The following Management's Discussion and Analysis ("MD&A") is dated May 8, 2024 and should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes of Alvopetro Energy Ltd. ("Alvopetro" or the "Company") as at and for the three months ended March 31, 2024, MD&A for the year-ended December 31, 2023 and the audited consolidated financial statements as at and for the years ended December 31, 2023 and 2022. Additional information for the Company, including the Annual Information Form ("AIF"), can be found on SEDAR+ at www.sedarplus.ca or at www.alvopetro.com. This MD&A contains financial terms that are not considered measures under IFRS Accounting Standards ("IFRS") and forward-looking statements. As such, the MD&A should be used in conjunction with Alvopetro's disclosure under the headings "Non-GAAP and Other Financial Measures" and "Forward Looking Information" at the end of this MD&A.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

Description of Business

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

Strategy

Alvopetro's strategy is to unlock the on-shore natural gas potential in the state of Bahia, building off the development of our Caburé and Murucututu natural gas assets and our strategic midstream infrastructure. Our objective is to create a balanced reinvestment and long-term stakeholder return model where approximately half of our cash flows are reinvested in organic growth opportunities and the other half is distributed to stakeholders.

FINANCIAL & OPERATING SUMMARY

	As at and Three Months Ended March 31,		
	2024	2023	Change (%)
Financial			
($000s, except where noted)			
Natural gas, oil and condensate sales	**11,752**	18,160	(35)
Net income	**4,550**	12,202	(63)
Per share – basic ($)(1)	**0.12**	0.34	(65)
Per share – diluted ($)(1)	**0.12**	0.33	(64)
Cash flows from operating activities	**8,213**	13,856	(41)
Per share – basic ($)(1)	**0.22**	0.38	(42)
Per share – diluted ($)(1)	**0.22**	0.37	(41)
Funds flow from operations(2)	**8,513**	14,972	(43)
Per share – basic ($)(1)	**0.23**	0.41	(44)
Per share – diluted ($)(1)	**0.23**	0.40	(43)
Dividends declared	**3,296**	5,104	(35)
Per share(1) (2)	**0.09**	0.14	(36)
Capital expenditures	**2,439**	3,291	(26)
Cash and cash equivalents	**17,450**	24,623	(29)
Net working capital(2)	**15,047**	20,915	(28)
Weighted average shares outstanding			
Basic (000s)(1)	**37,282**	36,323	3
Diluted (000s)(1)	**37,693**	37,470	1
Operations			
Natural gas, NGLs and crude oil sales:			
Natural gas (Mcfpd), by field:			
Caburé (Mcfpd)	**9,236**	15,637	(41)
Murucututu (Mcfpd)	**430**	158	172
Total natural gas (Mcfpd)	**9,666**	15,795	(39)
NGLs – condensate (bopd)	**78**	130	(40)
Oil (bopd)	**12**	5	140
Total (boepd)	**1,701**	2,767	(39)
Average realized prices(2):			
Natural gas ($/Mcf)	**12.57**	12.06	4
NGLs – condensate ($/bbl)	**87.89**	84.10	5
Oil ($/bbl)	**65.06**	72.29	(10)
Total ($/boe)	**75.94**	72.92	4
Operating netback ($/boe)(2)			
Realized sales price	**75.94**	72.92	4
Royalties	**(2.02)**	(2.34)	(14)
Production expenses	**(7.76)**	(3.97)	95
Operating netback	**66.16**	66.61	(1)
Operating netback margin(2)	**87%**	91%	(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.

HIGHLIGHTS AND SIGNIFICANT TRANSACTIONS FOR THE FIRST QUARTER OF 2024

- Our daily sales averaged 1,701 boepd during the quarter, a decrease of 21% from Q4 2023 and 39% from Q1 2023 due to lower natural gas demand and reduced availability from the unitized area which includes Alvopetro's Caburé natural gas field (the "Unit").
- Our average realized natural gas price was $12.57/Mcf, a 4% increase from Q1 2023, and our overall realized price per boe was $75.94 (+4% from Q1 2023).
- With lower overall sales volumes, our natural gas, condensate and oil revenue was $11.8 million in Q1 2024, a decrease of $3.5 million (-23%) compared to Q4 2023 and a decrease of $6.4 million (-35%) compared to Q1 2023.
- Our operating netback(1) in the quarter was $66.16 per boe (-$0.45 per boe from Q1 2023) with higher production expenses more than offsetting the increase in realized sales prices.
- We generated funds flows from operations(1) of $8.5 million ($0.23 per basic and per diluted share), a decrease of $6.5 million compared to Q1 2023 and $3.9 million compared to Q4 2023.
- We reported net income of $4.6 million in Q1 2024, a decrease of $7.7 million compared to Q1 2023 and an increase of $3.9 million compared to Q4 2023.
- Capital expenditures totaled $2.4 million, including completion costs for the 183-A3 well on our Murucututu natural gas field, site construction costs for a new well pad on the Murucututu field and equipment purchases for upcoming capital projects.
- Consistent with lower overall sales volumes and funds flow from operations in the quarter, our Board of Directors decreased the quarterly dividend to $0.09 per share. The dividend was paid on April 15, 2024 to shareholders of record on March 28, 2024.
- Our working capital(1) surplus was $15.0 million as of March 31, 2024, increasing $1.9 million from December 31, 2023.

RECENT HIGHLIGHTS

- On April 4, 2024, the independent expert appointed in connection with the redetermination of working interests in the Unit, found in favour of Alvopetro, increasing Alvopetro's working interest from 49.1% to 56.2%. Our partner filed a notice of dispute seeking to stay the redetermination result. Alvopetro then filed an emergency arbitration request before the International Chamber of Commerce ("ICC") seeking an injunction to make the expert decision effective in the interim, starting on June 1, 2024 as provided in the Unit Operating Agreement ("UOA"). The dispute may ultimately need to be decided by an arbitral tribunal pursuant to the Rules of Arbitration (the "Rules") of the ICC as provided for under the terms of the UOA
- April sales volumes averaged 1,808 boepd, including natural gas sales of 10.3 MMcfpd, associated natural gas liquids sales from condensate of 79 bopd and oil sales of 18 bopd, based on field estimates.

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

NATURAL GAS AND OIL PROPERTIES

As at March 31, 2024, Alvopetro held interests in the Caburé and Murucututu natural gas assets, two exploration blocks (Block 182 and Block 183) and two oil fields (Bom Lugar and Mãe-da-lua), in the Recôncavo basin onshore Brazil.

NATURAL GAS ASSETS AND MIDSTREAM INFRASTRUCTURE:

Caburé Natural Gas Field

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 UOA, the unit development plan and all related agreements, with Alvopetro's initial working interest share of the Unit being 49.1% and our 50.9% Partner being named initial operator.

As of March 31, 2024, Alvopetro's share of the Unit was 49.1%. Under the terms of the UOA, the working interest to each party is subject to redeterminations. The first redetermination commenced in the fourth quarter of 2023. The parties engaged an independent expert (the "Expert") to evaluate the redetermination. The Expert's determination is made using what is commonly referred to as the "pendulum" method of dispute resolution. Under this method, the Expert is not required or permitted to provide their own interpretation but is required to select the single Final Proposal (between the two partner's respective Final Proposals), which, in the Expert's opinion, provides the most technically justified result of the application of the relevant information and data and material provided to the Expert consistent with the UOA and all related documents. On April 4, 2024, Alvopetro received the Expert's final decision wherein the Expert accepted Alvopetro's Final Proposal which results in Alvopetro's working interest in the Unit being increased from 49.1% to 56.2% (the "Redetermined Working Interest"). On April 11, 2024, Alvopetro received a notice of dispute from the Partner with respect to the Expert decision seeking to stay the redetermination procedure.

Following the receipt of the decision of the Expert, the Partner requested additional clarifications with respect to the decision. The Expert subsequently provided an additional formal response expanding on the technical justifications for their final decision, reiterating the decision in favour of Alvopetro, and noting that they consider the matter closed. Pursuant to the provisions of the UOA and all related agreements, where an Expert is engaged to evaluate a redetermination, the decision of the Expert is binding and Alvopetro strongly disagrees with the dispute raised by the Partner. As a result, Alvopetro filed an emergency arbitration request before the Internal Court of Arbitration of the International Chamber of Commerce ("ICC") seeking an injunction to make the Expert decision effective in the interim such that the Redetermined Working Interest becomes effective on the expected date of June 1, 2024 (the "Effective Date) under the provisions of the UOA. The dispute may ultimately need to be decided by an arbitral tribunal pursuant to the Rules of Arbitration (the "Rules") of the ICC as provided for under the terms of the UOA.

Under the terms of the UOA each party is entitled to nominate for their working interest share of field production and for any natural gas not nominated for by the other party. Once a party produces their share of estimated recoverable hydrocarbons from the Unit ("Unit Recoverable Volumes"), they will no longer be entitled to further production allocations. As of the Effective Date, Alvopetro will be entitled to its Redetermined Working Interest share of natural gas production plus any natural gas production not nominated by our Partner. Currently the Unit can produce approximately 700 e^3m^3/d. On the Effective Date, Alvopetro will be entitled to approximately 393 e^3m^3/d (13.9 MMcfpd or 2,315 boepd) of natural gas production from the Unit. Alvopetro's ability to sell the additional natural gas production will be 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 the Effective Date, Alvopetro will be entitled to its Redetermined Working Interest share of NGL production from the Unit plus an additional 5% to recover the historical shortfall of NGL production that was allocated at the original 49.1% working interest.

The parties have agreed to a development plan at the Unit including drilling and completing five wells in 2024 and 2025. Alvopetro's share of these wells, based on the initial working interest of 49.1% is $6.2 million, increasing to $7.1 million at the Redetermined Working Interest. In addition, historical capital expenditures and any other expenditures allocated based on initial working interest will be adjusted to the Redetermined Working Interests on the Effective Date. Alvopetro expects to owe an additional $1.2 million for these past expenditures on the Effective Date.

Alvopetro has a facilities upgrade planned at the field for an estimated $3.2 million relating to compression of natural gas to be delivered to Alvopetro's 100%-owned natural gas processing facility, of which approximately $1.4 million was incurred in Q1 2024.

Murucututu Natural Gas Field

Alvopetro's Murucututu natural gas project extends across Blocks 183 and 197, both held 100% by Alvopetro. There are three existing wells at the field including the 197(1) well and the 183(1) well, both of which were drilled in 2014, and the 183-A3 well which was drilled in 2023. All three wells are tied into field production facilities and a 9-kilometre transfer pipeline connects the field to the Caburé transfer pipeline.

Alvopetro is working to enhance production from the three existing wells and in 2024 has budgeted capital expenditures of $4.2 million, including recompletions of both the 183(1) well and the 183-A3 well, targeting the Caruaçu Formation in each well, as well as a chemical injection operation at the 197(1) well to enhance productivity from the Gomo Formation.

Natural Gas Sales

Alvopetro's share of natural gas from the Caburé natural gas field and the Murucututu natural gas field is shipped via our 11-kilometre Caburé transfer pipeline and processed through the natural gas processing facility (the "Facility") owned and operated by Enerflex Ltd. ("Enerflex") pursuant to our Gas Treatment Agreement. All natural gas is sold to Bahiagás, the local state distribution company, under the terms of our gas sales agreement ("GSA").

The GSA provides for the sale of firm volumes and interruptible volumes and has take-or-pay provisions and ship-or-pay penalties based on firm volumes to ensure performance by both parties. In 2024, Alvopetro agreed to firm volumes of 10.6 MMcfpd (300 e^3m^3/d) and interruptible volumes of up to 7.1 MMcfpd (200 e^3m^3/d). Alvopetro can adjust the firm volumes in 2024 by up to 7.9 MMcfpd (225 e^3m^3/d) and the interruptible volumes by up to 9.7 MMcfpd (275 e^3m^3/d) with at least 60 days notice.

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

OIL ASSETS:

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

EXPLORATION ASSETS (Block 182 & Block 183)

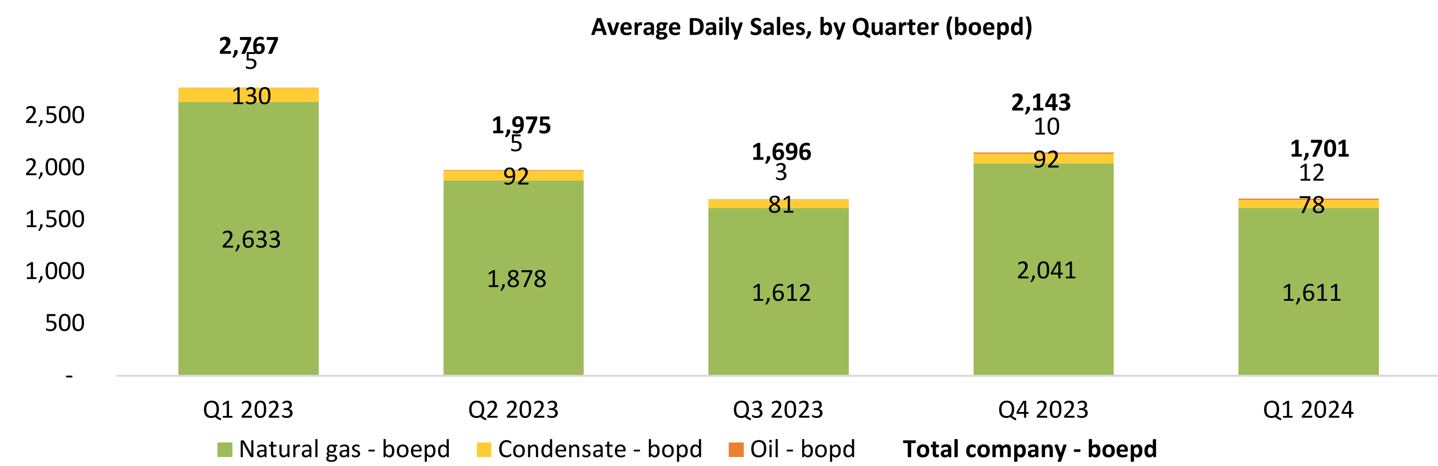
Alvopetro's E&E assets include Block 182 and the portion of Block 183 that is not part of the Murucututu project. Block 183 includes the 183-B1 well which was drilled and tested in 2022. Alvopetro is planning a stimulation of the well later in 2024 to improve recovery rates. The Company currently has no capital plans on Block 182.

FINANCIAL AND OPERATING REVIEW

Sales Volumes

	Three Months Ended March 31,		
	2024	2023	Change (%)
Total sales volumes by product:			
Caburé (Mcf)	**840,458**	1,407,387	(40)
Murucututu (Mcf)	**39,114**	14,196	176
Total natural gas (Mcf)	**879,572**	1,421,583	(38)
NGLs – condensate (bbls)	**7,077**	11,689	(39)
Oil (bbls)	**1,076**	415	159
Total sales (boe)	**154,748**	249,035	(38)
Average daily sales by product:			
Caburé (Mcfpd)	**9,236**	15,637	(41)
Murucututu(Mcfpd)	**430**	158	172
Total natural gas (Mcfpd)	**9,666**	15,795	(39)
NGLs – condensate (bopd)	**78**	130	(40)
Oil (bopd)	**12**	5	140
Average daily sales (boepd)	**1,701**	2,767	(39)

Sales volumes in Q1 2024 decreased compared to Q1 2023 due to lower demand from Bahiagas and reduced availability from the Caburé natural gas field. In the first quarter of 2023, Alvopetro was able to sell additional production volumes above our working interest from the field pursuant to the terms of the UOA as our partner was not utilizing their working interest share of production from the Unit. In Q2 2023 our partner increased their production nominations from the field resulting in reduced availability for Alvopetro. This, coupled with reduced demand from Bahiagas, has contributed to lower sales volumes since Q2 2023.



Take-or-pay provisions

Under the terms of the GSA, Bahiagás must prepay for gas volumes where monthly demand is below 80% of the firm volumes under the contract. Any prepayment will be recovered through future natural gas deliveries where future offtake exceeds 90% of the firm volumes. Prepayment under the take-or-pay provisions in the GSA is reflected as unearned revenue through other liabilities on the Corporation's consolidated statement of financial position and only recognized as revenue when the volumes are delivered. The take-or-pay provisions under the GSA did not apply in either Q1 2024 or Q1 2023 and there is no unearned revenue balance as of March 31, 2024.

Average Realized Sales Prices

	Three Months Ended March 31,		
	2024	2023	Change (%)
Average realized prices[(1)]:			
Natural gas ($/Mcf)	**12.57**	12.06	4
NGL – condensate ($/bbl)	**87.89**	84.10	5
Oil ($/bbl)	**65.06**	72.29	(10)
Total ($/boe)	**75.94**	72.92	4
Average benchmark prices:			
Brent oil ($/bbl)	**82.92**	81.07	2
Henry Hub ($/MMBtu)	**2.15**	2.64	(19)
National Balancing Point ($/MMBtu)	**8.71**	15.90	(45)
Average contracted natural gas price[(2)]			
BRL/m^3	**1.958**	1.981	(1)
Average foreign exchange rate:			
$1 USD = BRL	**4.952**	5.196	(5)

(1) See "*Non-GAAP and Other Financial Measures*" section within this MD&A.
(2) Under the terms of the GSA, the volumes delivered are adjusted for heat content in the determination of the final amounts paid, representing a gross-up of approximately 7% to the contracted volumetric natural gas price, which contributes to a higher realized price overall relative to the contractual price.

The natural gas price under our long-term GSA with Bahiagas is set semi-annually (as of February 1st and August 1st) based on a trailing weighted average of USD benchmark prices for Brent, Henry Hub and National Balancing Point, incorporating both a floor and ceiling price, which were $6.22 /MMBtu and $10.58/MMBtu as of February 1, 2024 ($6.02/MMBtu and $10.23/MMBtu, respectively, as of February 1, 2023) and $6.19/MMBtu and $10.52/MMBtu, respectively, as of August 1, 2023 ($6.01/MMBtu and $10.22/MMBtu as of August 1, 2022). The floor and ceiling prices are adjusted for US inflation under the terms of the GSA. The natural gas price is then converted to a BRL-denominated natural gas price based on historical average foreign exchange rates and billed monthly in BRL until the next price reset. With the appreciation of the BRL relative to the USD, Alvopetro's average contracted natural gas price in BRL decreased 1% in Q1 2024 compared Q1 2023 despite the USD ceiling price increasing with inflation. 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.

Alvopetro's natural gas price under the GSA has been set to the ceiling price since February 1, 2022, adjusting semi-annually with US inflation. Alvopetro is entitled to a sales tax credit of 3.26% (2023 – 3.43%) which reduces the 12% ICMS tax otherwise owing on natural gas sales. With contracted prices continuing at the ceiling price, and the appreciation of the BRL relative to the USD, Alvopetro's realized USD natural gas price increased by 4% from $12.06/Mcf in Q1 2023 to $12.57/Mcf in Q1 2024.

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

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

Natural Gas, Oil and Condensate Sales Revenue

	Three Months Ended March 31,		
	2024	2023	Change (%)
Natural gas	**11,060**	17,147	(35)
Condensate	**622**	983	(37)
Oil	**70**	30	133
Total	**11,752**	18,160	(35)

Alvopetro's total natural gas, oil and condensate revenues decreased by $6.4 million compared to Q1 2023 with the 39% decrease in average daily volumes (resulting in $7.2 million in reduced revenues), partially offset by the 4% increase in the average realized price per boe (resulting in $0.8 million in additional revenues).

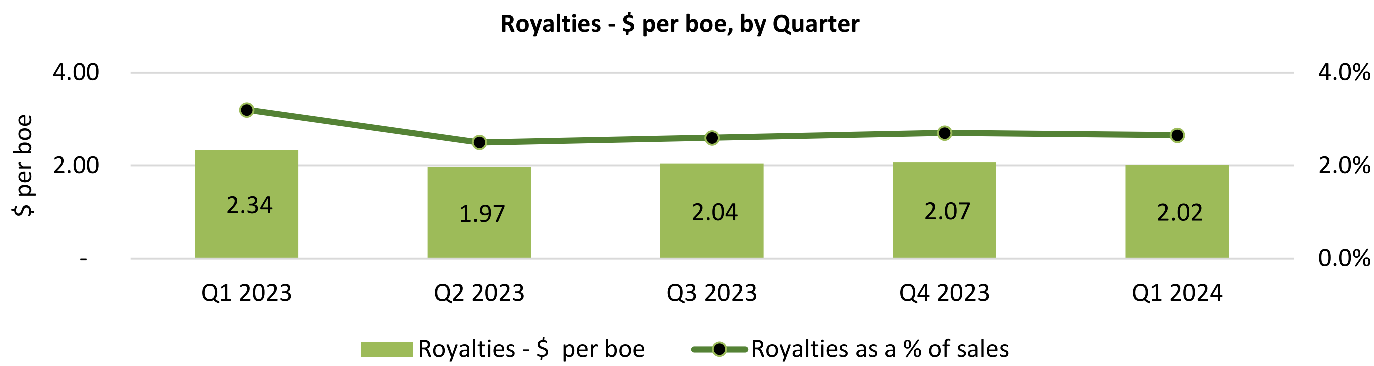
Royalties

	Three Months Ended March 31,		
	2024	2023	Change (%)
Royalties	**312**	582	(46)
Royalties per boe ($)[1]	**2.02**	2.34	(14)
Royalties as a % of sales[1]	**2.7**	3.2	(16)

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

Alvopetro's sales (other than sales from the Bom Lugar Field) are subject to a base 7.5% government royalty plus a 1% landowner royalty. The Bom Lugar field is subject to a base 5% government royalty plus a 0.5% landowner royalty. There is an additional 2.5% gross-overriding royalty on the portion of the Caburé and Murucututu natural gas assets that were previously on Block 197 and the Mãe-da-lua field.

Royalties on natural gas are based on production volumes at an inherent reference price attributable to the raw natural gas produced at the wellhead (prior to midstream processing), resulting in lower effective royalty rates compared to base royalty rates. As Henry Hub spot prices are a significant component of the reference price used for natural gas royalties, Alvopetro's effective royalty rate fluctuates with changes in Henry Hub prices relative to Alvopetro's contracted natural gas price. While Alvopetro's contracted natural gas price under the GSA decreased 1% compared to Q1 2023, with the 19% reduction in average Henry Hub prices in Q1 2024 compared to Q1 2023, Alvopetro's overall effective royalty rate decreased to 2.7% in Q1 2024 compared to 3.2% in Q1 2023.



Production Expenses

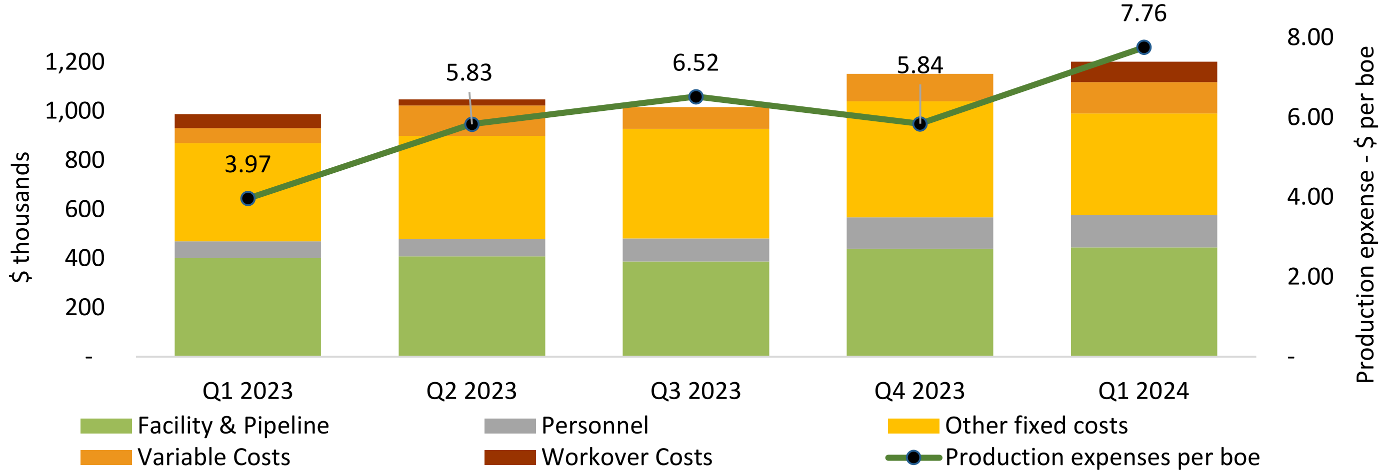
	Three Months Ended March 31,		
	2024	2023	Change (%)
Production expenses by type:			
Personnel costs	**133**	68	96
Facility and pipeline costs	**445**	402	11
Other fixed costs	**412**	399	3
Variable costs	**128**	62	106
Workover costs	**83**	57	46
Total production expenses	**1,201**	988	22

	Three Months Ended March 31,		
	2024	2023	Change (%)
Production expenses per boe($)[1]:			
Personnel costs	**0.86**	0.27	219
Facility and pipeline costs	**2.87**	1.61	78
Other fixed costs	**2.66**	1.61	65
Variable costs	**0.83**	0.25	232
Workover costs	**0.54**	0.23	135
Total	**7.76**	3.97	95

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

With commencement of production from the Bom Lugar field in Q4 2023 and increased Murucututu activities compared to Q1 2023, production expenses increased 22% from Q1 2023 to Q1 2024. On a per boe basis, production expenses were higher compared to Q1 2023 due to higher costs combined with the reduction in sales volumes.

Production Expenses, by Quarter



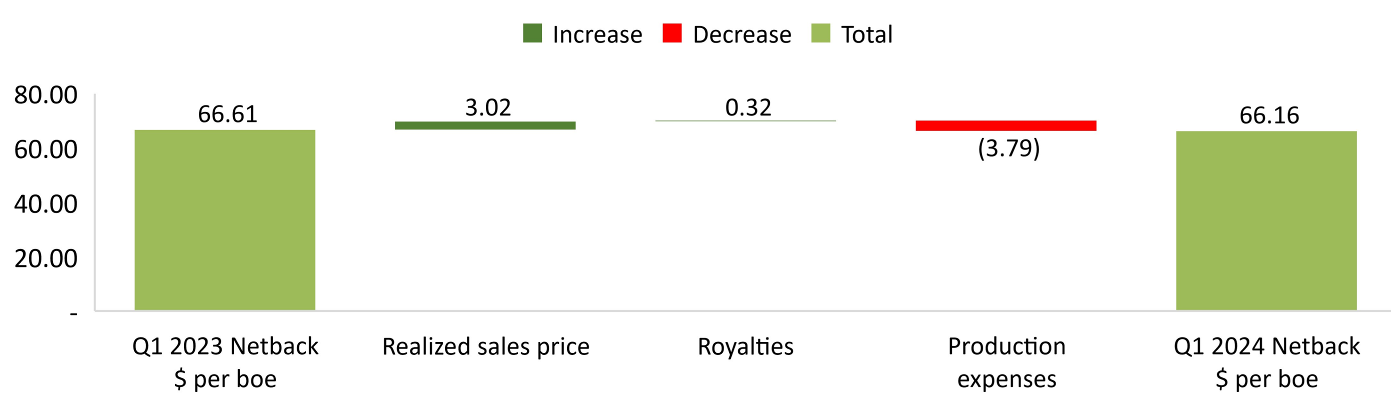
Operating Netback

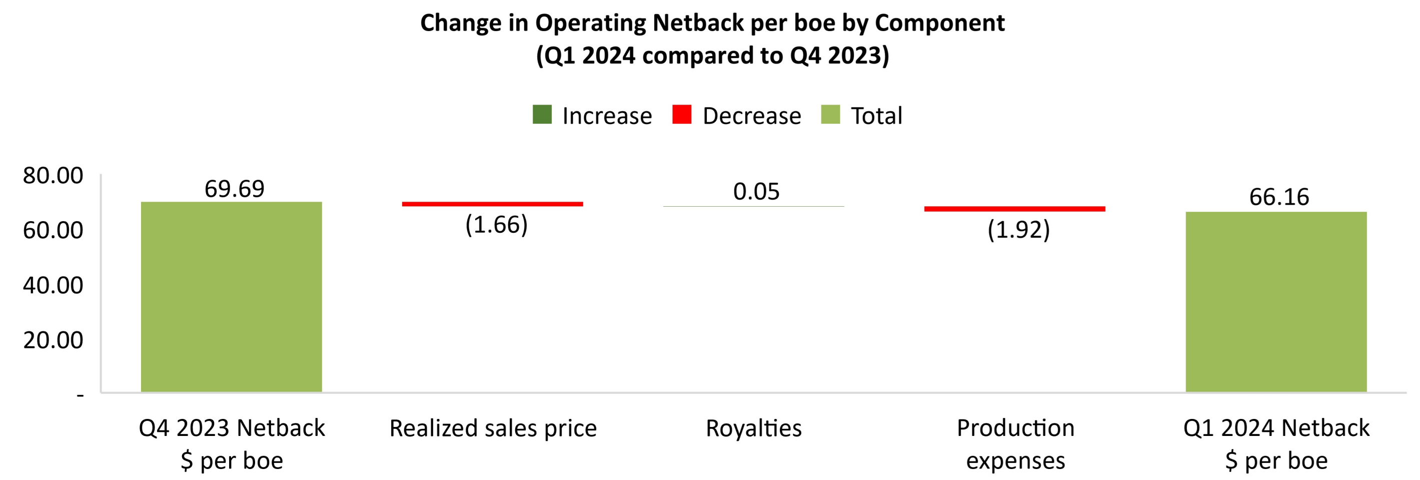
	Three Months Ended March 31,		
	2024	2023	Change (%)
Operating netback[(1)]			
Natural gas, oil and condensate sales	**11,752**	18,160	(35)
Royalties	**(312)**	(582)	(46)
Production expenses	**(1,201)**	(988)	22
Operating netback	**10,239**	16,590	(38)
Operating netback per boe[(1)]:			
Average realized sales price - $ per boe[(1)]	**75.94**	72.92	4
Royalties - $ per boe[(1)]	**(2.02)**	(2.34)	(14)
Production expenses - $ per boe[(1)]	**(7.76)**	(3.97)	95
Operating netback per boe	**66.16**	66.61	(1)
Operating netback margin[(1)]	**87%**	91%	(4)

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

Alvopetro's operating netback decreased by $0.45 per boe (-1%) in Q1 2024 compared to Q1 2023 due to higher production expenses. Higher production expenses and lower realized prices contributed to a decrease of $3.53 per boe (-5%) compared to Q4 2023.

Change in Operating Netback per boe by Component (Q1 2024 compared to Q1 2023)





Other Income

	Three Months Ended March 31,		
	2024	2023	Change (%)
Interest income	**262**	289	(9)
Tax recoveries from operations	**142**	144	(1)
Water disposal income and other	**(6)**	(6)	-
Total	**398**	427	(7)

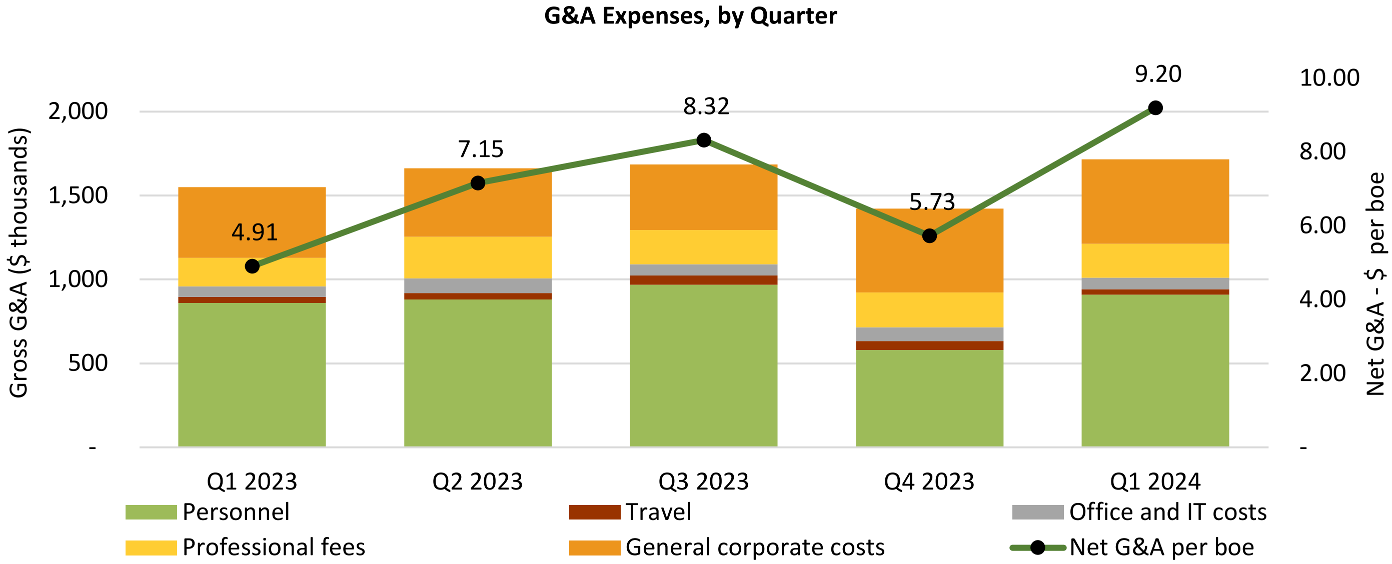
The majority of other income relates to interest income on cash and cash equivalent deposits and tax credits arising from ongoing operations. With lower average cash balances, Alvopetro's interest income decreased in Q1 2024 compared to Q1 2023.

General and Administrative ("G&A") Expenses

	Three Months Ended March 31,		
G&A Expenses, by type:	**2024**	2023	Change (%)
Personnel	**910**	859	6
Travel	**32**	37	(14)
Office and IT costs	**69**	62	11
Professional fees	**202**	171	18
General corporate costs	**503**	421	19
Gross G&A	**1,716**	1,550	11
Capitalized G&A	**(293)**	(328)	(11)
G&A expenses	**1,423**	1,222	16
$ per boe(1)	**9.20**	4.91	87

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

Gross G&A Expenses increased in Q1 2024 compared to Q1 2023 due mainly to inflationary increases as well as increased activity levels. On a per boe basis, G&A expenses were also impacted by lower production volumes in Q1 2024 compared to Q1 2023.

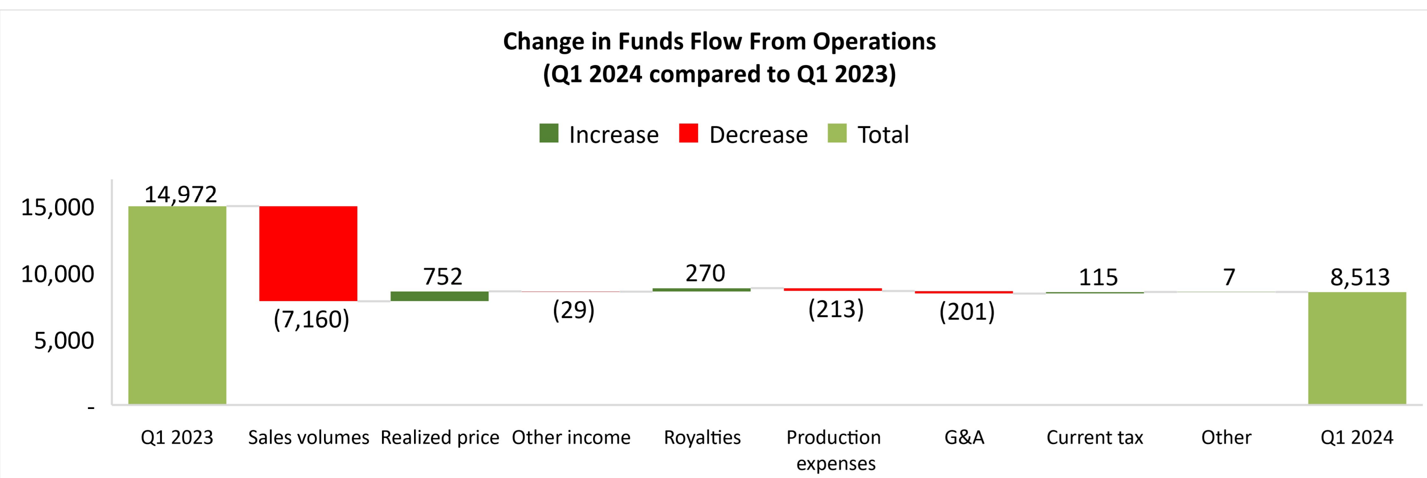


Cash Flows from Operating Activities and Funds Flow from Operations

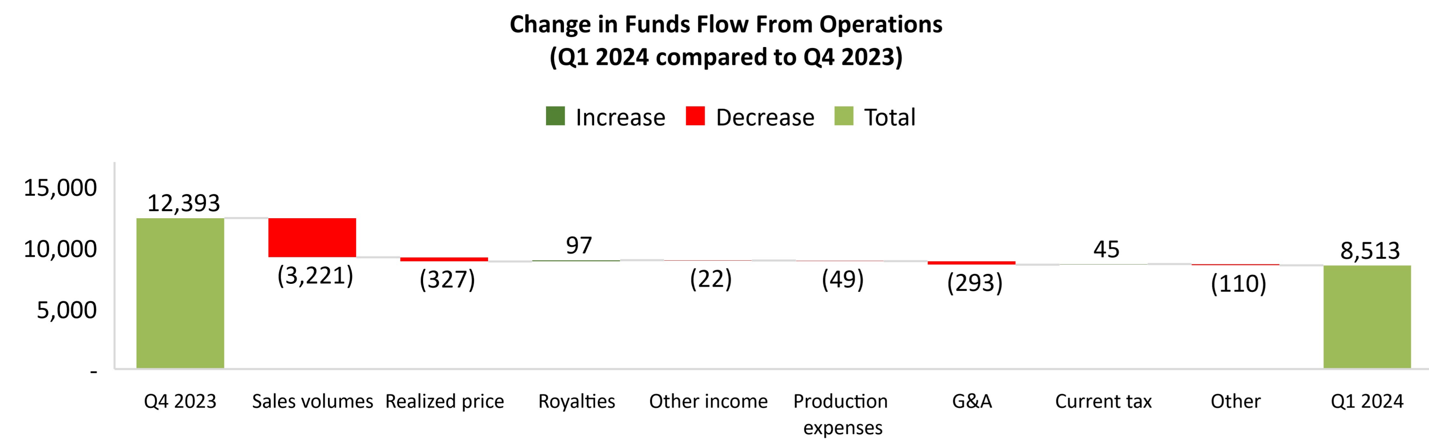
	Three Months Ended March 31,		
	2024	2023	Change (%)
Cash flows from operating activities	**8,213**	13,856	(41)
Per share – basic ($)	**0.22**	0.38	(42)
Per share – diluted ($)	**0.22**	0.37	(41)
Funds flow from operations(1)	**8,513**	14,972	(43)
Per share – basic ($)	**0.23**	0.41	(44)
Per share – diluted ($)	**0.23**	0.40	(43)

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

Funds flow from operations decreased $6.5 million (-43%) from Q1 2023 to Q1 2024 due mainly to the 38% decrease in sales volumes and higher production expenses and G&A, partially offset by higher realized prices, lower royalties and lower current tax.



Compared to Q4 2023, funds flow from operations in Q1 2024 decreased $3.9 million (-31%) due to the 21% decrease in average daily sales, lower realized prices and higher production expenses and G&A.



Foreign Exchange

	As at		
	March 31, 2024	December 31, 2023	**% Appreciation (Depreciation) of BRL/CAD to USD**
Rate at end of period:			
$1 USD = BRL	**4.996**	4.841	**(3.2)**
$1 USD = CAD	**1.355**	1.323	**(2.4)**

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

	Three Months Ended March 31,		
	2024	2023	**% Appreciation (Depreciation) of BRL/CAD to USD**
Average rate in the period:			
$1 USD = BRL	**4.952**	5.196	**4.7**
$1 USD = CAD	**1.349**	1.352	**0.2**

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 depreciated 3% from December 31, 2023 resulting in an exchange loss in other comprehensive income in Q1 2024.

Foreign exchange fluctuations on USD-denominated intercompany amounts advanced to the Brazilian subsidiaries are recognized in earnings. The Company recorded a foreign exchange loss of $0.9 million on intercompany advances in Q1 2024 (Q1 2023 - $1.1 million foreign exchange gain) due to the depreciation of the BRL relative to the USD.

As discussed above, the Company is exposed to foreign exchange fluctuations on its natural gas revenues. With respect to Alvopetro's natural gas price resets on August 1, 2023 and February 1, 2024, respectively, the price determined in BRL was based on average historical exchange rates of 5.07 BRL to 1.00 USD and 4.92 BRL to 1.00 USD. In Q1 2024, the actual average rate was 4.95, a depreciation of 1% compared to the February 1, 2024 reset and an appreciation of 2% compared to the August 1, 2023 price reset.

The following table denotes the overall estimated impact on natural gas revenues of a 5% and 10% depreciation and appreciation of the BRL relative to the USD:

	Three Months Ended March 31,	
	2024	2023
Increase (Decrease) to Natural Gas Revenues from:		
5% Appreciation of BRL to USD	**582**	902
10% Appreciation of BRL to USD	**1,229**	1,905
5% Depreciation of BRL to USD	**(527)**	(817)
10% Depreciation of BRL to USD	**(1,005)**	(1,559)

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

Head office transactions in CAD are recognized at the rates of exchange prevailing at the date of the transactions. At the end of each reporting period, monetary assets and liabilities are translated at the exchange rate in effect at the reporting period date. Non-monetary assets, liabilities, revenues and expenses are translated at transaction date exchange rates. Exchange gains or losses are included in the determination of earnings as foreign exchange gains or losses.

Depletion and Depreciation

	Three Months Ended March 31,		
	2024	2023	Change (%)
Depletion and depreciation on PP&E	**1,556**	1,854	(16)
Depreciation of right-of-use assets	**291**	290	-
Depletion and depreciation expense	**1,847**	2,144	(14)
$ per boe(1)	**11.94**	8.61	39

(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. Depletion and depreciation on PP&E was lower in Q1 2024 compared to Q1 2023 with lower production volumes, partially offset by a higher depletable base in 2024 compared to 2023.

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

Share-Based Compensation Expense

	Three Months Ended March 31,		
	2024	2023	Change (%)
Share-based compensation expense	**287**	283	1

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 March 31, 2024, a total of 2.6 million awards were outstanding (March 31, 2023 – 2.1 million) with 1,749,440 stock options (March 31, 2023 – 1,377,216) and 890,008 RSUs and DSUs (March 31, 2023 – 733,081). Despite an increase in awards , share-based compensation increased only 1% compared to Q1 2023 due to the reduction in dividends declared and higher capitalized share-based compensation in Q1 2024 compared to Q1 2023.

Finance Expenses

	Three Months Ended March 31,		
	2024	2023	Change (%)
Lease interest	**358**	388	(8)
Accretion on decommissioning liabilities	**25**	15	67
Finance expenses	**383**	403	(5)

Finance expenses decreased in Q1 2024 compared to Q1 2023 due mainly to a reduction in lease liabilities, partially offset by higher accretion on decommissioning liabilities with higher estimated abandonment obligations.

Income Tax Expense

	Three Months Ended March 31,		
	2024	2023	Change (%)
Current income tax expense	**610**	725	(16)
Deferred income tax expense	**180**	1,330	(86)
Total	**790**	2,055	(62)
Effective tax rate	**14.8%**	14.4%	3

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

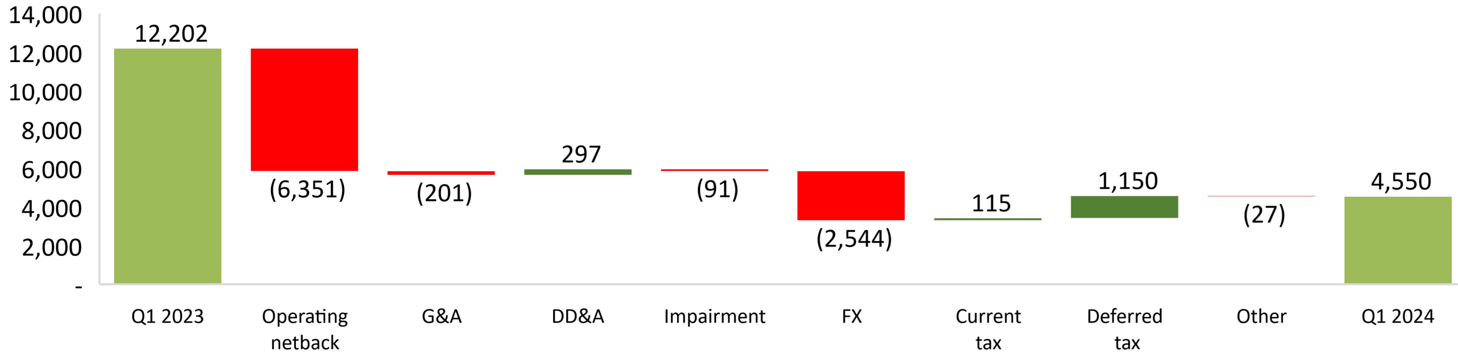
Current tax expense decreased in Q1 2024 compared to Q1 2023 due to lower net income, partially offset by lower tax deductions available in 2024 compared to 2023. Deferred tax was lower in Q1 2024 due to foreign exchange losses compared to foreign exchange gains in Q1 2023. Overall, the Company's effective tax rate (computed as total income tax expense divided by income before taxes) is 14.8% in Q1 2024 (Q1 2023 – 14.4%), consistent with the SUDENE rate of 15.25%.

Net Income

	Three Months Ended March 31,		
	2024	2023	Change (%)
Net income	**4,550**	12,202	(63)
Per share – basic ($)	**0.12**	0.34	(65)
Per share – diluted ($)	**0.12**	0.33	(64)

Net income in Q1 2024 decreased $7.7 million from Q1 2023 due to lower operating netback and higher foreign exchange losses and G&A, partially offset by lower current and deferred tax expense.

Change in Net Income
(Q1 2024 compared to Q1 2023)



Capital Expenditures

Capital Expenditures by Type	Three Months Ended March 31, 2024	2023
E&E		
Drilling and completions	**25**	283
Land, lease, and similar payments	**-**	34
Equipment inventory purchases	**115**	905
Capitalized G&A	**-**	59
Total E&E	**140**	1,281
PP&E		
Facility & equipment	**1,622**	273
Drilling & completions	**310**	1,454
Land, lease, and similar payments	**8**	14
Capitalized G&A	**293**	269
Furniture & fixtures and other	**66**	-
Total PP&E	**2,299**	2,010
Total Capital Expenditures	**2,439**	3,291

Capital Expenditures by Property	Three Months Ended March 31, 2024	2023
E&E		
Blocks 182, 183	**25**	376
Equipment inventory purchases	**115**	905
Other	**-**	-
Total E&E	**140**	1,281
PP&E		
Caburé and associated midstream assets	**1,562**	492
Murucututu	**735**	1,287
Bom Lugar	**1**	219
Mãe-da-lua	**-**	9
Other	**1**	3
Total PP&E	**2,299**	2,010
Total Capital Expenditures	**2,439**	3,291

Capital expenditures in Q1 2024 included $1.4 million for equipment related to the planned facilities upgrade at Caburé, $0.6 million on the Murucututu natural gas field including final completion costs on the 183-A3 well and site construction for the next well pad, $0.3 million in capitalized G&A and $0.1 million for long-lead inventory purchases.

Summary of Quarterly Results

	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Financial								
Natural gas, oil and condensate sales	**11,752**	15,300	12,313	13,914	18,160	17,077	16,672	15,787
Net income	**4,550**	652	5,819	9,852	12,202	5,191	8,795	6,631
Per share – basic ($)(1)	**0.12**	0.02	0.16	0.27	0.34	0.14	0.26	0.20
Per share – diluted ($)(1)	**0.12**	0.02	0.15	0.26	0.33	0.14	0.24	0.18
Cash flows from operating activities	**8,213**	7,904	12,469	13,473	13,856	12,366	13,838	12,997
Per share – basic ($)(1)	**0.22**	0.21	0.34	0.37	0.38	0.34	0.40	0.38
Per share – diluted ($)(1)	**0.22**	0.21	0.33	0.36	0.37	0.33	0.37	0.35
Funds flow from operations (2)	**8,513**	12,393	9,618	11,047	14,972	13,193	13,348	12,434
Per share – basic ($)(1)	**0.23**	0.33	0.26	0.30	0.41	0.36	0.39	0.37
Per share – diluted ($)(1)	**0.23**	0.33	0.25	0.29	0.40	0.35	0.36	0.34
Dividends declared	**3,296**	5,127	5,122	5,109	5,104	4,357	2,896	2,728
Per share ($)(1)(2)	**0.09**	0.14	0.14	0.14	0.14	0.12	0.08	0.08
Capital expenditures	**2,439**	4,934	10,703	8,521	3,291	5,944	8,713	6,338
Net working capital(2)	**15,047**	13,117	11,392	18,084	20,915	14,698	12,225	11,641
Operations								
Average realized prices(2):								
Natural gas ($/Mcf)	**12.57**	12.85	13.06	12.86	12.06	11.18	11.18	11.90
NGL – condensate ($/bbl)	**87.89**	89.45	89.43	83.35	84.10	89.29	101.57	121.93
Oil ($/bbl)	**65.06**	73.67	73.08	63.93	72.29	79.50	80.92	94.47
Average foreign exchange ($1 USD = BRL)	**4.952**	4.955	4.880	4.949	5.196	5.255	5.246	4.927
Operating netback ($/boe) (2)								
Realized sales price	**75.94**	77.60	78.90	77.41	72.92	68.13	68.59	73.54
Royalties	**(2.02)**	(2.07)	(2.04)	(1.97)	(2.34)	(4.15)	(5.42)	(5.35)
Production expenses	**(7.76)**	(5.84)	(6.52)	(5.83)	(3.97)	(3.90)	(3.34)	(4.23)
Operating netback	**66.16**	69.69	70.34	69.61	66.61	60.08	59.83	63.96
Operating netback margin(2)	**87%**	90%	89%	90%	91%	88%	87%	87%
Average daily sales:								
Natural gas (Mcfpd)	**9,666**	12,245	9,675	11,269	15,795	15,546	15,139	13,546
NGL – condensate (bopd)	**78**	92	81	92	130	128	117	97
Oil (bopd)	**12**	10	3	5	5	5	2	5
Total average daily sales (boepd)	**1,701**	2,143	1,696	1,975	2,767	2,724	2,642	2,359

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.

In Q1 2024 our average daily sales volumes decreased 21% compared to Q4 2023 with decreased demand from Bahiagás, resulting in a $3.5 million reduction in natural gas, oil and condensate sales (-23%). Higher production expenses and lower overall sales volumes contributed to a 33% increase in production expenses per boe compared to Q4 2023. Funds flow from operations decreased $3.9 million with lower sales volumes, while net income increased $3.9 million with impairment losses of $11.0 million recognized in Q4 2023 compared to $0.1 million in Q1 2024, partially offset by foreign exchange losses of $1.2 million in Q1 2024 compared to foreign exchange gains of $1.3 million in Q4 2023.

Over the past eight quarters, fluctuations in average daily sales volumes, the averaged 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, largely on intercompany balances. Capital expenditures have fluctuated throughout the period due to changes in the Company's planned spending levels on E&E and PP&E assets which vary based on a number of factors. With lower overall production and cash flows forecasted, the Board of Directors decreased the quarterly dividend to $0.09

per share in Q1 2024 compared to $0.14 per share throughout 2023, $0.12 per share in Q4 2022 and $0.08 per share in Q2 and Q3 2022.

Commitments and Contingencies

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

	< 1 Year	1-3 Years	Thereafter	Total
Gas Treatment Agreement(1)	1,544	3,089	5,020	9,653
Total commitments	**1,544**	**3,089**	**5,020**	**9,653**

(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 March 31, 2024. As a result, such commitments are subject to fluctuations in the USD/BRL foreign exchange rate.

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

Cash and Working Capital

At March 31, 2024, Alvopetro's cash and cash equivalents of $17.5 million and restricted cash of $0.1 million were held as follows:

	Total	U.S. Dollar	CAD Dollar(1)	BRL(1)
Cash and cash equivalents held in Canada	10,146	9,832	314	-
Cash and cash equivalents held in Brazil	7,304	-	-	7,304
Restricted cash - current	73	-	-	73
Total	**17,523**	**9,832**	**314**	**7,377**

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

The Company had cash and cash equivalents of $17.5 million and a total net working capital surplus of $15.0 million at March 31, 2024. Positive cash flows from natural gas deliveries and associated condensate sales are projected to be sufficient to fund the Company's operational activities, planned capital projects and future dividends. However, the Company is exposed to a variety of risks which may adversely impact future cash flows. The Company manages these risks by forecasting cash flows for a minimum period of twelve months, which involves preparation of capital expenditure, operating and general and administrative budgets, all of which are monitored closely, and adjusted as necessary. The Board of Directors has discretion with respect to any future dividend amounts and the Company has flexibility on future capital plans.

The liability for decommissioning obligations of Alvopetro was $1.1 million as at March 31, 2024, with $0.2 million expected to be incurred within one year. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings, and for revisions to the estimated future cash flows, if applicable.

At March 31, 2024, the Company had $6.0 million of equipment inventory to be utilized for future operations which is included in exploration and evaluation assets in the interim condensed consolidated statements of financial position. In Q1 2024, the Company evaluated existing equipment inventory and determined approximately $0.3 million would not be utilized in future operations and was offered for sale. Subsequent to March 31, 2024 the Company sold the identified inventory. The Company recognized an impairment of $0.1 million in Q1 2024 to write-down the inventory to the sale price and transferred the balance to assets held for sale on the consolidated statement 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 March 31, 2024 and December 31, 2023. Additional lease liabilities outstanding relate to office space in Canada and Brazil and surface land access for our midstream assets. The Company's lease liabilities are as follows:

	As at	
	March 31, 2024	December 31, 2023
Lease liabilities, beginning of period	**8,681**	9,428
Additions	**15**	26
Finance expense	**358**	1,495
Lease payments	**(568)**	(2,274)
Foreign currency translation	**(3)**	6
Lease liabilities, end of period	**8,483**	8,681
Current	**984**	959
Non-current	**7,499**	7,722
Total, end of period	**8,483**	8,681

Dividends

	Three Months Ended March 31,		
	2024	2023	Change (%)
Dividends declared	**3,296**	5,104	(35)
Dividends declared – per share ($)[1]	**0.09**	0.14	(36)

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

In the first quarter of 2024, the Board of Directors reduced the quarterly dividend to $0.09 per share from $0.14 per share paid in 2023. All dividends are designated as "eligible dividends" for the purpose of the Income Tax Act (Canada). The Company expects future dividends to be paid quarterly as part of Alvopetro's long-standing capital allocation objective to balance spending from cash flows between reinvestment in growth opportunities and returns to stakeholders. However, the decision to declare any future quarterly dividend and the amount of such dividend, if any, remains subject to the discretion of the Board and may vary depending on numerous factors. There can be no assurance that dividends will be paid at the intended rate or at any rate in the future.

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 May 8, 2024, there were 36,617,940 common shares, 1,749,440 stock options, 616,930 RSUs and 273,078 DSUs outstanding. There are no preferred shares outstanding.

NON-GAAP AND OTHER FINANCIAL MEASURES

This MD&A or documents referred to in this MD&A make reference to various non-GAAP financial measures, non-GAAP ratios, capital management measures and supplementary financial measures as such terms are defined in National Instrument 52-*112 Non-GAAP and Other Financial Measures Disclosure*. Such measures are not recognized measures under GAAP and do not have a standardized meaning prescribed by IFRS and therefore might not be comparable to similar financial measures disclosed by other issuers. While these measures may be common in the oil and gas industry, the Company's use of these terms may not be comparable to similarly defined measures presented by other companies. The non-GAAP and other financial measures referred to in this report should not be considered an alternative to, or more meaningful than measures prescribed by IFRS and they are not meant to enhance the Company's reported financial performance or position. These are complementary measures that are used by management in assessing the Company's financial performance, efficiency and liquidity and they may be used by investors or other users of this document for the same purpose.

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

Non-GAAP Financial Measures

Operating Netback

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

Non-GAAP Financial Ratios

Operating Netback per boe

Operating netback on a per unit basis, which is per barrel of oil equivalent ("boe"), is a common non-GAAP measure used in the oil and gas industry and management believes it assists in evaluating the operating performance of the Company. It is a measure of the economic quality of the Company's producing assets and is useful for evaluating variable costs as it provides a reliable measure regardless of fluctuations in production. Alvopetro calculated operating netback per boe as operating netback divided by total sales volumes (barrels of oil equivalent). This calculation is provided in the "*Operating Netback*" section of this MD&A using our IFRS measures.

Operating Netback Margin

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

	Three Months Ended March 31,	
	2024	2023
Operating netback - $ per boe	**66.16**	66.61
Average realized price - $ per boe	**75.94**	72.92
Operating netback margin	**87%**	91%

Funds Flow from Operations Per Share

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

$ per share	Three Months Ended March 31, 2024	2023
Per basic share:		
Cash flows from operating activities	**0.22**	0.38
Funds flow from operations	**0.23**	0.41
Per diluted share:		
Cash flows from operating activities	**0.22**	0.37
Funds flow from operations	**0.23**	0.40

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 March 31, 2024	2023
Cash flows from operating activities	**8,213**	13,856
Add back changes in non-cash working capital	**300**	1,116
Funds flow from operations	**8,513**	14,972

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 March 31, 2024	2023
Total current assets	**24,149**	33,264
Total current liabilities	**(9,102)**	(12,349)
Net working capital	**15,047**	20,915

Supplementary Financial Measures

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

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

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

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

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

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

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

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

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

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

OFF BALANCE SHEET ARRANGEMENTS

Alvopetro has off-balance sheet arrangements consisting of various contracts entered into in the normal course of operations. Contracts that contain a lease are accounted for under IFRS 16 and recorded on the balance sheet as of March 31, 2024 to the extent the lease has commenced. All other contracts which are entered into in the normal course of operations are captured in the *Commitments and Contingencies* section above.

RISKS AND UNCERTAINTIES

Alvopetro is exposed to a variety of risks including, but not limited to: reservoir performance risk, market risk, exploration and exploitation risk, operational and uninsurable risks, inflation and supply chain management risk, foreign operations risk, legal and regulatory risks including the impact of new and stricter environmental regulations, liquidity and financing risk and competitive risks within the oil and gas industry. An investment in Alvopetro should be considered speculative due to the nature of our activities and the stage of our development. Investors should carefully consider the risk factors set forth under the heading "Risk Factors" in our Annual Information Form that can be found on SEDAR+ at www.sedarplus.ca and in our MD&A for the year-ended December 31, 2023.

There have been no significant changes in the three months ended March 31, 2024 to the risks and uncertainties identified in the MD&A and Annual information Form for the year-ended December 31, 2023 other than with respect to the redetermination of Alvopetro's working interest in the Unit. 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 from 49.1% to 56.2%. Pursuant to the provisions of the UOA, the Redetermined Working Interest is to be effective June 1, 2024, at which time Alvopetro will be entitled to higher natural gas production and condensate entitlements from the Unit and will be responsible for its Redetermined Working Interest share of historical and new capital expenditures, as further discussed in the MD&A for the year-ended December 31, 2023. Alvopetro's Partner has filed a notice of dispute with respect to the Expert's decision, seeking to stay the redetermination procedure. Alvopetro has filed a request for emergency arbitration before the ICC seeking to make the Expert decision effective in the interim, starting on June 1, 2024, as provided for in our UOA. The dispute may ultimately need to be decided by an arbitral tribunal pursuant to the Rules of Arbitration of the ICC as provided for under the terms of the UOA.

While Alvopetro is confident in the Expert decision and strongly disagrees with the dispute by our Partner, there can be no certainty as to the timing or the outcome of the dispute or the arbitration procedures and as a result, Alvopetro is exposed to the following additional risks and uncertainties:

- The Effective Date of the Redetermined Working Interest may be delayed, delaying Alvopetro's ability to assume operatorship of the Unit and also delaying Alvopetro's right to increased natural gas nominations and condensate sales based on the Redetermined Working Interest.
- Alvopetro's GSA allows Alvopetro to adjust firm volumes on an annual basis. To the extent there is uncertainty as to our available natural gas nominations from the Unit and the Effective Date of the Redetermined Working Interest, we may be unable to increase firm nominations under our GSA in a timely manner, which may delay our ability to increase firm nominations and may impact Alvopetro's revenues in the future.

- Alvopetro may be exposed to additional legal expenses and arbitration fees and such costs may increase to the extent the procedures continue. Even where Alvopetro is successful, the proceedings may be time consuming and costly.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

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

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

Dividend 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 redetermination and Alvopetro's Redetermined Working Interest share of the Unit and the potential impact to Alvopetro, the emergency arbitration procedures, 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, plans for dividends in the future, future production and sales volumes, production allocations from the Caburé natural gas field, the expected natural gas price, gas sales and gas deliveries under Alvopetro's long-term gas sales agreement, and sources and availability of capital. Forward-looking statements are necessarily based upon assumptions and judgments with respect to the future including, but not limited to, expectations and assumptions concerning the timing of regulatory licenses and approvals, equipment availability, 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, 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, general economic and business conditions, forecasted demand for oil and natural gas, the impact of global pandemics, weather and access to drilling locations, the availability and cost of labour and services, the regulatory and legal environment and other risks associated with oil and gas operations. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. In addition, the declaration, timing, amount and payment of future dividends remain at the discretion of the Board of Directors. Although we believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because we can give no assurance that they will prove to be correct. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, reliance on industry partners, availability of equipment and personnel, uncertainty surrounding timing for drilling and completion activities resulting from weather and other factors, changes in applicable regulatory regimes and health, safety and environmental risks), commodity price and foreign exchange rate fluctuations and general economic conditions. Certain of these risks are set out in more detail in our MD&A for the year ended December 31, 2023 and in our 2023 Annual Information Form which have been filed on SEDAR+ and can be accessed at www.sedarplus.ca. Except as may be required by applicable securities laws, Alvopetro assumes no obligation to publicly update or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.

Abbreviations:

ANP	=	The National Agency of Petroleum, Natural Gas and Biofuels of Brazil
bbls	=	barrels of oil and/or natural gas liquids (condensate)
boepd	=	barrels of oil equivalent ("boe") per day
bopd	=	barrels of oil and/or natural gas liquids (condensate) per day
BRL	=	Brazilian real
CAD	=	Canadian dollar
e^3m^3/d	=	thousand cubic metre per day
m^3	=	cubic metre
m^3/d	=	cubic metre per day
Mcf	=	thousand cubic feet
Mcfpd	=	thousand cubic feet per day
MMBtu	=	million British Thermal Units
MMcf	=	million cubic feet
MMcfpd	=	million cubic feet per day
NGLs	=	natural gas liquids
Q1 2023	=	three months ended March 31, 2023
Q1 2024	=	three months ended March 31, 2024
Q4 2023	=	three months ended December 31, 2023
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.