666	5.852	5.837	5.545	5.213	4.952
Operating netback ($/boe) (2)								
Realized sales price	**59.75**	65.76	63.20	63.67	63.88	66.46	71.97	75.94
Royalties	**(3.83)**	(3.54)	(2.97)	(7.60)	(2.15)	(1.89)	(1.94)	(2.02)
Production expenses	**(6.03)**	(6.10)	(5.37)	(5.30)	(6.64)	(5.38)	(5.73)	(7.76)
Transportation expenses	**(0.19)**	(0.22)	(0.14)	-	-	-	-	-
Operating netback	**49.70**	55.90	54.72	50.77	55.09	59.19	64.30	66.16
Operating netback margin(2)	**83%**	85%	87%	80%	86%	89%	89%	87%
Average daily sales volumes:								
Natural gas (Mcfpd)	**15,092**	12,293	13,002	13,803	9,707	11,994	9,244	9,666
NGL – condensate (bopd)	**184**	147	128	135	109	95	76	78
Oil (bopd)	**167**	147	141	10	11	12	12	12
Total average daily sales (boepd)	**2,867**	2,343	2,436	2,446	1,738	2,106	1,629	1,701
Brazil	**2,719**	2,205	2,298	2,446	1,738	2,106	1,629	1,701
Canada	**148**	138	138	-	-	-	-	-

Notes:

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

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

Average daily sales volumes in Q4 2025 increased 22% compared to Q3 2025 as Alvopetro and Bahiagás agreed to discounted pricing on natural gas volumes above firm contracted volumes under the GSA. Natural gas oil and condensate revenue increased $1.6 million (+11%) from Q3 2025 due to higher sales volumes, partially offset by lower realized sales prices per boe. Our operating netback decreased $6.20 per boe (-11%) with lower overall realized sales prices per boe. Overall, our funds flow from operations increased $0.1 million with higher overall revenues largely offset by higher royalties, production expenses and G&A expense. Net income increased $1.0 million from Q3 2025 with higher funds flow from operations and lower impairment charges partially offset by higher foreign exchange losses and higher deferred tax expense.

Over the past eight quarters, fluctuations in average daily sales volumes, the average realized sales price per boe and average foreign exchange rates have impacted natural gas, oil and condensate revenues and funds flow from operations. Net income has fluctuated over the same period due to changes in funds flow from operations, impairment losses and fluctuations in deferred tax expense and foreign exchange gains and losses. Capital expenditures have fluctuated throughout the period due to changes in the Company's planned spending levels on E&E and PP&E assets. With higher overall production and cash flows, the Board of Directors increased the base quarterly dividend to $0.10 per share in all quarters in 2025 and also declared a special dividend of $0.02 per share in Q4 2025, resulting in total dividends declared in 2025 of $0.42 per share compared to an aggregate of $0.36 per share in 2024 (+17%).

Commitments and Contingencies

The following is a summary of Alvopetro's contractual commitments as at December 31, 2025:

	< 1 Year	1-3 Years	Thereafter	Total
Gas Treatment Agreement[1]	1,521	3,042	2,281	6,844
Total commitments	**1,521**	**3,042**	**2,281**	**6,844**

(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, 2025. As a result, such commitments are subject to fluctuations in the USD/BRL foreign exchange rate.

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

Subsequent to December 31, 2025 the Company entered into an expansion agreement with Enerflex to optimize plant performance and increase processing capacity from 500,000 m^3/d to 600,000 m^3/d. The cost to Alvopetro will be an upfront fee of $120,000 plus an incremental $73,000 of monthly rental and operating and maintenance fees. The portion of monthly fees attributable to the rental portion of the agreement ($63,000) will be included in the right-of-use asset and lease liability calculations once the expanded facility is available for use, anticipated to be the third quarter of 2026.

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

As is customary in the oil and gas industry, we may at times have work plans in place to reserve or earn certain acreage positions or wells. If we do not complete such work plans in a timely manner, the acreage positions or wells may be lost, or penalties may be applied.

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

LIQUIDITY AND CAPITAL RESOURCES

Loan

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

December 31, 2025 the full balance of $20.0 million is outstanding, with $4.0 million classified as current and $16.0 million classified as non-current.

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

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

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

- There has not been an event of default or one that will occur as a result of the declaration of the dividend or subsequent payment;

- There has not been an event of acceleration or one that will occur as a result of the declaration of the dividend or subsequent payment thereof;

- The total amount of dividends declared by Alvopetro in the four fiscal quarters immediately preceding the date of declaration of the dividend does not exceed the “Adjusted Cash Flow from Operation in the same period” (where Adjusted Cash Flow from Operations means the Cash Flow from Operating Activities calculated on a consolidated basis, before changes in non-cash working capital, less the total of all interest accrued during the period and principal payments due under the Loan during the same period); and

- On a consolidated basis, Alvopetro maintained a minimum cash (including cash equivalents) balance of $3.0 million on the closing date of the fiscal quarter immediately preceding the declaration of the dividend.

Alvopetro declared its Q4 2025 dividend subsequent to entering into the Loan and was in compliance with the dividend covenants. For purposes of the Q4 2025 dividend declaration, the four fiscal quarters immediately preceding the Q4 2025 dividend declaration included Q4 2024 to Q3 2025 for purposes of determining Adjusted Cash Flow from Operations relative to dividends declared and the cash balance as of September 30, 2025 was assessed relative to the minimum cash balance required of $3.0 million.

	Q4 2024	Q1 2025	Q2 2025	Q3 2025	**Annualized**
Cash flow from operating activities	7,114	8,817	10,473	12,153	**38,557**
Changes in non-cash working capital	(148)	405	(107)	(1,705)	**(1,555)**
Interest on Loan accrued	-	-	-	-	**-**
Principal payments on Loan due	-	-	-	-	**-**
Adjusted Cash Flow from Operations	6,966	9,222	10,366	10,448	**37,002**
Dividends declared	3,283	3,643	3,660	3,673	**14,259**
Excess dividend room available					**22,743**
Cash and cash equivalents				12,081	**12,081**
Minimum cash and cash equivalents required				3,000	**3,000**
Excess cash above covenant requirement					**9,081**

Cash and Working Capital

At December 31, 2025, Alvopetro's cash and cash equivalents of $32.4 million were held as follows:

	Total	U.S. Dollar	CAD Dollar(1)	BRL(1)
Cash and cash equivalents held in Canada	16,408	16,301	107	-
Cash and cash equivalents held in Brazil	15,964	6,548	-	9,416
Total	**32,372**	**22,849**	**107**	**9,416**

(1) Amounts in the table above denote the U.S. dollar equivalent as at December 31, 2025.

The Company had cash and cash equivalents of $32.4 million, a net working capital surplus of $18.5 million and a net working capital surplus, net of debt of $2.5 million at December 31, 2025. Positive cash flows from natural gas deliveries and associated condensate sales from operations are projected to be sufficient to fund the Company's operational activities, planned capital projects and future dividends. However, the Company is exposed to a variety of risks which may adversely impact future cash flows. The Company manages these risks by forecasting cash flows for a minimum period of twelve months, which involves preparation of capital expenditure, operating and general and administrative budgets, all of which are monitored closely, and adjusted as necessary. The Board of Directors has discretion with respect to any future dividend amounts and the Company has flexibility on future capital plans.

The liability for decommissioning obligations of Alvopetro was $1.4 million as at December 31, 2025, 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, 2025, the Company had $5.7 million of equipment inventory to be utilized for future operations which is included in exploration and evaluation assets in the 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, 2025 and December 31, 2024. 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, 2025	December 31, 2024
Lease liabilities, beginning of period	**7,863**	8,681
Additions	**159**	114
Finance expense	**1,232**	1,370
Lease payments	**(2,262)**	(2,278)
Foreign currency translation	**37**	(24)
Lease liabilities, end of period	**7,029**	7,863
Current	**1,247**	1,069
Non-current	**5,782**	6,794
Total, end of period	**7,029**	7,863

Dividends

	Three Months Ended December 31,			**Year Ended December 31,**		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Dividends declared	**4,408**	3,283	34	**15,384**	13,170	17
Dividends declared – per share ($)(1)	**0.12**	0.09	33	**0.42**	0.36	17

(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.

The Board of Directors increased the base quarterly dividend to $0.10 per share compared to $0.09 per share paid throughout 2024. In addition, the Board of Directors declared a special dividend of $0.02 per share in Q4 2025, resulting in an aggregate $0.12 per share declared in Q4 2025. On March 17, 2026, the Board of Directors declared a dividend of $0.12 per share, payable on April 15, 2026 to shareholders of record on March 31, 2026.

All dividends are designated as “eligible dividends” for the purpose of the Income Tax Act (Canada). The Company expects future dividends to be paid quarterly as part of Alvopetro’s long-standing capital allocation objective to balance spending from cash flows between reinvestment in growth opportunities and returns to stakeholders. However, the decision to declare any future quarterly dividend and the amount of such dividend, if any, remains subject to the discretion of the Board and may vary depending on numerous factors. There can be no assurance that dividends will be paid at the intended rate or at any rate in the future.

Normal Course Issuer Bid

	Three Months Ended December 31,			Year Ended December 31,		
	2025	2024	Change (%)	**2025**	2024	Change (%)
Shares repurchased (#)	**-**	126,200	(100)	**151,000**	189,000	(20)
Average price per share (C$)	**-**	4.89	(100)	**5.22**	4.95	5
Total cost of share repurchases - $000s[1]	**-**	439	(100)	**556**	690	(19)

(1) Includes applicable fees.

On August 13, 2024, Alvopetro launched a normal course issuer bid (the “2024 NCIB”) to repurchase Alvopetro common shares. The terms of the 2024 NCIB permitted Alvopetro to repurchase up to 2,953,044 common shares from August 13, 2024 to the earlier of August 12, 2025 or when the 2024 NCIB was completed or terminated by Alvopetro. The 2024 NCIB expired on August 12, 2025 and no repurchases were made in Q4 2025. A total of 151,000 shares were repurchased in the year ended December 31, 2025. All shares repurchased were subsequently cancelled.

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 17, 2026, there were 36,732,097 common shares, 1,860,414 stock options, 626,787 RSUs and 318,164 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, 2025 or December 31, 2024. Key management personnel include Alvopetro’s directors and officers. In the year ended December 31, 2025, the Company recorded $2.1 million (2024 - $1.7 million) in salary and benefits to key management personnel and $1.1 million in share-based compensation (2024 - $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, production expenses and transportation expenses This calculation is provided in the "*Operating Netback*" section of this MD&A using our IFRS measures. Operating netback is a common metric used in the oil and gas industry to demonstrate profitability from operations.

Non-GAAP Financial Ratios

Operating Netback per boe

Operating netback on a per unit basis, which is per barrel of oil equivalent ("boe"), is a common non-GAAP measure used in the oil and gas industry and management believes it assists in evaluating the operating performance of the Company. It is a measure of the economic quality of the Company's producing assets and is useful for evaluating variable costs as it provides a reliable measure regardless of fluctuations in production. 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 December 31,		Year Ended December 31,	
	2025	2024	**2025**	2024
Operating netback - $ per boe	**49.70**	55.09	**52.61**	60.99
Average realized price - $ per boe	**59.75**	63.88	**62.92**	69.31
Operating netback margin	**83%**	86%	**84%**	88%

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:

	Three Months Ended December 31,		Year Ended December 31,	
$ per share	**2025**	2024	**2025**	2024
Per basic share:				
Cash flows from operating activities	**0.25**	0.19	**1.09**	0.94
Funds flow from operations	**0.28**	0.19	**1.09**	0.89
Per diluted share:				
Cash flows from operating activities	**0.25**	0.19	**1.08**	0.93
Funds flow from operations	**0.28**	0.19	**1.08**	0.89

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 December 31,		Year Ended December 31,	
	2025	2024	**2025**	2024
Cash flows from operating activities	**9,362**	7,114	**40,805**	34,901
Changes in non-cash working capital	**1,199**	(148)	**(208)**	(1,626)
Funds flow from operations	**10,561**	6,966	**40,597**	33,275

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,	
	2025	2024
Total current assets	**39,892**	26,984
Total current liabilities	**(21,442)**	(13,803)
Net working capital	**18,450**	13,181

Working Capital, Net of Debt

Working capital net of debt is computed as net working capital decreased by the carrying amount of the Loan which is classified as non-current. Working capital net of debt is used by management to assess the Company's overall financial position. As of December 31, 2025, Alvopetro's net working capital exceeds the balance outstanding on the Loan.

	As at December 31	
	2025	2024
Net working capital	**18,450**	13,181
Loan, non-current	**(16,000)**	-
Working capital, net of debt	**2,450**	13,181

Supplementary Financial Measures

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

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

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

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

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

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

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

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

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

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

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

OFF BALANCE SHEET ARRANGEMENTS

Alvopetro has off-balance sheet arrangements consisting of various contracts entered into in the normal course of operations. Contracts that contain a lease are accounted for under IFRS 16 and recorded on the balance sheet as of December 31, 2025 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.

A. Arbitration of Alvopetro's Working Interest and Impact of Future Redeterminations

Historically, substantially all of Alvopetro's natural gas and condensate sales have been from the Unit. Alvopetro's current working interest in the Unit as of December 31, 2025 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 Alvopetro'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, Alvopetro and the Partner received the Expert's decision wherein the Expert found in favour of Alvopetro, increasing Alvopetro's working interest in the Unit from 49.1% to 56.2%. Alvopetro's Partner filed a notice of dispute with respect to the Expert's decision, seeking to stay the redetermination procedure. Alvopetro subsequently filed a request for emergency arbitration before the ICC seeking to make the Expert decision effective starting on June 1, 2024, as provided for in the UOA. On May 10, 2024, Alvopetro received the Order of the emergency arbitrator wherein the arbitrator found in favour of Alvopetro, making the Expert decision effective June 1, 2024 until such time as the dispute can be reviewed by an arbitral tribunal pursuant to the Rules of Arbitration of the ICC.

Effective June 1, 2024, Alvopetro's working interest was adjusted to 56.2% and Alvopetro has since been entitled to higher natural gas production and condensate entitlements from the Unit and has also been responsible for its share of capital expenditures at this higher working interest. With Alvopetro's Redetermined Working Interest above 50%, Alvopetro was entitled to assume operatorship of the Unit which was completed in the third quarter of 2024. While assumption of operatorship has reduced Alvopetro's reliance on the Partner to ensure Alvopetro's entitlement to production from the Unit, Alvopetro is now responsible for the daily activities of the Unit including adherence to regulatory requirements and all administrative matters. The Company ensures compliance through the employment of qualified personnel within Brazil and Canada to manage all local operations. In addition, Alvopetro 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. Alvopetro has comprehensive insurance coverage with respect to all operations of the Unit.

The redetermination dispute proceeded to a full arbitration under the Rules of the ICC and will be decided upon by an arbitral tribunal (the “Tribunal”). The timing and outcome of the decision of the Tribunal is uncertain and Alvopetro will be exposed to risks and uncertainties as further described below which may impact future revenues, future cash flows and Alvopetro’s reserves and reserve life and such impact may be material. In addition, as the overall timeline to conclude this process is uncertain, Alvopetro will be exposed to additional legal and other costs associated with the arbitration. Even where Alvopetro is successful, the proceedings may be time consuming and costly. In addition, the UOA provides for future redeterminations which also may have a material impact to Alvopetro.

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 Alvopetro’s working interest is reduced following a decision of the Tribunal, Alvopetro’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, Alvopetro 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 Alvopetro received only 49.1% of NGL production). To the extent Alvopetro’s working interest is reduced following the decision of the Tribunal, Alvopetro’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, Alvopetro is focused on further developing the 100% owned and operated Murucututu natural gas field. Production from the field increased in 2025 and Alvopetro’s capital plans for 2026 and future years include additional development wells and field facilities expansion to increase the deliverability from 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 Alvopetro’s working interest is reduced following the decision of the Tribunal, Alvopetro’s share of remaining Unit Recoverable Volumes from the Unit will decrease. Once Alvopetro 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 Alvopetro.

Alvopetro’s reserves as of December 31, 2025 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, 2025. 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 majority of the planned unit development was completed in 2025. Alvopetro’s share of estimated costs in 2026 is $1.2 million (at its 56.2% interest), mainly relating to a planned sidetrack of a well drilled in 2025 that did not reach target depth. Alvopetro’s share of such 2026 costs as well as historical 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, 2025, approximately 31% 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 changes 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 2025, natural gas production from the Company's Murucututu natural gas project increased to 23% of total natural gas production and in Q4 2025, natural gas production from Murucututu increased to 36% following success on the 183-D4 well which was brought on production in late August 2025. Alvopetro has plans to further develop the Murucututu natural gas project to mitigate this risk further in the future.

To the extent reservoir performance is below projected results, ship or pay penalties may arise under Alvopetro's GSA. With increased firm volumes agreed to as of January 1, 2025, Alvopetro's exposure to such potential penalties has increased. However, while the overall firm contracted volumes have increased compared to 2024 and prior years, the new GSA in effect as of January 1, 2025 has reduced supply failure penalties compared to prior years.

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. Alvopetro'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, Alvopetro is subject to significant credit risk. In the year ended December 31, 2025, 89% of the Company's revenues were sold to one counterparty, Bahiagás, and Alvopetro's future cash flows are dependent on ongoing demand from Bahiagás. If the GSA were terminated for any reason, Alvopetro 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 Alvopetro does not currently have other gas sales contracts to sell natural gas to any other parties. 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 are 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, other worldwide pandemics, other geopolitical tensions and events (including war, terrorism and military actions) or other unforeseeable events. The ongoing Russia-Ukraine war, growing conflicts in the Middle East including disruptions in shipping routes in the Strait of Hormuz as well as political developments in Venezuela may have a significant impact on commodity prices. Fluctuations and volatility 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. In addition, with the Company's expansion into Canadian activities in 2025, Alvopetro may be more directly impacted by trade disputes between Canada on the United States and the impact of any such disputes on commodity prices. The Company monitors market conditions and may selectively use derivative instruments to reduce exposure to commodity price movements.

Alvopetro 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, Alvopetro 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 Alvopetro 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. Alvopetro is exposed to credit risk related to such balances. Market uncertainty associated with financial institution instability, bank collapses, international conflicts and geopolitical factors increases Alvopetro's exposure to credit risk. Alvopetro 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. The Company's Loan bears interest at a fixed rate.

D. GORR Dispute

As further described in the section entitled "*Royalties*", Alvopetro has recognized an additional provision with respect to the GORR on natural gas on Block 197. Pursuant to dispute resolution provisions, the dispute proceeded to arbitration under the Rules of Arbitration of the ICC. The Company had not previously recognized any additional provision related to the GORR as Alvopetro had expected to be successful in the dispute. However, in April 2025 Alvopetro received the findings of the arbitral tribunal wherein the tribunal found in favour of the GORR holders requiring Alvopetro to adjust the sales price used in the computation of the GORR. Alvopetro has estimated the additional GORR owing and recognized the additional royalty (including inflation adjustments) with interest owing on the balance outstanding recognized in finance expenses.

Alvopetro was required to submit all calculations of the additional GORR owing to the tribunal for review and the parties are currently discussing the respective calculations. Ultimately, the tribunal will issue a final decision on the amount owing. The historical amount recorded in the three months ended March 31, 2025 for periods up to December 31, 2024, as well as the ongoing GORR calculations for the three months ended December 31, 2025 and the year ended December 31, 2025 represent management's best estimates, however the actual calculation will be determined by the tribunal and may be materially different. As a result, the final amount owing is uncertain as of the date of this MD&A as it remains subject to the approval of the tribunal and will be subject to any adjustment required by the tribunal. The final amount owing may be different than the amounts recognized by Alvopetro as of December 31, 2025 and such difference may be material. As the GORR award is subject to inflation and interest adjustments, the balance owing will increase over time. As the timing of reaching a final decision is uncertain, the proceedings may be time consuming and costly. In addition, any decision by the tribunal will also impact future GORR amounts owing which will impact future cash flows.

E. 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 Alvopetro'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, Alvopetro employs highly experienced geoscientists, uses technology and 3D seismic as primary exploration tools and focuses exploration efforts in known hydrocarbon producing basins.

In 2025 Alvopetro commenced Canadian operations, partnering with a private company. Alvopetro 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, Alvopetro 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 Alvopetro's ability to realize the anticipated growth opportunities and synergies from combining the new or acquired businesses and operations with those of Alvopetro. 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 Alvopetro 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 Alvopetro 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 Alvopetro, if disposed of, could realize less than their carrying value on the financial statements of Alvopetro.

F. Legal and Regulatory Risks

As an oil and gas company, Alvopetro 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. Alvopetro's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. The implementation of any new or additional tariffs or other counter measures may adversely affect Alvopetro's operations within Canada as well as in Brazil, depending on the nature of and extent of such measures.

From time-to-time Alvopetro 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, Alvopetro 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. Alvopetro 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. With respect to Alvopetro's exploratory block (Block 183), Alvopetro's carrying value is $11.2 million as of December 31, 2025. Alvopetro is required to drill a new well on the block in advance of the current PAD expiry date of October 1, 2027. 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 and an impairment may arise on the block in the future.

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.

G. Operational and Uninsurable Risks

All of Alvopetro'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 Alvopetro has full control over all gas delivered to the Facility, Alvopetro 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 Alvopetro's costs associated with reduced processing; however, such credits may not fully offset costs incurred by Alvopetro due to ship or pay obligations under the GSA.

With respect to Canadian operations, Alvopetro currently holds a 50% non-operated working interest. As Alvopetro is not the operator of this property, it is dependent on its partner for all operational matters as well as the timing and execution of any 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, Alvopetro 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.

Alvopetro 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, Alvopetro could incur significant costs that could have a material adverse effect on its financial position. As Alvopetro 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 Alvopetro's future gas production, future cash flows may be less than expected and Alvopetro 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 Alvopetro'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 Alvopetro. The Company's financial results for 2025 and 2024 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 2025 or 2024 with respect to any climate related matters.

The Company relies on its information technology infrastructure for operations, making it vulnerable to disruptions from system failures, natural disasters, cyber-attacks, and security breaches. Unauthorized access to these systems could lead to corruption or exposure of confidential or proprietary information, interruption to communications or operations or disruption to the Company's business activities or its competitive position. Given the nature of and the geographical separation of offices and operations, any of these or other events could cause interruptions, delays, loss of critical or sensitive data or similar effects, which could have a material adverse impact on the protection of intellectual property, confidential and proprietary information, and on the Company's business, financial condition, results of operations and cash flows from operations. Although the Company has measures and controls in place that are designed to mitigate these risks, a breach of its security measures and/or a loss of information or financial resources could occur and result in a loss of material and confidential information and reputation, breach of privacy, disruption to its business activities and/or a financial loss. The significance of any such event is difficult to quantify but may in certain circumstances be material and could have a material adverse effect on the Company's business, financial condition and results of operations.

H. 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, duration and extent of tariffs 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. The Company has a significant capital program planned on the Murucututu field commencing in 2026 and material cost overruns or 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.

I. Foreign Operations Risk

Given the Company's historical operations in Brazil and additional projects which may be evaluated internationally, Alvopetro 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 commenced Canadian operations with an established private company 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. Alvopetro 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 Alvopetro'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. In 2025, Brazil introduced a new 10% withholding tax on dividends effective January 1, 2026 which will result in additional taxes in the future on any dividends paid by our Brazilian subsidiary to Canada. While there are no restrictions or taxes owing on any repatriations of capital, the new withholding tax on dividends will result in increased costs to the Company. Changes in foreign exchange regulations, further 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 Alvopetro'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.

J. 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 Alvopetro's financial condition.

Alvopetro 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 Alvopetro'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. Alvopetro 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. Alvopetro'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. Alvopetro 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. Alvopetro 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.

K. Liquidity and Financing Risk

The Company owed a total of $20.0 million under its Loan as of December 31, 2025. The Company's ability to make payments of interest and principal on the Loan will depend on its future operating performance and cash flows from operations, which are subject to commodity prices, exchange rates, demand for oil and natural gas, the timing of capital activities, regulatory approvals, reservoir performance, and prevailing economic conditions, among other factors, many of which are beyond its control. The Company's cash flow from operations will be in part dedicated to the payment of principal and interest and there can be no assurance that the Company will be able to repay the Loan when due.

The Loan includes certain covenants with which the Company must comply. A breach of any of the terms of the Loan could cause an event of default, resulting in some or all of the amounts borrowed becoming immediately due and payable, which could adversely affect the Company's financial condition, primarily its liquidity.

The Company is committed to maintaining a strong balance sheet and is actively monitoring all spending to ensure a strong financial position. As at December 31, 2025, the Company held cash and cash equivalents of $32.4 million and a working capital surplus net of debt of $2.5 million.

The Company may seek to raise additional funds in the future to fund future capital expenditures on Alvopetro'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 Alvopetro. The inability of Alvopetro to access sufficient capital for its planned operations 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.

L. 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. Alvopetro'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. Alvopetro 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. Alvopetro 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.

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

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

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

Forward-Looking Statements. Certain information provided in this MD&A constitutes forward-looking statements. The use of any of the words "will", "expect", "intend" and other similar words or expressions are intended to identify forward-looking information. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the expectations discussed in the forward-looking statements. These forward-looking statements reflect current assumptions and expectations regarding future events. More particularly and without limitation, this MD&A contains forward-looking statements concerning the arbitration procedures associated with the redetermination of working interests of the Unit, the anticipated outcome of the GORR dispute, expected royalty rates, the Company's dividend policy and plans for dividends in the future, plans relating to the Company's operational activities, proposed exploration and development activities and the timing for such activities, capital spending levels and future capital costs, exploration and development prospects of Alvopetro, future production and sales volumes, production rates and allocations from the Caburé natural gas field, expected production rates from certain wells, the expected timing of closing on certain dispositions, the expected natural gas price, gas sales and gas deliveries under Alvopetro's long-term gas sales agreement, the anticipated timing of completion of the expansion of the gas treatment facility, and sources and availability of capital. Forward-looking statements are necessarily based upon assumptions and judgments with respect to the future including, but not limited to the success of future drilling, completion, testing, recompletion and development activities and the timing of such activities, the performance of producing wells and reservoirs, well development and operating performance, expectations and assumptions concerning the approval of and timing of regulatory licenses, equipment availability, environmental regulation, including regulation relating to hydraulic fracturing and stimulation, the ability to monetize hydrocarbons discovered, the outlook for commodity markets and ability to access capital markets, foreign exchange rates, the outcome of any redeterminations, the outcome of any disputes, general economic and business conditions, forecasted demand for oil and natural gas, the impact of international conflicts, the impact of global pandemics, weather and access to drilling locations, the availability and cost of labour and services, and the regulatory and legal environment and other risks associated with oil and gas operations. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Current and forecasted natural gas nominations are subject to change on a daily basis and such changes may be material. Although we believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because we can give no assurance that they will prove to be correct. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, reliance on industry partners, availability of equipment and personnel, uncertainty surrounding timing for drilling and completion activities resulting from weather and other factors, changes in applicable regulatory regimes and health, safety and environmental risks), commodity price and foreign exchange rate fluctuations, market uncertainty associated with trade or tariff disputes and general economic conditions. Certain of these risks are set out in more detail in our 2025 Annual Information Form which has been filed on SEDAR+ and can be accessed at www.sedarplus.ca. Except as may be required by applicable securities laws, Alvopetro assumes no obligation to publicly update or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.

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, 2025. 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 Alvopetro 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, 2025, based on forecast price and cost assumptions. The net present value of future net revenue attributable to Alvopetro'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 Alvopetro'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 Alvopetro’s working interest share of remaining recoverable reserves and resources. With respect to the Caburé natural gas field, Alvopetro’s working interest was 56.2% as of December 31, 2025 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, 2025 is contained in the Company's 2025 Annual Information Form which has been filed on SEDAR+ and can be accessed at www.sedarplus.ca.

Contingent Resources. This MD&A discloses estimates of Alvopetro’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 for additional disclosures on the Company’s contingent resources.

Prospective Resources. This MD&A discloses estimates of Alvopetro’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 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^3m^3/d	=	thousand cubic metre per day
m^3	=	cubic metre
m^3/d	=	cubic metre per day
Mcf	=	thousand cubic feet
Mcfpd	=	thousand cubic feet per day
MMBtu	=	million British Thermal Units
MMcf	=	million cubic feet
MMcfpd	=	million cubic feet per day
NGLs	=	natural gas liquids
Q3 2025	=	three months ended September 30, 2025
Q4 2024	=	three months ended December 31, 2024
Q4 2025	=	three months ended December 31, 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.

Contracted firm volumes. The contracted daily firm volumes of 400 e^3m^3/d (before any provisions for take or pay allowances) represents contracted volumes based on contract referenced natural gas heating value. Alvopetro's reported natural gas sales volumes are prior to any adjustments for the heating value of Alvopetro natural gas. Alvopetro's natural gas is approximately 8% higher than the contract reference heating value. Therefore, to satisfy the contractual firm deliveries, Alvopetro would be required to deliver approximately 371e^3m^3/d (13.1MMcfpd).