The following Management's Discussion and Analysis ("MD&A") is dated May 12, 2022 and should be read in conjunction with the unaudited interim condensed consolidated financial statements and accompanying notes of Alvopetro Energy Ltd. ("Alvopetro" or the "Company") as at and for the three months ended March 31, 2022, MD&A for the year-ended December 31, 2021 and the audited consolidated financial statements as at and for the years ended December 31, 2021 and 2020. Additional information for the Company, including the Annual Information Form ("AIF"), can be found on SEDAR at www.sedar.com or at www.alvopetro.com. This MD&A contains financial terms that are not considered measures under International Financial Reporting Standards ("IFRS") and forward-looking statements. As such, the MD&A should be used in conjunction with Alvopetro's disclosure under the headings "Non-GAAP and Other Financial Measures" and "Forward Looking Information" at the end of this MD&A.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

Description of Business

Alvopetro is engaged in the exploration for and the acquisition, development and production of hydrocarbons in Brazil. Alvopetro is a pioneer in the development of Brazil's independent onshore natural gas industry anchored by the Company's core Caburé upstream and midstream project. Natural gas sales from the Caburé natural gas field commenced on July 5, 2020. Alvopetro's shares are traded on the TSX Venture Exchange (TSX: ALV.V) and are also traded on the OTCQX® Best Market in the United States (OTCQX: ALVOF).

Strategy

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

FINANCIAL & OPERATING SUMMARY

	As at and Three Months Ended March 31,		
	2022	2021	Change (%)
Financial			
($000s, except where noted)			
Natural gas, oil and condensate sales	**13,972**	6,939	101
Net income (loss)	**11,115**	(1,088)	-
Per share – basic ($)(1)	**0.33**	(0.03)	-
Per share – diluted ($)(1)	**0.30**	(0.03)	-
Cash flow from operating activities	**8,333**	4,304	94
Per share – basic ($)(1)	**0.25**	0.13	92
Per share – diluted ($)(1)	**0.23**	0.13	77
Funds flow from operations (2)	**10,904**	4,756	129
Per share – basic ($)(1)	**0.32**	0.14	129
Per share – diluted ($)(1)	**0.30**	0.14	114
Dividends declared	**2,715**	-	-
Per share(1)	**0.08**	-	-
Capital expenditures	**3,800**	864	340
Total assets	**93,816**	76,022	23
Cash and cash equivalents	**12,740**	4,983	156
Net working capital surplus (2)	**12,302**	5,775	113
Working capital, net of debt (net debt)(2)	**7,257**	(7,254)	-
Weighted average shares outstanding (000s)			
Basic(1)	**33,907**	33,242	2
Diluted(1)	**36,628**	33,938	8
Operations			
Natural gas, NGLs and crude oil sales:			
Natural gas (Mcfpd)	**14,339**	12,464	15
NGLs – condensate (bopd)	**99**	98	1
Oil (bopd)	**12**	-	-
Total (boepd)	**2,501**	2,175	15
Average realized prices(2):			
Natural gas ($/Mcf)	**10.03**	5.68	77
NGL – condensate ($/bbl)	**106.42**	64.41	65
Oil ($/bbl)	**79.50**	-	-
Company total ($/boe)	**62.08**	35.45	75
Operating netback ($/boe)(2)			
Realized sales price	**62.08**	35.45	75
Royalties	**(4.35)**	(3.30)	32
Production expenses	**(3.79)**	(3.63)	4
Operating netback	**53.94**	28.52	89
Operating netback margin(2)	**87%**	80%	9

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 2022

- Our daily sales averaged 2,501 boepd in Q1 2022, a 15% increase from the Q1 2021 average of 2,175 boepd and a 3% increase from the Q4 2021 average of 2,432 boepd. In Q1 2022, 96% of our sales volumes were from natural gas with 4% from natural gas liquids ("NGLs") from condensate and crude oil sales.
- On February 1, 2022, our contracted natural gas price under our long-term gas sales agreement increased 48% to Brazilian real ("BRL")1.94/m^3. With two months in the quarter at this higher price and an appreciation of the BRL relative to the USD compared to Q4 2021 and Q1 2021, our average realized natural gas price increased to $10.03/Mcf compared to the Q4 2021 average price of $7.07/Mcf and the Q1 2021 average price of $5.68/Mcf. Higher commodity prices and higher daily sales volumes resulted in a 101% increase in our natural gas, condensate and oil revenue compared to Q1 2021.
- With higher realized sales prices, our operating netback increased to $53.94 per boe in Q1 2022, an improvement of 89% from Q1 2021 and 48% from Q4 2021.
- We reported net income of $11.1 million compared to a loss of $1.1 million in Q1 2021 and net income of $2.6 million in Q4 2021.
- We generated funds flow from operations of $10.9 million ($0.32 per basic share and $0.30 per diluted share) and cash flows from operating activities of $8.3 million ($0.25 per basic share and $0.23 per diluted share).
- Capital expenditures totaled $3.8 million, focused on drilling costs for our 182-C1 well, field production facility installation on our Murucututu project and final Murucututu pipeline extension costs.
- We increased our quarterly dividend 33% to $0.08 per share, with total dividends of $2.7 million declared in the quarter.
- We repaid an additional $1.5 million of our credit facility, bringing the balance outstanding to $5.0 million. As at March 31, 2022, we had a net working capital surplus of $12.3 million, including $12.7 million in cash and cash equivalents. The Company's working capital net of our credit facility balance improved to $7.3 million, compared to $2.6 million as of December 31, 2021.

RECENT HIGHLIGHTS

- In April 2022, we completed drilling our 182-C1 well. Based on open-hole logs, the well discovered 25 metres of potential net natural gas pay, with at an average 34% water saturation and an average porosity of 8.2%. We plan to undertake a testing program to assess the productive capability of the well and define the field development. We expect testing to be completed later in the second quarter and we also plan to drill a follow-up well on the block in the second half of 2022.
- We have notified our lender that we will proceed with an additional $2.5 million repayment of our credit facility effective May 16, 2022, which will bring the balance outstanding to $2.5 million.

NATURAL GAS AND OIL PROPERTIES

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

Alvopetro's flagship asset, the Caburé natural gas field, commenced commercial natural gas deliveries on July 5, 2020, averaging 14.3 MMcfpd in Q1 2022. This field currently generates 100% of Alvopetro's natural gas and NGL sales. The Caburé field extends across four blocks in the Recôncavo Basin in the state of Bahia in Brazil, two of which are held by Alvopetro and two of which are held by our partner, with Alvopetro's share of the unitized area (the "Unit") being 49.1%. Alvopetro's share of natural gas from the Caburé 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"), which provides for the sale of firm volumes and interruptible volumes. The GSA has take-or-pay provisions and ship-or-pay penalties to ensure performance by both parties which are based on the firm volumes.

Alvopetro's Murucututu natural gas project extends across two blocks (Blocks 183 and 197), both held 100% by Alvopetro, and includes the 183(1) and 197(1) wells, both of which were drilled in 2014. In Q1 2022, Alvopetro completed installation of a 9-kilometre transfer pipeline extension to connect the 183(1) well to our Caburé transfer pipeline and initiated construction of field production facilities. We expect the 183(1) well to be tied in and on production later in the second quarter of 2022. Future capital plans for the project include stimulation and tie-in of our 197(1) well and drilling two additional "fit-for-purpose" development wells. Total estimated capital expenditures for these future projects is estimated at $15.2 million.

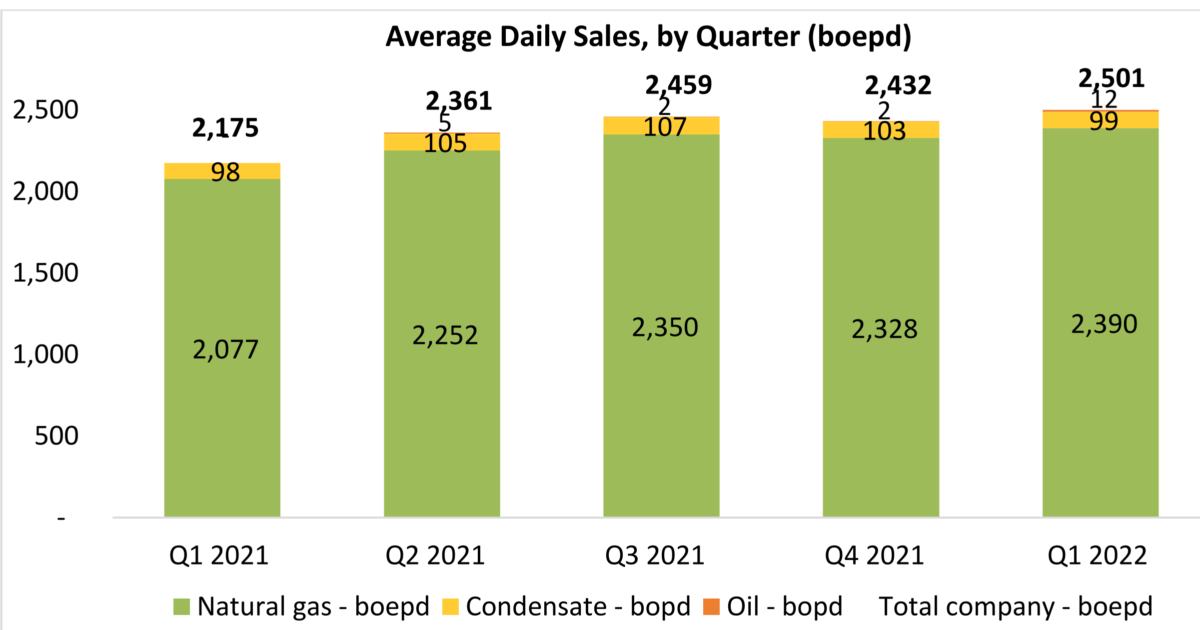
Alvopetro's exploration and evaluation ("E&E") assets include Block 182 and the portion of Block 183 that is not part of the Murucututu project. In 2022, Alvopetro will drill two wells on these blocks, the 182-C1 well and the 183-B1 well, with the first well, 182-C1, spud on March 2, 2022. Drilling of the well was completed in April 2022. The well was drilled to a total measured depth of 2,926 metres and based on open-hole wireline logs, discovered 25 metres of potential net natural gas pay with an average porosity of 8.2% at an average water saturation of 34%. Alvopetro plans to undertake further testing of the well to define the productive capability of the well and we also expect to drill a follow-up well from the existing location in the second half of 2022.

FINANCIAL AND OPERATING REVIEW

Sales Volumes

	Three Months Ended March 31,		
	2022	2021	Change (%)
Total sales volumes by product:			
Natural gas (Mcf)	**1,290,522**	1,121,748	15
NGLs – condensate (bbls)	**8,927**	8,787	2
Oil (bbls)	**1,044**	-	-
Total sales (boe)	**225,059**	195,745	15
Average daily sales by product:			
Natural gas (Mcfpd)	**14,339**	12,464	15
NGLs – condensate (bopd)	**99**	98	1
Oil (bopd)	**12**	-	-
Average daily sales (boepd)	**2,501**	2,175	15

Average daily natural gas sales increased in Q1 2022 compared to both Q1 2021 (+15%) and Q4 2021 (+3%). Higher natural gas sales combined with higher NGL and oil sales resulted in record daily sales of 2,501 boepd in Q1 2022.



Average Realized Sales Prices

	Three Months Ended March 31,		
	2022	2021	Change (%)
Average realized prices[1]:			
Natural gas ($/Mcf)	**10.03**	5.68	77
NGL – condensate ($/bbl)	**106.42**	64.41	65
Oil ($/bbl)	**79.50**	-	-
Total ($/boe)	**62.08**	35.45	75
Average benchmark prices:			
Brent oil ($/bbl)	**100.87**	61.04	65
Henry Hub ($/MMBtu)	**4.67**	3.50	33
National Balancing Point ($/MMBtu)	**31.14**	6.86	354
Average contracted natural gas price[2]			
BRL/m^3	**1.721**	1.026	68
Average foreign exchange rate ($1 USD = BRL)	**5.233**	5.483	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 natural gas price, which contributes to a higher realized price overall relative to the contractual price.

The natural gas price under our long-term GSA with Bahiagas is set semi-annually (as of February 1st and August 1st) based on a trailing weighted average of USD benchmark prices for Brent, Henry Hub and National Balancing Point, incorporating both a floor and ceiling price, which were $5.65/MMBtu and $9.61/MMBtu, respectively, as of February 1, 2022. The natural gas price is then converted to a BRL-denominated natural gas price based on a historical average foreign exchange rate and billed monthly in BRL until the next price reset. As all invoices are issued in BRL, actual receipts and revenue recognized in equivalent USD will be subject to exchange rate variations. See "*Foreign Exchange*" discussion below.

As of February 1, 2022, Alvopetro's natural gas price was set to the ceiling price (whereas the price on February 1, 2021 was based on the contracted floor price). With two months in Q1 2022 at the ceiling price and the 5% appreciation in the average BRL/USD foreign exchange rate, Alvopetro's realized natural gas price increased 77% to $10.03/Mcf in Q1 2022 compared to $5.68/Mcf in Q1 2021. Similarly, Alvopetro's natural gas price in Q1 2022 was 42% higher than the Q4 2021 realized price of $7.07/Mcf.

Condensate production from both the Caburé unit and gas processing facility is sold pursuant to contracts based on Brent plus a premium. With average Brent prices increasing since Q1 2021 and including the premium received on condensate sales, our realized sales price on condensate improved 65% this quarter.

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

Natural Gas, Condensate and Oil Sales Revenue

	Three Months Ended March 31,		
	2022	2021	Change (%)
Natural gas	**12,939**	6,373	103
Condensate	**950**	566	68
Oil	**83**	-	-
Total revenues	**13,972**	6,939	101

Alvopetro's revenues increased $7.0 million (+101%) compared to Q1 2021 due to the 75% increase in the average realized price per boe and the 15% increase in daily sales volumes.

Royalties

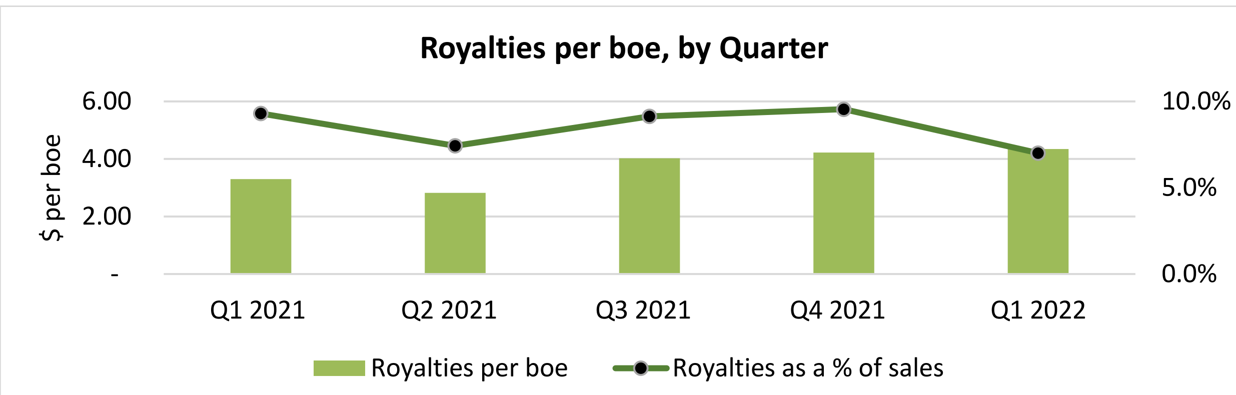
	Three Months Ended March 31,		
	2022	2021	Change (%)
Royalties	**979**	645	52
Royalties per boe ($)[1]	**4.35**	3.30	32
Royalties as a percentage of sales (%)[1]	**7.0**	9.3	(25)

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

The majority of Alvopetro's properties (including the Caburé and Murucututu natural gas fields) are subject to a base 10% 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, the Mãe-da-lua field and Block 182.

Royalties on natural gas are based on production volumes at an inherent reference price attributable to the raw natural gas produced at the wellhead (prior to midstream processing), resulting in lower effective royalty rates compared to base royalty rates. As Henry Hub spot prices are a significant component of the reference price used for royalties, Alvopetro's effective royalty rate fluctuates with changes in Henry Hub prices relative to Alvopetro's contracted natural gas price.

In 2021, the ANP introduced legislation to reduce the government royalty rate for medium and small producers from 10% to 7.5% and 5.0%, respectively. Alvopetro applied for the rate reduction and, subsequent to March 31, 2022, received approval from the ANP to qualify as a medium producer which will reduce the government royalty rate on the majority of our properties to 7.5%, effective for May 2022 production going forward.



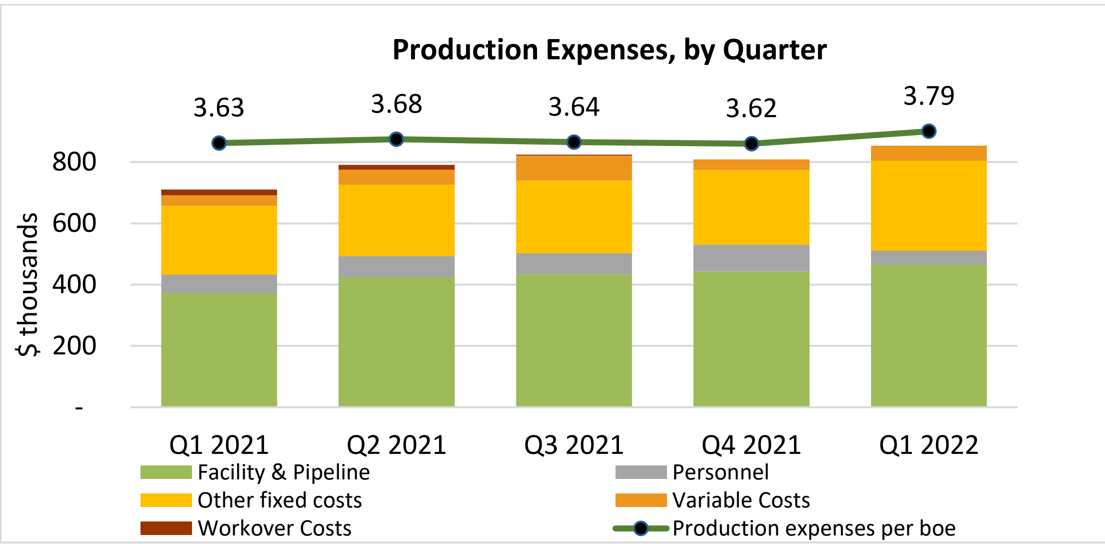
Production Expenses

	Three Months Ended March 31,		
	2022	2021	Change (%)
Production expenses by type:			
Personnel costs	**46**	60	(23)
Facility and pipeline costs	**465**	372	25
Other fixed costs	**293**	225	30
Variable costs	**49**	34	44
Workover costs	**-**	19	(100)
Total production expenses	**853**	710	20

	Three Months Ended March 31,		
	2022	2021	Change (%)
Production expenses per boe($)[1]:			
Personnel costs	**0.20**	0.31	(35)
Facility and pipeline costs	**2.07**	1.90	9
Other fixed costs	**1.30**	1.15	13
Variable costs	**0.22**	0.17	29
Workover costs	**-**	0.10	(100)
Total	**3.79**	3.63	4

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

The majority of the Company's production expenses relate to fees paid for operation of the Facility and the transfer pipeline and agreed unit operating costs with our partner on the Caburé upstream assets. Production expenses have increased from Q1 2021 (20%) due to increased fees associated with the Facility for sales volumes in excess of original name-plate capacity and an increase in Alvopetro's share of unit operating costs due to higher proportionate production allocations from the unit in Q1 2022, which increased to 100% in Q1 2022 compared to 81% in Q1 2021.

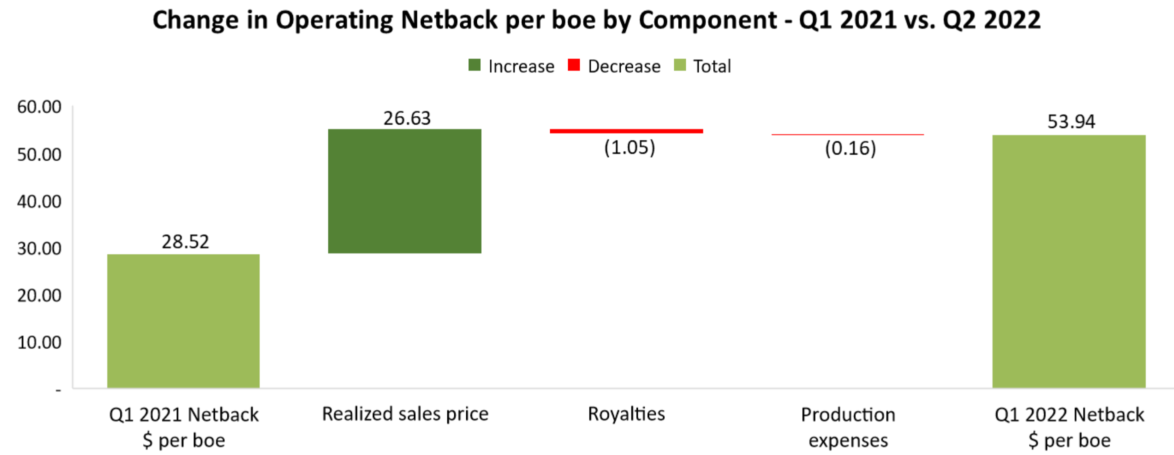


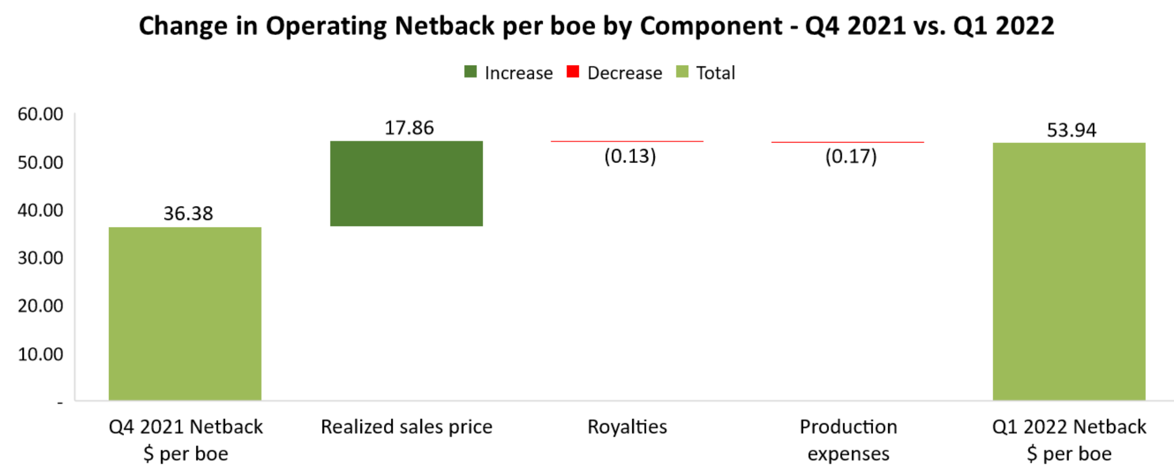
Operating Netback

	Three Months Ended March 31,		
	2022	2021	Change (%)
Operating netback [1]			
Natural gas, oil and condensate revenues	**13,972**	6,939	101
Royalties	**(979)**	(645)	52
Production expense	**(853)**	(710)	20
Operating netback	**12,140**	5,584	117
Operating netback per boe[1]:			
Average realized sales price - $ per boe[1]	**62.08**	35.45	75
Royalties - $ per boe[1]	**(4.35)**	(3.30)	32
Production expense - $ per boe[1]	**(3.79)**	(3.63)	4
Operating netback per boe	**53.94**	28.52	89
Operating netback margin[1]	**87%**	80%	9

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

Overall, Alvopetro's operating netback increased $25.42 per boe (+89%) in Q1 2022 compared to Q1 2021 and $17.56 per boe (+48%) compared to Q4 2021 due to the improved realized sales prices, partially offset by both higher royalties and production expenses.



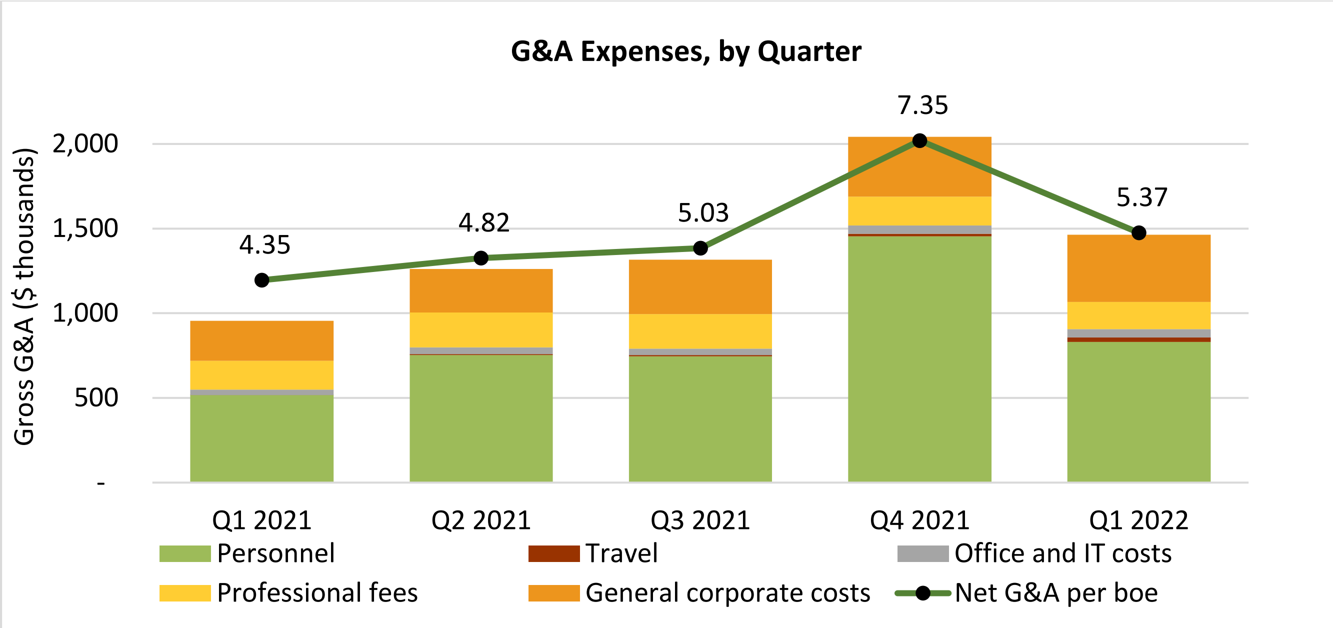


General and Administrative ("G&A") Expenses

G&A Expenses, by type:	Three Months Ended March 31, 2022	2021	Change (%)
Personnel	**831**	517	61
Travel	**26**	1	2,500
Office and IT costs	**50**	32	56
Professional fees	**160**	169	(5)
General corporate costs	**397**	236	68
Gross G&A	**1,464**	955	53
Capitalized G&A	**(256)**	(104)	146
G&A expenses	**1,208**	851	42
$ per boe(1)	**5.37**	4.35	23

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

Gross G&A expenses in Q1 2022 increased compared to Q1 2021, due mainly to increased personnel costs with increased activity levels along with increased general corporate costs associated with increased insurance and public company costs. Gross G&A expenses were lower than Q4 2021 which included adjustments for short-term incentive bonuses for personnel.



Cash Flow from Operating Activities and Funds Flow from Operations

	Three Months Ended March 31,		
	2022	2021	Change (%)
Cash flows from operating activities	**8,333**	4,304	94
Per share – basic ($)	**0.25**	0.13	92
Per share – diluted ($)	**0.23**	0.13	77
Funds flow from operations(1)	**10,904**	4,756	129
Per share – basic ($)	**0.32**	0.14	129
Per share – diluted ($)	**0.30**	0.14	114

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

Funds flow from operations and cash flows from operations increased compared to Q1 2021 due to higher revenues, partially offset by increased royalties, production expense, G&A expense and current tax expense. In the case of cash flows from operating activities, the increases were also partially offset by changes in non-cash working capital which contributed to a $2.6 million decrease in Q1 2022 compared to only $0.5 million in Q1 2021. This was mainly due to the increase in trade and other receivables as of March 31, 2022 with the increase in the Company's contracted natural gas price and increased sales volumes.

Foreign Exchange

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

	As at		% Appreciation (Depreciation) of BRL/CAD to USD
	March 31, 2022	December 31, 2021	**Change (%)**
Rate at end of period:			
$1 USD = BRL	4.738	5.581	**15**
$1 USD = CAD	1.250	1.268	**1**

	Three Months Ended March 31, 2022		% Appreciation (Depreciation) of BRL/CAD to USD
	2022	2021	**Change (%)**
Average rate in the period:			
$1 USD = BRL	**5.233**	5.483	**5**
$1 USD = CAD	**1.266**	1.266	**-**

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 15% from December 31, 2021, resulting in exchange gains of $4.0 million recognized in other comprehensive income.

Foreign exchange fluctuations on USD-denominated amounts advanced to the Brazilian subsidiaries are recorded in exchange gains or losses on translation of foreign operations and included in other comprehensive income, to the extent settlement is neither forecasted nor likely to occur in the foreseeable future. Where future settlement is anticipated in the foreseeable future, foreign exchange gains or losses on the amount expected to be settled are recognized in earnings. With the appreciation of the BRL in Q1 2022, the Company recorded $3.7 million of foreign exchange gains on intercompany advances in the three months ended March 31, 2022 (March 31, 2021 - $1.7 million foreign exchange loss), with respect to fluctuations in foreign exchange on intercompany amounts anticipated to be repaid in the foreseeable future.

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 August 1, 2021 and February 1, 2022 the price determined in BRL was based on average historical exchange rates of 5.39 and 5.40, respectively. In the three months ended March 31, 2022, the actual average rate was 5.23, an appreciation of 3% compared to rates used in the natural gas price determinations effective August 1, 2021 and February 1, 2022. 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	
	2022	2021
Increase (Decrease) to Natural Gas Revenues from:		
5% Appreciation of BRL to USD	**681**	335
10% Appreciation of BRL to USD	**1,438**	708
5% Depreciation of BRL to USD	**(616)**	(303)
10% Depreciation of BRL to USD	**(1,176)**	(579)

To manage exposure to foreign exchange volatility with respect to the BRL, the Company has periodically entered into BRL/USD forward exchange rate contracts. In Q1 2022, the Company entered into a total of BRL6.3 million forward exchange contracts with settlements based on fixed rates between 4.86 and 5.57 per USD and settlement dates spanning from February to June 2022. The Company recognized the fair value of these contracts in the statement of financial position with changes in fair value recognized as an unrealized gain or loss included in net income (loss). Realized gains or losses are recognized in the period the contracts are settled. Total losses with respect to these contracts for Q1 2022 were $0.09 million (Q1 2021 - $0.06 million gain), with unrealized losses of $0.03 million (Q1 2021 - $0.04 million unrealized gain). As of March 31, 2022, BRL1.6 million forward contracts are outstanding (December 31, 2021 - $nil).

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,		
	2022	2021	Change (%)
Depletion and depreciation on PP&E	**1,576**	1,430	10
Depreciation of right-of-use assets	**243**	244	-
Depletion and depreciation expense	**1,819**	1,674	9
$ per boe(1)	**8.08**	8.55	(5)

(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, with higher production volumes resulting in a higher depletion rate. All midstream PP&E assets are depreciated over the estimated useful life of the assets on a straight-line basis and the Company's right-of-use assets are depreciated over the lease term on a straight-line basis.

Share-Based Compensation Expense

	Three Months Ended March 31,		
	2022	2021	Change (%)
Share-based compensation expense	**250**	89	181

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 and costs associated with dividend equivalents attributable to RSUs and DSUs granted to date. At March 31, 2022, 1.4 million stock options, 0.4 million RSUs and 0.2 million DSUs were outstanding compared to 2.1 million stock options, 0.3 million RSUs and no DSUs at March 31, 2021. Despite reduced stock options outstanding, as a result of increased RSUs and DSUs along with higher exercise prices for new stock options granted and dividend equivalents attributable to RSUs and DSUs, overall share-based compensation expense increased in 2022.

Finance Expenses

	Three Months Ended March 31,		
	2022	2021	Change (%)
Lease interest	**337**	356	(5)
Accretion on decommissioning liabilities	**13**	20	(35)
Amortization of deferred financing costs	**157**	158	(1)
Interest on Credit Facility	**143**	460	(69)
Finance expenses	**650**	994	(35)

Finance expenses decreased in Q1 2022 compared to Q1 2021 due mainly to decreased interest on our Credit Facility as a result of repayments on the Credit Facility, bringing the balance to $5.0 million as of March 31, 2022 (March 31, 2021 - $13.0 million) and the elimination of the 3% payment in kind (PIK) interest effective April 15, 2021.

Income Tax Expense

	Three Months Ended March 31,		
	2022	2021	Change (%)
Current income tax expense	**139**	-	-
Deferred income tax expense	**2,019**	1,068	89
Total	**2,158**	1,068	102

The statutory corporate tax rate in Brazil is 34%. This is comprised of a basic 15% corporate income tax, plus 10% surtax and a 9% social contribution tax. In the third quarter of 2021, the Company received approval from tax authorities in Brazil for Supertintendência de Desenvolvimento do Nordeste ("SUDENE"), a regional tax incentive offered in Bahia State. Under the incentive, special deductions reduce the inherent current tax payable on qualifying projects to an effective rate of 15.25% where SUDENE profits align with taxable income under the actual profit regime. The SUDENE incentive applies to natural gas profits Alvopetro earns for a period of ten taxation years, commencing January 1, 2021 and ending December 31, 2030. With respect to deferred tax, as Alvopetro expects the majority of temporary differences to reverse during the SUDENE period, Alvopetro has estimated the future tax rate applicable to temporary differences based on the SUDENE rate of 15.25%. However, in the first quarter of 2021, as the Company had not yet received approval for SUDENE, the statutory rate of 34% was utilized for the estimated future tax rate.

Overall, the Company's effective tax rate (computed as total income tax expense divided by income before taxes) is 16% in Q1 2022, higher than the SUDENE rate of 15.25% due to non-deductible amounts including share-based compensation and certain finance expenses. Compared to Q1 2021, total tax expense in Q1 2022 increased only $1.1 million despite the $12.8 million increase in income before taxes due primarily to the recognition of the SUDENE benefit in 2022.

Net Income (Loss)

	Three Months Ended March 31,		
	2022	2021	Change (%)
Net income (loss)	**11,115**	(1,088)	-
Per share – basic ($)	**0.33**	(0.03)	-
Per share – diluted ($)	**0.30**	(0.03)	-

The Company reported net income of $11.1 million in Q1 2022, an improvement of $12.2 million compared to the Q1 2021 loss of $1.1 million. This was due mainly to the $6.1 million increase in funds flow from operations along with the foreign exchange gain of $5.0 million in Q1 2022 compared to a loss of $2.1 million in Q1 2021, partially offset by increased deferred tax expense and depletion and depreciation.

Capital Expenditures

Capital Expenditures by Type	Three Months Ended March 31, 2022	2021
E&E		
Drilling and completions	**1,893**	244
Facility & equipment	**-**	1
Land, lease, and similar payments	**5**	2
Inventory purchases	**291**	447
Capitalized G&A	**116**	42
Total E&E	**2,305**	736
PP&E		
Facility & equipment	**1,266**	3
Drilling & completion	**49**	125
Land, lease and similar payments	**14**	4
Furniture & fixtures	**5**	-
Capitalized G&A	**140**	62
Other	**21**	(66)
Total PP&E	**1,495**	128
Total Capital Expenditures by Type	**3,800**	864

Capital Expenditures by Property	Three Months Ended March 31, 2022	2021
E&E		
Blocks 182, 183	**2,014**	289
Inventory	**291**	447
Total E&E	**2,305**	736
PP&E		
Caburé and associated midstream assets	**86**	-
Murucututu	**1,404**	126
Other	**5**	2
Total PP&E	**1,495**	128
Total Capital Expenditures by Property	**3,800**	864

Capital expenditures included $1.9 million for drilling the 182-C1 well which was spud on March 2, 2022, with drilling completed subsequent to quarter-end, $1.2 million for pipeline and production facility costs on our Murucututu field to the Caburé pipeline, $0.3 million for long-lead inventory purchases and $0.3 million in capitalized G&A.

Summary of Quarterly Results

	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Financial								
Natural gas, oil and condensate sales	**13,972**	9,896	9,963	8,182	6,939	5,887	5,320	40
Net income (loss)	**11,115**	2,575	1,490	3,637	(1,088)	2,754	6,483	(1,168)
Per share – basic ($)[1]	**0.33**	0.08	0.05	0.11	(0.03)	0.08	0.20	(0.04)
Per share – diluted ($)[1]	**0.30**	0.07	0.04	0.11	(0.03)	0.08	0.19	(0.04)
Cash flows from operating activities	**8,333**	7,088	7,234	5,665	4,304	3,124	1,971	(1,094)
Per share – basic ($)[1]	**0.25**	0.21	0.22	0.17	0.13	0.09	0.06	(0.03)
Per share diluted ($)[1]	**0.23**	0.20	0.20	0.16	0.13	0.09	0.06	(0.03)
Funds flow from operations [2]	**10,904**	6,480	7,930	5,471	4,756	4,252	3,610	(973)
Per share – basic ($)[1]	**0.32**	0.19	0.24	0.16	0.14	0.13	0.11	(0.03)
Per share diluted ($)[1]	**0.30**	0.18	0.22	0.16	0.14	0.13	0.11	(0.03)
Dividends declared	**2,715**	2,034	2,023	-	-	-	-	-
Per share ($)[1]	**0.08**	0.06	0.06	-	-	-	-	-
Capital expenditures[3]	**3,800**	1,470	1,261	918	864	452	107	1,645
Operations								
Average realized prices[2]:								
Natural gas ($/Mcf)	**10.03**	7.07	7.07	6.06	5.68	5.36	5.37	-
NGL – condensate ($/bbl)	**106.42**	84.36	79.36	74.47	64.41	46.97	44.75	37.27
Oil ($/bbl)	**79.50**	76.47	61.11	59.63	-	-	-	30.25
Average Foreign Exchange ($1 USD = BRL)	**5.233**	5.586	5.229	5.291	5.483	5.392	5.377	5.385
Operating netback ($/boe) [2]								
Realized sales price ($/boe) [2]	**62.08**	44.22	44.04	38.08	35.45	32.82	32.79	31.13
Royalties [2]	**(4.35)**	(4.22)	(4.02)	(2.82)	(3.30)	(1.51)	(2.81)	(3.89)
Production expenses[2]	**(3.79)**	(3.62)	(3.64)	(3.68)	(3.63)	(3.39)	(3.99)	(28.02)
Operating netback ($/boe) [2]	**53.94**	36.38	36.38	31.58	28.52	27.92	25.99	(0.78)
Operating netback margin[2]	**87%**	82%	83%	83%	80%	85%	79%	(3%)
Average daily sales:								
Natural gas (Mcfpd)	**14,339**	13,966	14,102	13,512	12,464	11,163	10,105	-
NGL – condensate (bopd)	**99**	103	107	105	98	89	79	2
Oil (bopd)	**12**	2	2	5	-	-	-	12
Total average daily sales (boepd)	**2,501**	2,432	2,459	2,361	2,175	1,950	1,764	14

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) Includes non-cash capital expenditures of $0.35 million in Q2 2020.

Average daily sales volumes increased 3% from Q4 2021 to 2,501 boepd, the highest average daily sales volumes in a quarter-to-date. With improved commodity prices and the natural gas price reset on February 1, 2022, our realized sales price increased $17.86 per boe and as a result, natural gas, oil and condensate sales increased $4.1 million (+41% from Q4 2021) and the overall operating netback per boe increased to $53.94 per boe (+48% from Q4 2021). With higher revenues and overall funds flow from operations along with a foreign exchange gain in Q1 2022 net income increased $8.5 million quarter over quarter.

Commitments and Contingencies

The following is a summary of Alvopetro's contractual commitments as at March 31, 2022:

Commitments	< 1 Year	1-3 Years	Thereafter	Total
Minimum work commitments[(1), (2)]				
Block 183	704	-	-	704
Bom Lugar	-	74	-	74
Mãe-da-lua	-	-	74	74
Minimum work commitments	704	74	74	852
Gas Treatment Agreement[(3)]	1,739	3,689	9,683	15,111
Total commitments	**2,443**	**3,763**	**9,757**	**15,963**

Notes:

(1) Under the terms of the ANP concession contracts for each of our exploration blocks, the Company has commitments which must be completed prior to the applicable phase expiry date. The Company is required to post a performance guarantee with the ANP for all commitments in the table above.

(2) Minimum work commitments are BRL denominated commitments and reflected in the table above based on the U.S. dollar equivalent as at March 31, 2022. As a result, such commitments are therefore subject to fluctuations in the USD/BRL foreign exchange rate.

(3) With respect to the Gas Treatment Agreement, of the total $15.1 million reflected in the table above, $3.4 million is USD-denominated with the remaining being BRL-denominated (reflected in the table above based on the U.S. dollar equivalent as at March 31, 2022). The portion that is BRL-denominated is subject to fluctuations in the USD/BRL foreign exchange rate.

Amounts presented above for the Gas Treatment Agreement represent the monthly service fees for operation and maintenance of the Facility and Alvopetro's 11-kilometre transfer pipeline and expected monthly costs associated with the facility expansion expected to be completed early in the third quarter of 2022. Once the facility expansion is completed, it is expected such amounts will be treated as capital lease obligation and reflected on the consolidated statements of financial position.

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

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

LIQUIDITY AND CAPITAL RESOURCES

Cash and Working Capital

At March 31, 2022, Alvopetro's cash and cash equivalents of $12.7 million and restricted cash of $0.2 million were held as follows:

	Total	U.S. Dollar	CAD Dollar[(1)]	BRL[(1)]
Cash held in Canada	8,715	8,568	147	-
Cash held in Brazil	4,025	-	-	4,025
Restricted cash - current	231	-	-	231
Total	**12,971**	**8,568**	**147**	**4,256**

(1) Amounts in the table above denote the U.S. dollar equivalent as at March 31, 2022.

The Company had cash of $12.7 million and a total net working capital surplus of $12.3 million at March 31, 2022. Positive cash flows from natural gas deliveries and associated condensate sales are projected to be sufficient to fund the Company's operational activities and planned capital projects are expected going forward. In addition, the Company expects to have sufficient cash flows to fund future dividends, following the Board of Director's decision to commence quarterly dividends in the third quarter of 2021 and to further increase the quarterly dividend in the first quarter of 2022. The Company is exposed to a variety of risks which may adversely impact future cash flows. The Company manages this risk by forecasting cash flows for a minimum period of twelve months, which involves preparation of capital expenditure, operating and general and administrative budgets, all of which are monitored closely, and adjusted as necessary. The Company has flexibility on future capital plans, other than with respect to work commitments and the Board of Directors has discretion with respect to any future dividend amounts.

Exploration work commitments to be met in Brazil have typically been supported by a credit facility with a Canadian bank which allows for the issuance of LCs and letters of guarantee in support of the financial guarantees required by the ANP for Alvopetro's work commitments under the terms of its concession contracts associated with its exploration blocks. LCs and letters of guarantee issued may be supported by either cash collateral posted by Alvopetro or through an Account Performance Security Guarantee from Export Development Canada ("EDC"). As at March 31 2022, the total amount of LCs issued under the credit support facility was $0.6 million (December 31, 2021 - $0.6 million), the full balance of which was satisfied by EDC. In Q1 2022, Alvopetro entered into an arrangement with a local insurance provider in Brazil to provide a surety bond to extend the work commitment guarantee from the July 2022 expiry date with EDC to January 2023. In addition, the Company has a restricted cash balance of $0.2 million as at March 31, 2022 (December 31, 2021 - $0.2 million) primarily in respect of abandonment guarantees on the Company's oil fields.

The liability for decommissioning obligations of Alvopetro was $0.7 million as at March 31, 2022, with $0.1 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, 2022, the Company had $1.9 million of equipment inventory to be utilized for future operations which is included in exploration and evaluation assets in the consolidated statement of financial position.

Credit Facility

In 2019, the Company entered into a credit facility (the "Credit Facility") which is secured by all of Alvopetro's assets and matures on October 8, 2023. The Credit Facility is subject to cash interest of 9.5% per annum, payable monthly. Amounts drawn under the Credit Facility are repayable at maturity, however amounts may be repaid in part or full at Alvopetro's option without penalty. Alvopetro has repaid a total of $10.5 million, bringing the balance outstanding to $5.0 million as of March 31, 2022.

The Credit Facility contains certain customary financial and non-financial covenants, standard representations and warranties and events of default. Events of default include, but are not limited to, failure to pay amounts owing (advances or interest) when due and payable, incorrect representations and warranties, failure to comply with financial and non-financial covenants, cross-default provisions on other debt outstanding, invalidity of security registrations, and change of control. To the extent an event of default occurs, the lenders can terminate their obligations for further advances under the Credit Facility and declare all advances outstanding immediately due and payable.

Financial Covenants

Under the terms of the Credit Facility, Alvopetro must comply with certain financial covenants being a minimum debt service ratio of 1.30 and a maximum leverage ratio of 2.25. For the period ended March 31, 2022, the covenants are computed for the period April 1, 2021 to March 31, 2022 and determined as follows:

Covenant	**Covenant threshold**	**March 31, 2022**	December 31, 2021
Debt Service Ratio	Minimum of 1.30:1	**6.43:1**	6.04:1
Leverage Ratio	Maximum of 2.25:1	**(0.24):1**	(0.19):1

Debt Service Ratio is computed based on the "Adjusted Consolidated EBITDA" to "Consolidated Debt Service". Both Adjusted Consolidated EBITDA and Consolidated Debt Service are defined terms in the Credit Facility agreement. Adjusted Consolidated EBITDA is "Consolidated EBITDA" decreased by income taxes, capital expenditures, dividends and share repurchases in the period and increased or decreased by the net change in non-cash working capital in the period. Consolidated EBITDA is defined in the Credit Facility and is reconciled to net income by adding back depletion, depreciation, impairment, finance expenses, taxes, share based compensation, unrealized gains and losses and other non-cash items. Consolidated Debt Service is defined to include all interest and principal payments on the Company's outstanding debt and capital lease obligations for the period.

The Leverage Ratio is computed as the ratio of "Adjusted Consolidated Indebtedness" to "Consolidated EBITDA". Adjusted Consolidated Indebtedness includes all debt of the Company reduced by the portion of debt attributable to the capital lease obligation outstanding to Enerflex and the unrestricted cash balance.

The Company is in compliance with all financial and non-financial covenants as of March 31, 2022.

Lease Liabilities

The lease liability to Enerflex in respect of the monthly equipment rental under our Gas Treatment Agreement represents the majority of the Company's lease liabilities as at March 31, 2022. Additional lease liabilities outstanding relate to office space in Canada and Brazil and surface land access for our midstream assets. In the third quarter of 2021 Alvopetro notified Enerflex to increase the operational capacity of the Facility to 500,000 m3/d (17.7 MMcfpd) under the terms of the existing Gas Treatment Agreement. The additional firm capacity is expected to be available early in the third quarter of 2022 and, once available, it is expected to be reflected as an increased lease liability. The Company's lease liabilities are as follows:

	As at	
	March 31, 2022	December 31, 2021
Lease liabilities, beginning of year	**7,979**	8,310
Additions	**12**	190
Finance expense	**337**	1,355
Lease payments	**(461)**	(1,856)
Foreign currency translation	**4**	(20)
Lease liabilities, end of year	**7,871**	7,979
Current	**540**	516
Non-current	**7,331**	7,463
Total, end of year	**7,871**	7,979

Dividends

In 2021 Alvopetro initiated a quarterly dividend program, with dividends of $0.06 per common share declared by the board of directors (the "Board") in the third quarter and fourth quarter of 2021. In March 2022, we increased the quarterly dividend to $0.08 per common share. All dividends are designated as "eligible dividends" for the purpose of the Income Tax Act (Canada). A total of $2.7 million in dividends were declared in Q1 2022.

The Company expects future dividends to be paid quarterly as part of Alvopetro's long-standing capital allocation objective to balance spending from cash flows on reinvestment in growth opportunities with stakeholder returns. The decision to declare any future quarterly dividend and the amount of such dividend, if any, remains subject to the discretion of the Board and may vary depending on a variety of factors. There can be no assurance that dividends will be paid at the intended rate or at any rate in the future.

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 12, 2022, there were 33,942,744 common shares, 1,398,585 stock options, 366,500 RSUs, 196,665 DSUs and 2,685,956 warrants outstanding. There are no preferred shares outstanding.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

Non-GAAP Financial Measures

Operating netback

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

Non-GAAP Financial Ratios

Operating netback per boe

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

Operating netback margin

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

	Three Months Ended March 31,	
	2022	2021
Operating netback - $ per boe	**53.94**	28.52
Average realized price - $ per boe	**62.08**	35.45
Operating netback margin	**87%**	80%

Funds Flow from Operations Per Share

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

$ per share	Three Months Ended March 31, 2022	2021
Per basic share:		
Cash flows from operating activities	**0.25**	0.13
Funds flow from operations	**0.32**	0.14
Per diluted share:		
Cash flows from operating activities	**0.23**	0.13
Funds flow from operations	**0.30**	0.14

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, 2022	2021
Cash flows from operating activities	**8,333**	4,304
Add back changes in non-cash working capital	**2,571**	452
Funds flow from operations	**10,904**	4,756

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, 2022	2021
Total current assets	**21,930**	8,905
Total current liabilities	**(9,628)**	(3,130)
Net working capital surplus	**12,302**	5,775

Working Capital Net of Debt (Net Debt)

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

	As at March 31, 2022	2021
Net working capital surplus	**12,302**	5,775
Credit Facility, balance outstanding	**(5,045)**	(13,029)
Working capital, net of debt (net debt)	**7,257**	(7,254)

Supplementary Financial Measures

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

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

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

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

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

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

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

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

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

OFF BALANCE SHEET ARRANGEMENTS

Alvopetro has off-balance sheet arrangements consisting of various contracts entered into in the normal course of operations. Contracts that contain a lease are accounted for under IFRS 16 and recorded on the balance sheet as of March 31, 2022 to the extent the lease has commenced. All other contracts which are entered into in the normal course of operations are captured in the *Commitments and Contingencies* section above. In 2021, Alvopetro notified Enerflex to increase the operational capacity of the Facility to 500,000 m^3/d (17.7 MMcfpd) under the terms of the existing Gas Treatment Agreement. The additional firm capacity is expected to be available early in third quarter of 2022 and will increase the monthly equipment rental costs. The anticipated additional monthly costs associated with the expansion have been reflected in the *Commitments and Contingencies* table above and are expected to be reflected as increased lease liability and recorded on the balance sheet once the expansion is completed.

RISKS AND UNCERTAINTIES

Alvopetro is exposed to a variety of risks including, but not limited to: market risk, reservoir performance risk, exploration risk, operational risks, foreign operations risk, liquidity and financing risk, legal and regulatory risks including the impact of new and stricter environmental regulations, competitive risks within the oil and gas industry and physical risk associated with climate change. An investment in Alvopetro should be considered speculative due to the nature of our activities and the stage of our development. Investors should carefully consider the risk factors set forth under the heading "Risk Factors" in our Annual Information Form that can be found on SEDAR at www.sedar.com and in our MD&A for the year-ended December 31, 2021. There have been no significant changes in the three months ended March 31, 2022 to the risks and uncertainties identified in the MD&A and Annual information Form for the year-ended December 31, 2021.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

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

31, 2021. The Company has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

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

Forward-Looking Statements. Certain information provided in this MD&A constitutes forward-looking statements. The use of any of the words "will", "expect", "intend" and other similar words or expressions are intended to identify forward-looking information. Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to vary significantly from the expectations discussed in the forward-looking statements. These forward-looking statements reflect current assumptions and expectations regarding future events. More particularly and without limitation, this MD&A contains forward-looking statements concerning the plans relating to the Company's operational activities, potential natural gas pay in the 182-C1 well, exploration and development prospects of Alvopetro, future results from operations, the expected natural gas price, gas sales and gas deliveries under the Company's long-term gas sales agreement, projected financial results, the Company's plans for dividends in the future, future capital and operating costs, the expected timing and outcomes of certain of Alvopetro's testing activities, future production and sales volumes, proposed exploration and development activities and the timing for such activities, sources and availability of capital, capital spending levels and anticipated royalty reductions. Forward-looking statements are necessarily based upon assumptions and judgments with respect to the future including, but not limited to, equipment availability, the timing of testing the 182-C1 well and the results from such testing, the success of future drilling, completion, recompletion and development activities, foreign exchange rates, the outlook for commodity markets and ability to access capital markets, the impact of the COVID-19 pandemic, the performance of producing wells and reservoirs, well development and operating performance, the timing of regulatory licenses and approvals, general economic and business conditions, forecasted demand for oil and natural gas, weather and access to drilling locations, the availability and cost of labour and services, environmental regulation, including regulation relating to hydraulic fracturing and stimulation, the ability to monetize hydrocarbons discovered, the regulatory and legal environment and other risks associated with oil and gas operations. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. In addition, the declaration, timing, amount and payment of future dividends remain at the discretion of the Board of Directors. Although we believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because we can give no assurance that they will prove to be correct. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, reliance on industry partners, availability of equipment and personnel, uncertainty surrounding timing for drilling and completion activities resulting from weather and other factors, changes in applicable regulatory regimes and health, safety and environmental risks), commodity price and foreign exchange rate fluctuations and general economic conditions. Certain of these risks are set out in more detail in this MD&A and in our 2021 Annual Information Form which has been filed on SEDAR and can be accessed at www.sedar.com. Except as may be required by applicable securities laws, Alvopetro assumes no obligation to publicly update or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.

Testing and Well Results. Data obtained from the 182-C1 well identified in this MD&A, including hydrocarbon shows, open-hole logging, net pay and porosities, should be considered to be preliminary until testing, detailed analysis and interpretation has been completed. Hydrocarbon shows can be seen during the drilling of a well in numerous circumstances and do not necessarily indicate a commercial discovery or the presence of commercial hydrocarbons in a well. There is no representation by Alvopetro that the data relating to the 182-C1 well contained in this MD&A is necessarily indicative of long-term performance or ultimate recovery. The reader is cautioned not to unduly rely on such data as such data may not be indicative of future performance of the well or of expected production or operational results for Alvopetro in the future.

Abbreviations:

ANP	=	The National Agency of Petroleum, Natural Gas and Biofuels of Brazil
bbls	=	barrels of oil and/or natural gas liquids (condensate)
boepd	=	barrels of oil equivalent (“boe”) per day
bopd	=	barrels of oil and/or natural gas liquids (condensate) per day
BRL	=	Brazilian real
CAD	=	Canadian dollar
m^3	=	cubic metre
m^3/d	=	cubic metre per day
Mcf	=	thousand cubic feet
Mcfpd	=	thousand cubic feet per day
MMBtu	=	million British Thermal Units
MMcf	=	million cubic feet
MMcfpd	=	million cubic feet per day
NGLs	=	natural gas liquids
Q1 2021	=	three months ended March 31, 2021
Q4 2021	=	three months ended December 31, 2021
Q1 2022	=	three months ended March 31, 2022

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