The following Management's Discussion and Analysis ("MD&A") is dated May 7, 2025 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, 2025, MD&A for the year-ended December 31, 2024 and the audited consolidated financial statements as at and for the years ended December 31, 2024 and 2023. Additional information for the Company, including the Annual Information Form ("AIF"), can be found on SEDAR+ at www.sedarplus.ca 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 March 31,		
	2025	2024	Change (%)
Financial			
($000s, except where noted)			
Natural gas, oil and condensate sales	**14,013**	11,752	19
Net income	**6,070**	4,550	33
Per share – basic ($)(1)	**0.16**	0.12	33
Per share – diluted ($)(1)	**0.16**	0.12	33
Cash flows from operating activities	**8,817**	8,213	7
Per share – basic ($)(1)	**0.24**	0.22	9
Per share – diluted ($)(1)	**0.23**	0.22	5
Funds flow from operations(2)	**9,222**	8,513	8
Per share – basic ($)(1)	**0.25**	0.23	9
Per share – diluted ($)(1)	**0.24**	0.23	4
Dividends declared	**3,643**	3,296	11
Per share(1) (2)	**0.10**	0.09	11
Capital expenditures	**8,375**	2,439	243
Cash and cash equivalents	**17,264**	17,450	(1)
Net working capital(2)	**9,742**	15,047	(35)
Weighted average shares outstanding			
Basic (000s)(1)	**37,312**	37,282	-
Diluted (000s)(1)	**37,752**	37,693	-
Operations			
Average daily sales volumes(3):			
Natural gas (Mcfpd), by field:			
Caburé (Mcfpd)	**11,710**	9,236	27
Murucututu (Mcfpd)	**2,093**	430	387
Total natural gas (Mcfpd)	**13,803**	9,666	43
NGLs – condensate (bopd)	**135**	78	73
Oil (bopd)	**10**	12	(17)
Total (boepd)	**2,446**	1,701	44
Average realized prices(2):			
Natural gas ($/Mcf)	**10.44**	12.57	(17)
NGLs – condensate ($/bbl)	**81.05**	87.89	(8)
Oil ($/bbl)	**64.96**	65.06	-
Total ($/boe)	**63.67**	75.94	(16)
Operating netback ($/boe)(2)			
Realized sales price	**63.67**	75.94	(16)
Royalties	**(7.60)**	(2.02)	276
Production expenses	**(5.30)**	(7.76)	(32)
Operating netback	**50.77**	66.16	(23)
Operating netback margin(2)	**80%**	87%	(8)

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 FIRST QUARTER OF 2025

- Alvopetro's updated long-term gas sales agreement came into effect on January 1, 2025 increasing our contracted firm volumes by 33%. As a result, our average daily sales increased to 2,446 boepd[(1)] in Q1 2025 (+44% from Q1 2024 and +41% from Q4 2024).
- Our average realized natural gas price decreased to $10.44/Mcf in Q1 2025 (-17% from Q1 2024 and -1% from Q4 2024), due mainly to the devaluation of the BRL relative to the USD, which depreciated 18% compared to the average rate in Q1 2024. Our overall averaged realized sales price was $63.67 per boe (-16% from Q1 2024 and consistent with Q4 2024 price of $63.88 per boe).
- With higher sales volumes, our natural gas, oil and condensate revenue increased to $14.0 million (+19% from Q1 2024 and +37% from Q4 2024).
- Our operating netback[(2)] in the quarter was $50.77 per boe (-$15.39 per boe from Q1 2024 and -$4.32 per boe from Q4 2024), due mainly to additional royalties in the quarter as well as lower realized sales prices. Royalties in the quarter increased to $7.60 per boe due to the recognition of additional gross-overriding royalty ("GORR") retroactively applicable on certain properties held by Alvopetro. The computation of the GORR was in dispute with the GORR holders, mainly with respect to the computation on natural gas. Subsequent to March 31, 2025, Alvopetro received the findings of the appointed arbitral tribunal wherein the tribunal found in favour of the GORR holders. Alvopetro has estimated the additional GORR owing pursuant to the decision and recognized such amount (including inflation) as additional royalties in Q1 2025 as well as the estimated interest owing on the balance outstanding as finance expense. The computation of the additional GORR remains subject to the approval of, and adjustment by, the tribunal.
- We generated funds flows from operations[(2)] of $9.2 million ($0.25 per basic share and $0.24 per diluted share), increases of $0.7 million compared to Q1 2024 and $2.3 million compared to Q4 2024 due mainly to higher sales volumes, partially offset by higher royalties and lower realized sale prices.
- We reported net income of $6.1 million, an increase of $1.5 million compared to Q1 2024 due to higher revenues and foreign exchange gains (compared to foreign exchange losses in Q1 2024), partially offset by higher royalties and higher depletion and depreciation.
- On February 5, 2025, we announced the terms of a Canadian farmin agreement (the "Farmin"), pursuant to which Alvopetro agreed to fund 100% of two earning wells in exchange for a 50% non-operated working interest in 12,243 acres (6,122 net acres) of land in Western Saskatchewan. The two earning wells were drilled in the quarter at a total cost to Alvopetro of $2.6 million. With completion of the two earning wells, Alvopetro's working interest share is now 50%.
- Capital expenditures totaled $8.4 million, including costs for the two wells drilled in Canada, final costs on the 183-B1 re-entry, and costs associated with drilling the 183-D4 well on Alvopetro's 100% Murucututu field.
- Our working capital[(2)] surplus was $9.7 million as of March 31, 2025, decreasing $3.4 million from December 31, 2024.

RECENT HIGHLIGHTS

- The two earning wells drilled pursuant to the Farmin came on production in April. Following an initial clean-up period, oil sales commenced, contributing average daily sales of 90 bopd[(1)] overall in April.
- April sales volumes averaged 2,462 boepd[(1)], including natural gas sales of 13.5 MMcfpd, associated natural gas liquids sales from condensate of 126 bopd, and oil sales in Canada of 90 bopd, based on field estimates.

(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 March 31, 2025, Alvopetro held interests in the Caburé and Murucututu natural gas assets, one exploration block (Block 183) and two oil fields (Bom Lugar and Mãe-da-lua), in the Recôncavo basin onshore Brazil as well as a 50% non-operated working interest in Western Saskatchewan.

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 pursuant to the findings of an emergency arbitration before the International Court of Arbitration of the International Chamber of Commerce ("ICC"), the Expert decision was deemed 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*" within the MD&A for the year ended December 31, 2024 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 have agreed to a development plan at the Unit including drilling and completing five wells. Alvopetro's share of these wells at its Redetermined Working Interest of 56.2% is estimated to be $8.3 million, with the first wells expected to be drilled in the second quarter.

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.

Murucututu Natural Gas Field (100% Working Interest)

Alvopetro's Murucututu natural gas project extends across Blocks 183 and 197, both held 100% by Alvopetro. There are three existing wells at the field including the 197(1) well and the 183(1) well, both of which were drilled in 2014, and the 183-A3 well which was drilled in 2023. All three wells are tied into field production facilities and a 9-kilometre transfer pipeline connects the field to the Caburé transfer pipeline. In the third quarter of 2024, Alvopetro recompleted the 183-A3 well which was then brought on production. As a result, production from the field increased to 2.1 MMcfpd in Q1 2025, an increase of 387% from Q1 2024. In Q1 2025 Alvopetro commenced drilling the 183-D4 well, the first of two development wells planned on the Murucututu field. Operational challenges associated with the drilling rig led to significant delays and while drilling the main target Caruaçu intervals we became differentially stuck, ultimately resulting in the loss of the bottom hole assembly. We have now commenced drilling a sidetrack of the lower 680 metres of the well. We estimate total costs for the project of $7.7 million, of which $3.7 million was incurred in Q1 2025.

Natural Gas Sales (100% Alvopetro)

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

The GSA provides for the sale of firm volumes and interruptible volumes and has take-or-pay provisions and ship-or-pay penalties based on firm volumes to ensure performance by both parties. In 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 Bahiagas demand is below the firm volumes set out in the GSA. See "*Sales Volumes*" below for further details.

OIL ASSETS:

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

EXPLORATION ASSETS (Block 183)

Alvopetro's E&E assets include the portion of Block 183 that is not part of the Murucututu project. Block 183 includes the 183-B1 well which was drilled in 2022. In Q4 2024, Alvopetro re-entered the existing wellbore with a plan to sidetrack the well. Total costs of $4.2 million were incurred on the project, with $1.0 million in Q1 2025. 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 and has filed a request with the ANP to extend the expiry date with a plan to drill the additional prospect.

CANADA

In Q1 2025, Alvopetro entered into the Farmin with a private company in Canada. Under the terms of the Farmin, Alvopetro agreed to fund 100% of two earning wells in exchange for a 50% non-operated working interest in 12,243 acres of land in Western Saskatchewan. The two earning wells were drilled in the first quarter and Alvopetro incurred total costs of $2.6 million to drill, complete and equip the two wells. Both wells were brought on production and following an initial clean-up period, oil sales commenced, averaging 90 bopd in April net to Alvopetro. We have now increased our land position in Saskatchewan to 15,861 acres (7,931 acres net) and expect to drill up to an additional four wells (2.0 net to Alvopetro) through the rest of 2025.

FINANCIAL AND OPERATING REVIEW

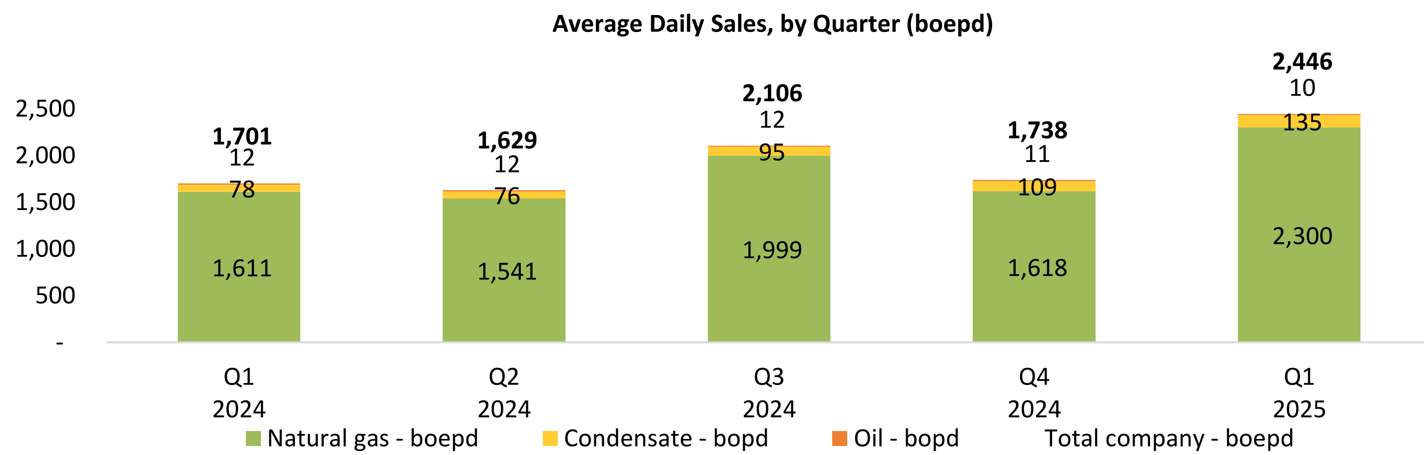
As no sales were realized from the Canadian operations in the three months ended March 31, 2025, all operational data included within this MD&A relating to sales volumes, realized sales prices, natural gas, condensate and oil revenues, royalties, production expenses and operating netback relate solely to operations in Brazil

Sales Volumes

	Three Months Ended March 31,		
	2025	2024	Change (%)
Total sales volumes(1):			
Caburé (Mcf)	**1,053,897**	840,458	25
Murucututu (Mcf)	**188,333**	39,114	381
Total natural gas (Mcf)	**1,242,230**	879,572	41
NGLs – condensate (bbls)	**12,128**	7,077	71
Oil (bbls)	**939**	1,076	(13)
Total sales (boe)	**220,105**	154,748	42
Average daily sales volumes(1):			
Caburé (Mcfpd)	**11,710**	9,236	27
Murucututu(Mcfpd)	**2,093**	430	387
Total natural gas (Mcfpd)	**13,803**	9,666	43
NGLs – condensate (bopd)	**135**	78	73
Oil (bopd)	**10**	12	(17)
Average daily sales (boepd)	**2,446**	1,701	44

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

With the amended natural gas sales agreement in effect as of January 1, 2025, average daily sales volumes increased 44% compared to Q1 2024 and 41% compared to Q4 2024.



Take-or-pay provisions

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 volumes under our contract. Any prepayment will be recovered through future natural gas deliveries where future offtake exceeds 90% of the firm volumes. Prepayment under the take-or-pay provisions in the GSA is reflected as unearned revenue through other liabilities on the Corporation's consolidated statement of financial position and only recognized as revenue when the volumes are delivered. The take-or-pay provisions under the GSA did not apply at any time in the three months ended March 31, 2025 or March 31, 2024.

Average Realized Sales Prices

	Three Months Ended March 31,		
	2025	2024	Change (%)
Average realized prices[(1)]:			
Natural gas ($/Mcf)	**10.44**	12.57	(17)
NGL – condensate ($/bbl)	**81.05**	87.89	(8)
Oil ($/bbl)	**64.96**	65.06	-
Total ($/boe)	**63.67**	75.94	(16)
Average benchmark prices:			
Brent oil ($/bbl)	**75.87**	82.92	(9)
Henry Hub ($/MMBtu)	**4.14**	2.15	93
Average contracted natural gas price[(2)]			
BRL/m^3	**1.91**	1.96	(3)
Average foreign exchange rate:			
$1 USD = BRL	**5.852**	4.952	18

(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.

In December 2024, Alvopetro and Bahiagás agreed to amend the GSA effective January 1, 2025 to increase contracted firm volumes to 400 e^3m^3/d 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 with 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.

With the 3% decrease in the average contracted price, the 18% depreciation in the average BRL to USD rate in Q1 2025 compared to Q1 2024, Alvopetro's realized USD natural gas price decreased by 17% from $12.57/Mcf in Q1 2024 to $10.44/Mcf in Q1 2025.

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

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

Natural Gas, Oil and Condensate Sales Revenue

	Three Months Ended March 31,		
	2025	2024	Change (%)
Natural gas	**12,969**	11,060	17
Condensate	**983**	622	58
Oil	**61**	70	(13)
Total	**14,013**	11,752	19

Total natural gas, oil and condensate revenues increased by $2.3 million (+19%) compared to Q1 2024 due to the 44% increase in average daily production , partially offset by the 16% decrease in the average realized sales price.

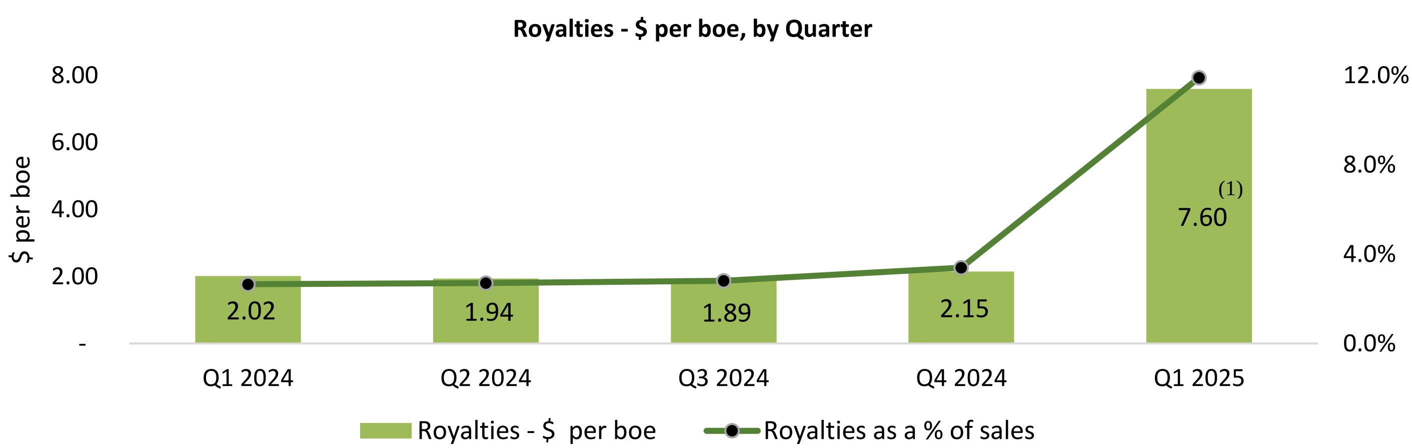
Royalties

	Three Months Ended March 31,		
	2025	2024	Change (%)
Royalties	**1,673**	312	436
Royalties per boe ($)[(1)]	**7.60**	2.02	276
Royalties as a % of sales[(1)]	**11.9**	2.7	341

(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. 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 93% in Q1 2025 compared to Q1 2024, government and landowner royalties increased as a percentage of sales.

There is an additional 2.5% GORR on the portion of the Caburé and Murucututu natural gas assets that were previously on Block 197 and the Mãe-da-lua field. In Q1 2025, Alvopetro recognized an additional amount owing with respect to the GORR on natural gas on Block 197. The computation of the GORR on natural gas sales had been 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. Subsequent to March 31, 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. While there are still matters to be clarified as part of the proceedings, Alvopetro has estimated the additional GORR owing pursuant to the decision of the tribunal and recognized the expected additional royalty (including inflation adjustments) in Q1 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 approval of 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). For future periods we would expect our Brazilian royalties to be approximately 5% to 6% of natural gas, oil and condensate revenues, based on forecasted commodity prices, subject to the final outcome of the GORR dispute.



(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 6%, based on forecasted commodity prices.

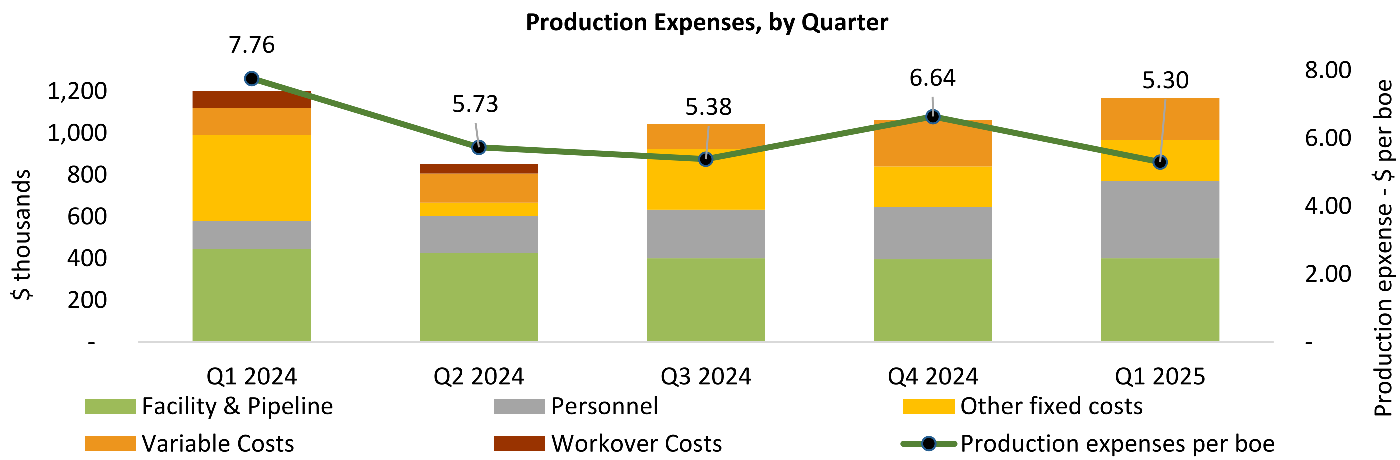
Production Expenses

	Three Months Ended March 31,		
	2025	2024	Change (%)
Production expenses by type:			
Personnel costs	**370**	133	178
Facility and pipeline costs	**400**	445	(10)
Other fixed costs	**197**	412	(52)
Variable costs	**200**	128	56
Workover costs	**-**	83	(100)
Total production expenses	**1,167**	1,201	(3)

	Three Months Ended March 31,		
	2025	2024	Change (%)
Production expenses per boe($)[(1)]:			
Personnel costs	**1.67**	0.86	94
Facility and pipeline costs	**1.82**	2.87	(37)
Other fixed costs	**0.90**	2.66	(66)
Variable costs	**0.91**	0.83	10
Workover costs	**-**	0.54	(100)
Total	**5.30**	7.76	(32)

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

In Q3 2024 Alvopetro assumed operatorship of the Unit resulting in increased personnel and variable costs for Q1 2025 compared to Q1 2024, offset by lower other fixed costs as amounts previously charged by our partner for Unit operations were included in this category. The majority of production expenses for Unit operations are split between Alvopetro and our Partner based on monthly production allocations and as a result Alvopetro's share of such costs can fluctuate even where Alvopetro production levels are consistent due to fluctuations in our Partner's natural gas deliveries. Personnel costs in Q1 2025 were also impacted by additional personnel associated with the compression operations at Caburé. While overall production expenses decreased only 3% compared to Q1 2024, on a per boe basis, production expenses decreased 32% with the increase in sales volumes.

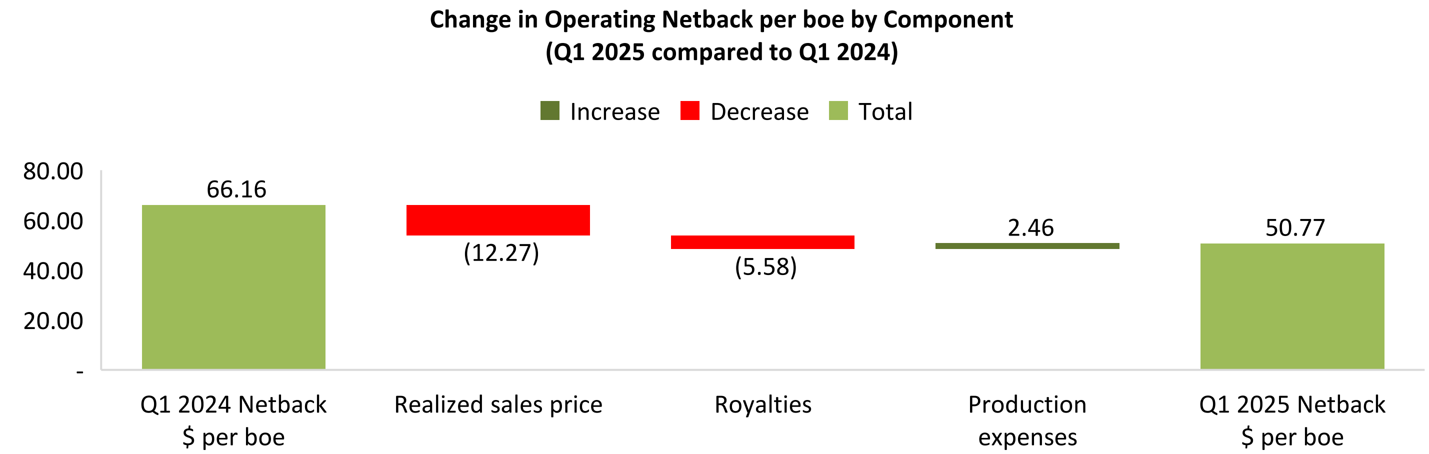


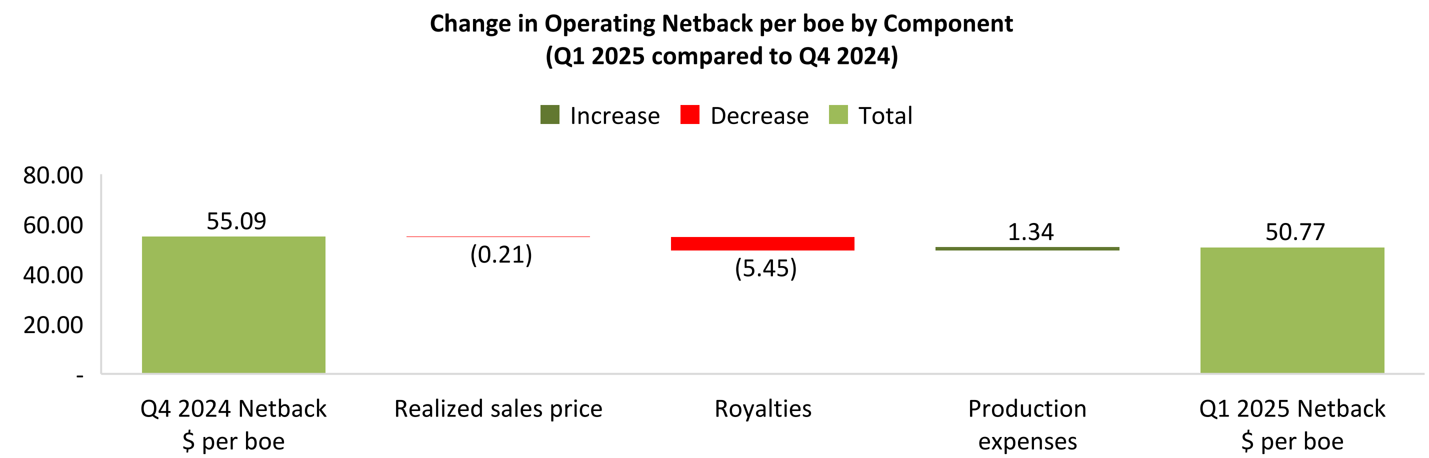
Operating Netback

	Three Months Ended March 31,		
	2025	2024	Change (%)
Operating netback(1)			
Natural gas, oil and condensate sales	**14,013**	11,752	19
Royalties	**(1,673)**	(312)	436
Production expenses	**(1,167)**	(1,201)	(3)
Operating netback(1)	**11,173**	10,239	9
Operating netback - $ per boe(1):			
Average realized sales price - $ per boe(1)	**63.67**	75.94	(16)
Royalties - $ per boe(1)	**(7.60)**	(2.02)	276
Production expenses - $ per boe(1)	**(5.30)**	(7.76)	(32)
Operating netback per boe	**50.77**	66.16	(23)
Operating netback margin(1)	**80%**	87%	(8)

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

With higher royalties and lower realized sales prices, Alvopetro's operating netback decreased by $15.39 per boe (-23%) in Q1 2025 compared to Q1 2024 and by $4.32 per boe (-8%) compared to Q4 2024.





Other Income

	Three Months Ended March 31,		
	2025	2024	Change (%)
Interest income	**242**	262	(8)
Tax recoveries from operations and other	**161**	136	18
Total	**403**	398	1

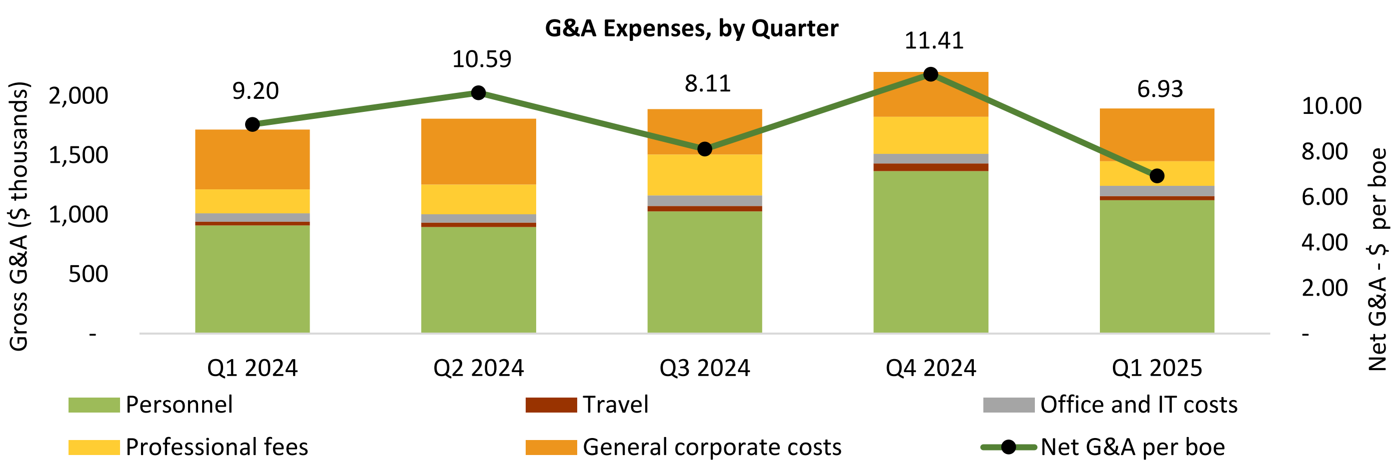
The majority of other income relates to interest income on cash and cash equivalent deposits and tax credits arising from ongoing operations. With lower interest rates in Canada in Q1 2025, interest income decreased 8% compared to Q1 2024. However, with higher tax recoveries from operations in the current period, other income in Q1 2025 was consistent with Q1 2024.

General and Administrative ("G&A") Expenses

	Three Months Ended March 31,		
G&A Expenses, by type:	**2025**	2024	Change (%)
Personnel	**1,121**	910	23
Travel	**36**	32	13
Office and IT costs	**85**	69	23
Professional fees	**209**	202	3
General corporate costs	**444**	503	(12)
Gross G&A	**1,895**	1,716	10
Capitalized G&A	**(369)**	(293)	26
G&A expenses	**1,526**	1,423	7
$ per boe(1)	**6.93**	9.20	(25)

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

Growing staffing levels associated with the assumption of Caburé Unit operations in Q3 2024 as well as inflationary adjustments and higher activity levels increased personnel costs in Q1 2025 compared to Q1 2024. On a per boe basis, G&A expenses were 25% lower in Q1 2025 compared to Q1 2024 due to higher production volumes.

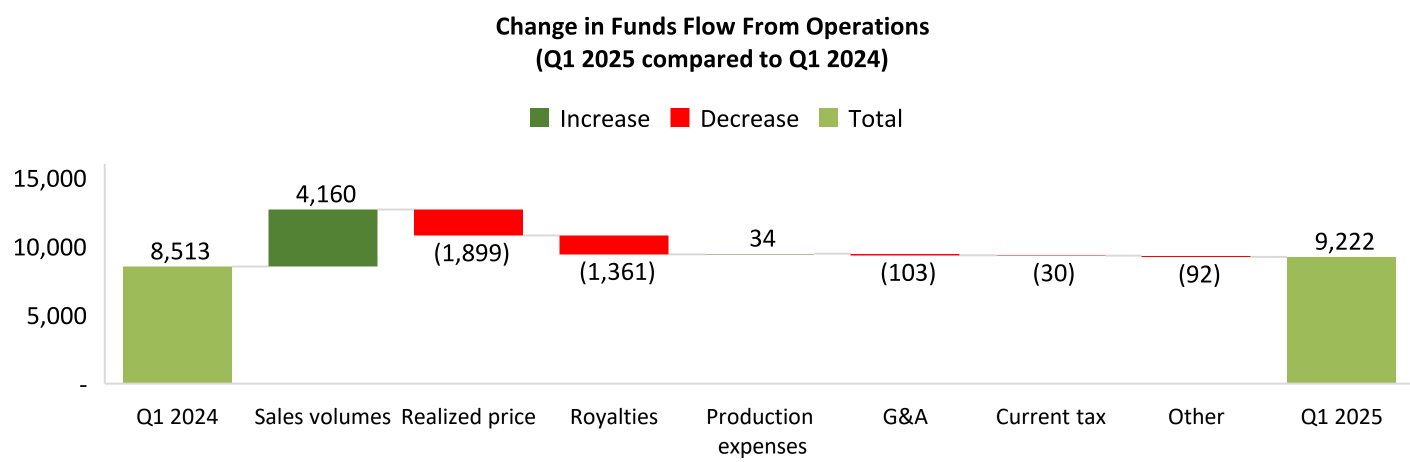


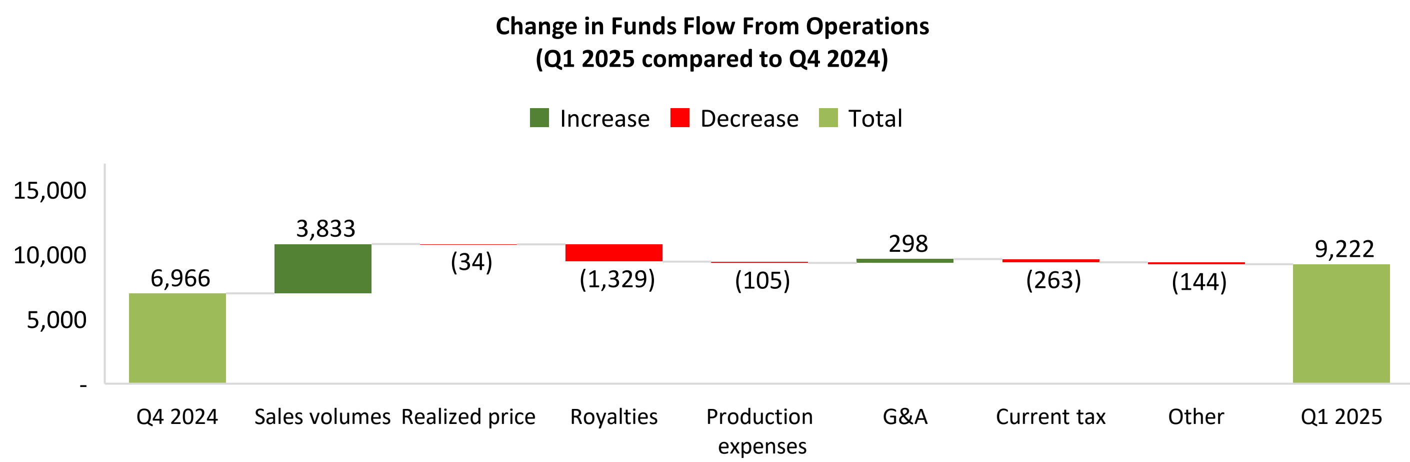
Cash Flows from Operating Activities and Funds Flow from Operations

	Three Months Ended March 31,		
	2025	2024	Change (%)
Cash flows from operating activities	**8,817**	8,213	7
Per share – basic ($)	**0.24**	0.22	9
Per share – diluted ($)	**0.23**	0.22	5
Funds flow from operations[(1)]	**9,222**	8,513	8
Per share – basic ($)	**0.25**	0.23	9
Per share – diluted ($)	**0.24**	0.23	4

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

Funds flow from operations in Q1 2025 increased $0.7 million from Q1 2024 (+8%) and $2.3 million from Q4 2024 (+32%) due to higher daily sales volumes, partially offset by lower realized sales prices and higher royalties.





Foreign Exchange

	As at		% Appreciation (Depreciation) of BRL/CAD to USD
	March 31, 2025	December 31, 2024	**Q1 2025**
Rate at end of period:			
$1 USD = BRL	**5.742**	6.192	**7**
$1 USD = CAD	**1.438**	1.439	**-**

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,		% Appreciation (Depreciation) of BRL/CAD to USD
	2025	2024	**Change from Q1 2024**
Average rate in the period:			
$1 USD = BRL	**5.852**	4.952	**(18)**
$1 USD = CAD	**1.435**	1.349	**(6)**

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 7% from December 31, 2024 resulting in an exchange gain in comprehensive income in the three months ended March 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 and the USD denominated lease liability of the Brazilian subsidiary associated with the Facility. The Company recorded a foreign exchange gain of $0.4 million on intercompany advances in Q1 2025 (Q1 2024 - $0.9 million foreign exchange loss) and a foreign exchange gain of $0.6 million on the lease liability (Q1 2024 -$0.2 million foreign exchange loss). As of March 31, 2025, the USD denominated intercompany balance was $3.4 million (December 31, 2024 - $4.7 million) and the USD denominated lease liability was $7.6 million (December 31, 2024 – $7.8 million).

As discussed above, the Company is exposed to foreign exchange fluctuations on its natural gas revenues. With respect to Alvopetro's natural gas price reset on January 1, 2025 and February 1, 2025, respectively, the price determined in BRL was based on average historical exchange rates of 5.55 BRL to 1.00 USD and 5.84 BRL to 1.00 USD. In Q1 2025, the actual average rate was 5.85, consistent with the February 1, 2025 reset but a depreciation of 5% compared to the January 1, 2025 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,	
	2025	2024
Increase (Decrease) to Natural Gas Revenues from:		
5% Appreciation of BRL to USD	**683**	582
10% Appreciation of BRL to USD	**1,441**	1,229
5% Depreciation of BRL to USD	**(618)**	(527)
10% Depreciation of BRL to USD	**(1,179)**	(1,005)

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.

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

Depletion and Depreciation

	Three Months Ended March 31,		
	2025	2024	Change (%)
Depletion and depreciation on PP&E	**2,831**	1,556	82
Depreciation of right-of-use assets	**291**	291	-
Depletion and depreciation expense	**3,122**	1,847	69
$ per boe(1)	**14.18**	11.94	19

(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 the increase in daily sales volumes in Q1 2025 compared to Q1 2024 as well as a higher depletable base, depletion and depreciation increased 82% compared to Q1 2024.

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,		
	2025	2024	Change (%)
Share-based compensation expense	**329**	287	15

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, 2025, a total of 3.1 million awards were outstanding (March 31, 2024 – 2.6 million) with 1,930,108 stock options (March 31, 2024 – 1,749,440) and 1,219,175 RSUs and DSUs (March 31, 2024 – 890,008). With the increase in awards outstanding, share-based compensation increased in Q1 2025 compared to Q1 2024.

Finance Expenses

	Three Months Ended March 31,		
	2025	2024	Change (%)
Lease interest	**324**	358	(9)
Accretion on decommissioning liabilities	**30**	25	20
Other	**102**	-	-
Finance expenses	**456**	383	19

Finance expenses increased 19% compared to Q1 2024 mainly due to estimated additional interest owing on the GORR dispute, as further described above.

Income Tax Expense

	Three Months Ended March 31,		
	2025	2024	Change (%)
Current income tax expense	**640**	610	5
Deferred income tax expense	**288**	180	60
Total	**928**	790	17
Effective tax rate	**13.3%**	14.8%	(10)

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

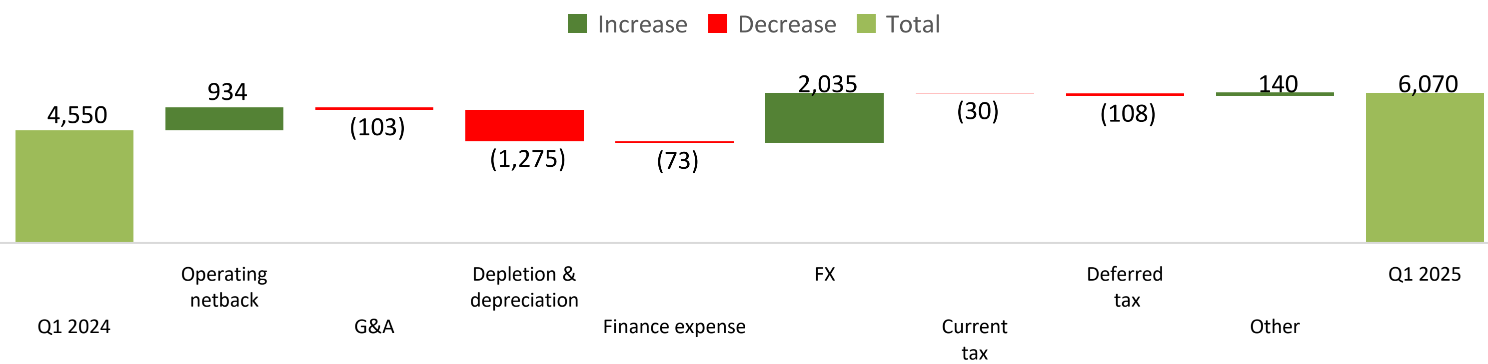
Current tax expense increased in Q1 2025 due to higher net income compared to Q1 2024. Deferred tax expense was also higher due mainly to foreign exchange gains compared to foreign exchange losses in Q1 2024. Overall, the Company's effective tax rate (computed as total income tax expense divided by income before taxes) is 13.3% for Q1 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.

Net Income

	Three Months Ended March 31,		
	2025	2024	Change (%)
Net income	**6,070**	4,550	33
Per share – basic ($)	**0.16**	0.12	33
Per share – diluted ($)	**0.16**	0.12	33

Net income in Q1 2025 increased $1.5 million compared to Q1 2024 due to higher sales volume and foreign exchange gains (compared to foreign exchange losses in Q1 2024) partially offset by higher depletion and depreciation, G&A and tax expense.

Change in Net Income
(Q1 2025 compared to Q1 2024)



Capital Expenditures

Capital Expenditures by Type	Three Months Ended March 31, 2025	2024
E&E		
Drilling and completions	**1,053**	25
Land, lease, and similar payments	**2**	-
Equipment inventory purchases	**297**	115
Capitalized G&A	**41**	-
Total E&E	**1,393**	140
PP&E		
Facility & equipment	**431**	1,622
Drilling & completions	**5,872**	310
Land, lease, and similar payments	**35**	8
Capitalized G&A	**328**	293
Furniture & fixtures and other	**316**	66
Total PP&E	**6,982**	2,299
Total Capital Expenditures	**8,375**	2,439

Capital Expenditures by Property	Three Months Ended March 31, 2025	2024
E&E - Brazil		
Block 183	**1,096**	25
Equipment inventory purchases	**297**	115
Total E&E – Brazil	**1,393**	140
PP&E - Brazil		
Caburé and associated midstream assets	**542**	1,562
Murucututu	**3,579**	735
Bom Lugar	**-**	1
Other	**179**	1
PP&E – Brazilian Properties	**4,300**	2,299
PP&E - Canada		
Western Saskatchewan	**2,636**	**-**
Other	**46**	-
PP&E – Canadian Properties	**2,682**	-
Total PP&E	**6,982**	2,299
Total Capital Expenditures	**8,375**	2,439

Capital expenditures in Brazil in Q1 2025 include final costs for the re-entry and sidetrack of our 183-B1 well, costs associated with drilling the 183-D4 well on our 100% Murucututu field, as well as final costs associated with the facilities upgrade project at Caburé. Capital expenditures in Canada in Q1 2025 include costs to drill, complete and equip the two earning wells pursuant to the terms of the Farmin.

Summary of Quarterly Results

	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Financial								
Natural gas, oil and condensate sales	**14,013**	10,214	12,879	10,672	11,752	15,300	12,313	13,914
Net income	**6,070**	2,243	7,152	2,350	4,550	652	5,819	9,852
Per share – basic ($)[1]	**0.16**	0.06	0.19	0.06	0.12	0.02	0.16	0.27
Per share – diluted ($)[1]	**0.16**	0.06	0.19	0.06	0.12	0.02	0.15	0.26
Cash flows from operating activities	**8,817**	7,114	10,714	8,860	8,213	7,904	12,469	13,473
Per share – basic ($)[1]	**0.24**	0.19	0.29	0.24	0.22	0.21	0.34	0.37
Per share – diluted ($)[1]	**0.23**	0.19	0.28	0.24	0.22	0.21	0.33	0.36
Funds flow from operations [2]	**9,222**	6,966	9,886	7,910	8,513	12,393	9,618	11,047
Per share – basic ($)[1]	**0.25**	0.19	0.27	0.21	0.23	0.33	0.26	0.30
Per share – diluted ($)[1]	**0.24**	0.19	0.26	0.21	0.23	0.33	0.25	0.29
Dividends declared	**3,643**	3,283	3,295	3,296	3,296	5,127	5,122	5,109
Per share ($)[1][2]	**0.10**	0.09	0.09	0.09	0.09	0.14	0.14	0.14
Capital expenditures	**8,375**	4,682	4,747	3,437	2,439	4,934	10,703	8,521
Net working capital[2]	**9,742**	13,181	15,848	14,692	15,047	13,117	11,392	18,084
Operations								
Average realized prices[2]:								
Natural gas ($/Mcf)	**10.44**	10.51	10.92	11.83	12.57	12.85	13.06	12.86
NGL – condensate ($/bbl)	**81.05**	75.95	86.70	92.27	87.89	89.45	89.43	83.35
Oil ($/bbl)	**64.96**	61.74	68.36	71.87	65.06	73.67	73.08	63.93
Average foreign exchange ($1 USD = BRL)	**5.852**	5.837	5.545	5.213	4.952	4.955	4.880	4.949
Operating netback ($/boe) [2]								
Realized sales price	**63.67**	63.88	66.46	71.97	75.94	77.60	78.90	77.41
Royalties	**(7.60)**	(2.15)	(1.89)	(1.94)	(2.02)	(2.07)	(2.04)	(1.97)
Production expenses	**(5.30)**	(6.64)	(5.38)	(5.73)	(7.76)	(5.84)	(6.52)	(5.83)
Operating netback	**50.77**	55.09	59.19	64.30	66.16	69.69	70.34	69.61
Operating netback margin[2]	**80%**	86%	89%	89%	87%	90%	89%	90%
Average daily sales volumes:								
Natural gas (Mcfpd)	**13,803**	9,707	11,994	9,244	9,666	12,245	9,675	11,269
NGL – condensate (bopd)	**135**	109	95	76	78	92	81	92
Oil (bopd)	**10**	11	12	12	12	10	3	5
Total average daily sales (boepd)	**2,446**	1,738	2,106	1,629	1,701	2,143	1,696	1,975

Notes:

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

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

Average daily sales volumes increased 41% in Q1 2025 compared to Q4 2024 with Alvopetro's amended GSA in effect as of January 1, 2025, resulting in a $3.8 million increase in natural gas, oil and condensate sales despite a marginally lower realized sales price per boe. Alvopetro recognized additional royalties associated with the GORR dispute and as a result, our operating netback decreased to $50.77 per boe from Q4 2024 (-8%). With higher sales volumes and lower G&A, our funds flow from operations increased $2.3 million despite higher royalties and current tax expense. Net income, which increased $3.8 million compared to Q4 2024, was also impacted by foreign exchange gains compared to foreign exchange losses in Q4 2024.

Over the past eight quarters, fluctuations in average daily sales volumes, the average realized sales price per boe and average foreign exchange rates have impacted natural gas, oil and condensate revenues and funds flow from operations. Net income has fluctuated over the same period due to changes in funds flow from operations, impairment losses and fluctuations in deferred tax expense and foreign exchange gains and losses. Capital expenditures have fluctuated throughout the period due to changes in the Company's planned spending levels on E&E and PP&E assets. With higher overall production and cash flows, the Board of Directors increased the quarterly dividend to $0.10 per share in Q1 2025 compared to $0.09 per share throughout 2024.

Commitments and Contingencies

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

	< 1 Year	1-3 Years	Thereafter	Total
Gas Treatment Agreement(1)	1,347	2,695	3,032	7,074
Total commitments	**1,347**	**2,695**	**3,032**	**7,074**

(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, 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.

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.

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 Q1 2025, Alvopetro recognized a provision for additional GORR associated with the GORR dispute as further described in "*Royalties*". The Company currently has no contingent liabilities recorded however, the outcome of adverse decisions in any pending or threatened proceedings related to these and other matters are unknown and could have a material impact on the Company's financial position, results of operations or cash flows.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Working Capital

At March 31, 2025, Alvopetro's cash and cash equivalents of $17.3 million were held as follows:

	Total	U.S. Dollar	CAD Dollar(1)	BRL(1)
Cash and cash equivalents held in Canada	12,274	11,951	323	-
Cash and cash equivalents held in Brazil	4,990	-	-	4,990
Total	**17,264**	**11,951**	**323**	**4,990**

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

The Company had cash and cash equivalents of $17.3 million and a total net working capital surplus of $9.7 million at March 31, 2025. 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 $1.5 million as at March 31, 2025, with $0.3 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, 2025, the Company had $5.3 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 March 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	
	March 31, 2025	December 31, 2024
Lease liabilities, beginning of period	**7,863**	8,681
Additions	**84**	114
Finance expense	**324**	1,370
Lease payments	**(563)**	(2,278)
Foreign currency translation	**4**	(24)
Lease liabilities, end of period	**7,712**	7,863
Current	**1,121**	1,069
Non-current	**6,591**	6,794
Total, end of period	**7,712**	7,863

Dividends

	Three Months Ended March 31,		
	2025	2024	Change (%)
Dividends declared	**3,643**	3,296	11
Dividends declared – per share ($)(1)	**0.10**	0.09	11

(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 2025 the Board of Directors increased the quarterly dividend to $0.10 per share from $0.09 per share paid throughout 2024. 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 March 31,		
	2025	2024	Change (%)
Shares repurchased (#)	**83,300**	-	-
Average price per share (C$)	**4.99**	-	-
Total cost of share repurchases - $000s(1)	**297**	-	-

(1) Includes applicable fees.

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

In Q1 2025, 83,300 shares were repurchased and subsequently cancelled pursuant to the 2024 NCIB.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and preferred shares in one or more series. As of May 7, 2025, there were 36,378,694 common shares, 1,930,108 stock options, 882,969 RSUs and 354,201 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,	
	2025	2024
Operating netback - $ per boe	**50.77**	66.16
Average realized price - $ per boe	**63.67**	75.94
Operating netback margin	**80%**	87%

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, 2025	2024
Per basic share:		
Cash flows from operating activities	**0.24**	0.22
Funds flow from operations	**0.25**	0.23
Per diluted share:		
Cash flows from operating activities	**0.23**	0.22
Funds flow from operations	**0.24**	0.23

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, 2025	2024
Cash flows from operating activities	**8,817**	8,213
Changes in non-cash working capital	**405**	300
Funds flow from operations	**9,222**	8,513

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 2025	2024
Total current assets	**25,090**	24,149
Total current liabilities	**(15,348)**	(9,102)
Net working capital	**9,742**	15,047

Supplementary Financial Measures

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

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

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

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

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

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

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

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

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

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

OFF BALANCE SHEET ARRANGEMENTS

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

RISKS AND UNCERTAINTIES

Alvopetro is exposed to a variety of risks including, but not limited to: reservoir performance risk, market risk, exploration, exploitation, acquisition and disposition risk, operational and uninsurable risks, inflation and supply chain management risk, foreign operations risk, legal and regulatory risks including the impact of new and stricter environmental regulations, liquidity and financing risk and competitive risks within the oil and gas industry. 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, 2024.

There have been no significant changes in the three months ended March 31, 2025 to the risks and uncertainties identified in the MD&A and Annual information Form for the year-ended December 31, 2024 other than with respect to the findings of the GORR dispute. As further described in the section entitled "*Royalties*", in the three months ended March 31 2025, Alvopetro 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 pursuant to 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, subsequent to March 31, 2025, Alvopetro received the findings of the arbitral tribunal wherein the tribunal found in favour of the GORR holders requiring Alvopetro to utilize the sales price to Bahiagás in the computation of the GORR. While there are still matters to be clarified with respect to the decision of the tribunal, Alvopetro has estimated the additional GORR owing and recognized the additional royalty (including inflation adjustments) in Q1 2025 with interest owing on the balance outstanding recognized in finance expenses.

Alvopetro is required to submit all calculations of the additional GORR owing to the tribunal for review. The tribunal will then issue a final decision on the amount owing. 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 March 31, 2025 and such difference may be material. In addition, as the GORR award is subject to inflation and interest adjustments, the balance owing will increase over time.

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, 2025 are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended December 31, 2024. The Company has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

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

Dividend and Normal Course Issuer Bid Advisory. The decision to declare any future quarterly dividend and the amount and timing of such dividend, if any, remains subject to the discretion of the Board and may vary depending on numerous factors, including, without limitation, the Company's operational performance, available financial resources and financial requirements, capital requirements and growth plans. There can be no assurance that dividends will be paid at the intended rate or at any rate in the future. Similarly, the decision by the Corporation to repurchase shares pursuant to its normal course issuer bid and the amount and timing of share repurchases under the Company's normal course issuer bid is also uncertain and there can be no assurance that the Company will repurchase any shares in the future.

Forward-Looking Statements. Certain information provided in this MD&A constitutes forward-looking statements. The use of any of the words "will", "expect", "intend" and other similar words or expressions are intended to identify forward-looking information. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the expectations discussed in the forward-looking statements. These forward-looking statements reflect current assumptions and expectations regarding future events. More particularly and without limitation, this MD&A contains forward-looking statements concerning the arbitration procedures associated with the redetermination of working interests of the Unit, the anticipated outcome of the GORR dispute, expected royalty rates, the Company's dividend policy and plans for dividends in the future, the Company's 2024 NCIB and plans for share repurchases, plans relating to the Company's operational activities, proposed exploration and development activities and the timing for such activities, capital spending levels and future capital costs, exploration and development prospects of Alvopetro, future production and sales volumes, production rates and allocations from the Caburé natural gas field, the expected natural gas price, gas sales and gas deliveries under Alvopetro's long-term gas sales agreement, and sources and availability of capital. Forward-looking statements are necessarily based upon assumptions and judgments with respect to the future including, but not limited to the success of future drilling, completion, testing, recompletion and development activities and the timing of such activities, the performance of producing wells and reservoirs, well development and operating performance, expectations and assumptions concerning the approval of and timing of regulatory licenses, equipment availability, environmental regulation, including regulation relating to hydraulic fracturing and stimulation, the ability to monetize hydrocarbons discovered, the outlook for commodity markets and ability to access capital markets, foreign exchange rates, the outcome of any redeterminations, the outcome of any disputes, general economic and business conditions, forecasted demand for oil and natural gas, the impact of global pandemics, weather and access to drilling locations, the availability and cost of labour and services, and the regulatory and legal environment and other risks associated with oil and gas operations. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Current and forecasted natural gas nominations are subject to change on a daily basis and such changes may be material. 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 2024 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.

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 2024	=	three months ended March 31, 2024
Q1 2025	=	three months ended March 31, 2025
Q2 2025	=	three months ended June 30, 2025
Q4 2024	=	three months ended December 31, 2024
USD	=	United States dollar

BOE Disclosure. The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6 Mcf/bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in this MD&A are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.