The following Management's Discussion and Analysis ("MD&A") is dated May 10, 2023 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, 2023, MD&A for the year-ended December 31, 2022 and the audited consolidated financial statements as at and for the years ended December 31, 2022 and 2021. 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 natural gas asset and midstream projects. Alvopetro's shares are traded on the TSX Venture Exchange (TSX: ALV.V) and are also traded on the OTCQX® Best Market in the United States (OTCQX: ALVOF).

Strategy

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

FINANCIAL & OPERATING SUMMARY

	As at and Three Months Ended March 31,		
	2023	2022	Change (%)
Financial			
($000s, except where noted)			
Natural gas, oil and condensate sales	**18,160**	13,972	30
Net income	**12,202**	11,115	10
Per share – basic ($)(1)	**0.34**	0.33	3
Per share – diluted ($)(1)	**0.33**	0.30	10
Cash flows from operating activities	**13,856**	8,333	66
Per share – basic ($)(1)	**0.38**	0.25	52
Per share – diluted ($)(1)	**0.37**	0.23	61
Funds flow from operations (2)	**14,972**	10,904	37
Per share – basic ($)(1)	**0.41**	0.32	28
Per share – diluted ($)(1)	**0.40**	0.30	33
Dividends declared	**5,104**	2,716	88
Per share(1)	**0.14**	0.08	75
Capital expenditures	**3,291**	3,800	(13)
Cash and cash equivalents	**24,623**	12,740	93
Net working capital surplus(2)	**20,915**	12,302	70
Working capital, net of debt(2)	**20,915**	7,257	188
Weighted average shares outstanding			
Basic (000s)(1)	**36,323**	33,907	7
Diluted (000s)(1)	**37,470**	36,628	2
Operations			
Natural gas, NGLs and crude oil sales:			
Natural gas (Mcfpd)	**15,795**	14,339	10
NGLs – condensate (bopd)	**130**	99	31
Oil (bopd)	**5**	12	(58)
Total (boepd)	**2,767**	2,501	11
Average realized prices(2):			
Natural gas ($/Mcf)	**12.06**	10.03	20
NGLs – condensate ($/bbl)	**84.10**	106.42	(21)
Oil ($/bbl)	**72.29**	79.50	(9)
Company total ($/boe)	**72.92**	62.08	17
Operating netback ($/boe)(2)			
Realized sales price	**72.92**	62.08	17
Royalties	**(2.34)**	(4.35)	(46)
Production expenses	**(3.97)**	(3.79)	5
Operating netback	**66.61**	53.94	23
Operating netback margin(2)	**91%**	87%	5

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 2023

- For the third consecutive quarter, our average daily sales reached a new quarterly record, with Q1 2023 sales of 2,767 boepd (+2% from Q4 2022 and 11% from Q1 2022).
- Effective February 1, 2023, our natural gas price under our long-term gas sales agreement with Bahiagás increased 4% to BRL2.00/m^3. This price is effective for all natural gas sales from February 1 to July 31, 2023. With the increased natural gas price effective for two months in the quarter and including enhanced sales tax credits available as of January 1, 2023, our averaged realized natural gas price increased to $12.06/Mcf (+8% from Q4 2022 and +20% from Q1 2022). With the higher natural gas price applicable, our overall realized price per boe increased to $72.92 (+7% from Q4 2022 and +17% from Q1 2022), despite lower Brent pricing on condensate sales. Higher realized prices and daily sales volumes resulted in a 30% increase in our natural gas, condensate and oil revenue compared to Q1 2022.
- With higher realized sales prices and lower effective royalties, our operating netback increased $12.67 per boe from Q1 2022 to $66.61 per boe in Q1 2023 (+23%) and increased $6.53 per boe from Q4 2022 (+11%).
- We generated record funds flows from operations of $15.0 million ($0.41 per basic share and $0.40 per diluted share), an increase of $4.1 million compared to Q1 2022 and $1.8 million compared to Q4 2022.
- We reported net income of $12.2 million in Q1 2023, an increase of $1.1 million (+10%) compared to Q1 2022.
- Capital expenditures totaled $3.3 million, including stimulation costs for our 197(1) well on our Murucututu field, testing costs for our 182-C2 well, testing of the Unit-C well and facilities expansion at the Caburé unit, and long-lead purchases.
- In January we received approval from the TSX Venture Exchange ("TSXV") for a normal course issuer bid (the "NCIB") which permits Alvopetro to repurchase up to 2,876,414 common shares from January 6, 2023, to the earlier of January 5, 2024, or when the NCIB is completed or terminated by Alvopetro. In addition, in March we received approval from the TSXV to enter into an automatic share purchase plan ("ASPP") which allows for repurchases under the NCIB at times when we may not otherwise be permitted to repurchase shares due to regulatory restrictions and customary self-imposed blackout periods. No repurchases have been made under the NCIB as of the date of this MD&A.
- Our Q1 2023 dividend increased 17% to $0.14 per share. The Q1 2023 dividend was paid on April 14, 2023, to shareholders of record on March 31, 2023.
- Our working capital surplus increased to $20.9 million, an improvement of $6.2 million compared to December 31, 2022, and an increase of $8.6 million compared to March 31, 2022.

RECENT HIGHLIGHTS

- We spud our first planned development well (BL-06) on our Bom Lugar oil field on April 30, 2023, and drilling is currently underway. We anticipate drilling to be completed late in the second quarter. The BL-06 well is targeting the Caruaçu Formation with additional potential in the deeper Gomo and Agua Grande Formations.
- We have now successfully stimulated three of four planned intervals at our 197(1) well on the Murucututu natural gas field and expect the well to be on production later this month.
- Daily sales volumes for April decreased to 1,972 boepd due to reduced demand from Bahiagás during the month as well as higher nominated volumes from our partner at the Caburé unit. May sales volumes are expected to continue at rates similar to April volumes. Future sales volumes will be dependent on available Caburé production, production additions from our Murucututu field and overall demand.

NATURAL GAS AND OIL PROPERTIES

As at March 31, 2023, Alvopetro held interests in the Caburé and Murucututu natural gas assets, two exploration blocks (Block 182 and Block 183) and two oil fields (Bom Lugar and Mãe-da-lua), in the Recôncavo basin onshore Brazil.

NATURAL GAS ASSETS AND MIDSTREAM INFRASTRUCTURE:

Alvopetro's flagship asset, the Caburé natural gas field, commenced commercial natural gas deliveries on July 5, 2020. 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%. Under the terms of the Unit Operating Agreement ("UOA"), each party is entitled to nominate for their working interest share of field production and for any natural gas not nominated by the other party. Once a party produces their share of proved plus probable reserves, they will no longer be entitled to further production allocations. Under the terms of the UOA, natural gas liquids ("NGLs") production from the unit (relating to condensate production) is split based on working interest.

Alvopetro's Murucututu natural gas project extends across 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 2022, Alvopetro completed installation of a 9-kilometre transfer pipeline extension to connect the 183(1) well to our Caburé transfer pipeline and constructed and commissioned field production facilities. We have also completed pipeline construction to tie-in our 197(1) well. In mid-October 2022, we commenced production from the 183(1) well. Capital plans for Murucututu in 2023 include stimulation of our 197(1) well and drilling two additional "fit-for-purpose" development wells with total expenditures of $16 million budgeted for Murucututu in 2023. Stimulation operations at our 197(1) well are currently underway and we expect production from the well to commence later in the second quarter.

Alvopetro's share of natural gas from the Caburé natural gas field and the Murucututu natural gas field is shipped via our 11-kilometre Caburé transfer pipeline and processed through the natural gas processing facility (the "Facility") owned and operated by Enerflex Ltd. ("Enerflex") pursuant to our Gas Treatment Agreement. All natural gas is sold to Bahiagás, the local state distribution company, under the terms of our gas sales agreement ("GSA"). Total natural gas sales averaged 15.8 MMcfpd in Q1 2023 (Q1 2022 – 14.3 MMcfpd), the majority of which was from the Caburé field. Including natural gas liquids sales from condensate which averaged 130 bopd in Q1 2023 (Q1 2022 – 99 bopd), total natural gas and NGL sales averaged 2,762 boepd (Q1 2022 – 2,489 boepd).

The GSA provides for the sale of firm volumes and interruptible volumes and has take-or-pay provisions and ship-or-pay penalties to ensure performance by both parties which are based on the firm volumes. For 2023, the Company has agreed to firm volumes of 10.6 MMcfpd (300 10^3m^3/d) and interruptible volumes of up to 7.1 MMcfpd (200 10^3m^3/d) and has the ability to adjust the firm volumes by up to 7.9 MMcfpd (225 10^3m^3/d) and the interruptible volumes by up to 9.7 MMcfpd (275 10^3m^3/d) with at least 60 days notice.

OIL ASSETS:

The Company has two oil fields (Bom Lugar and Mãe-da-lua). In 2023, Alvopetro plans to drill up to two oil development prospects on the Bom Lugar field with total capital expenditures budgeted of $11 million, including necessary facility upgrades. The first development well (BL-06) was spud on April 30, 2023, and drilling operations are currently underway. To improve our oil recoveries from the Mãe-da-lua field, Alvopetro has planned a stimulation of the existing well in 2023 at a total estimated cost of $0.5 million.

EXPLORATION ASSETS (Block 182 & Block 183)

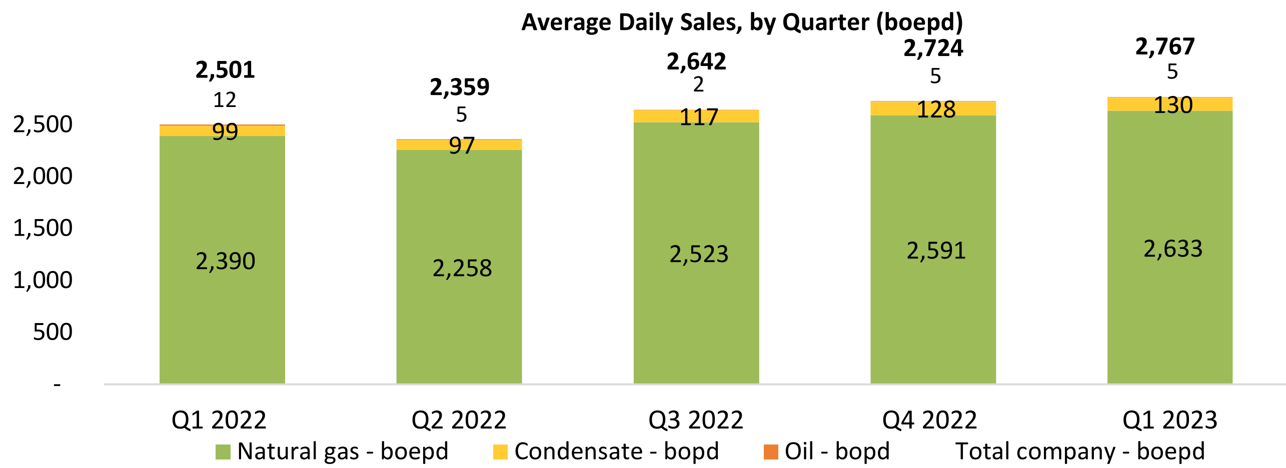
Alvopetro's E&E assets include Block 182 and the portion of Block 183 that is not part of the Murucututu project. In 2022, Alvopetro drilled and tested the 183-B1 well on Block 183 and drilled and commenced testing the 182-C2 well on Block 182 (with testing completed in January 2023). Initial testing results from the 182-C2 and 183-B1 wells indicated lower than anticipated permeability. Alvopetro is evaluating alternatives to remediate possible permeability impacts from near wellbore damage. Future capital expenditures on these projects will depend on these initial results.

FINANCIAL AND OPERATING REVIEW

Sales Volumes

	Three Months Ended March 31,		
	2023	2022	Change (%)
Total sales volumes by product:			
Natural gas (Mcf)	**1,421,583**	1,290,522	10
NGLs – condensate (bbls)	**11,689**	8,927	31
Oil (bbls)	**415**	1,044	(60)
Total sales (boe)	**249,035**	225,059	11
Average daily sales by product:			
Natural gas (Mcfpd)	**15,795**	14,339	10
NGLs – condensate (bopd)	**130**	99	31
Oil (bopd)	**5**	12	(58)
Average daily sales (boepd)	**2,767**	2,501	11

Average daily sales increased to 2,767 boepd, the third consecutive quarter of record daily sales for Alvopetro, 2% higher than Q4 2022 and 11% higher than Q1 2022.



Average Realized Sales Prices

	Three Months Ended March 31,		
	2023	2022	Change (%)
Average realized prices[(1)]**:**			
Natural gas ($/Mcf)	**12.06**	10.03	20
NGL – condensate ($/bbl)	**84.10**	106.42	(21)
Oil ($/bbl)	**72.29**	79.50	(9)
Total ($/boe)	**72.92**	62.08	17
Average benchmark prices:			
Brent oil ($/bbl)	**81.07**	100.87	(20)
Henry Hub ($/MMBtu)	**2.64**	4.67	(43)
National Balancing Point ($/MMBtu)	**15.90**	31.14	(49)
Average contracted natural gas price[(2)]			
BRL/m^3	**1.981**	1.721	15
Average foreign exchange rate:			
$1 USD = BRL	**5.196**	5.230	(1)

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

(2) Under the terms of the GSA, the volumes delivered are adjusted for heat content in the determination of the final amounts paid, representing a gross-up of approximately 7% to the contracted volumetric natural gas price, which contributes to a higher realized price overall relative to the contractual price.

The natural gas price under our long-term GSA with Bahiagas is set semi-annually (as of February 1st and August 1st) based on a trailing weighted average of USD benchmark prices for Brent, Henry Hub and National Balancing Point, incorporating both a floor and ceiling price, which were $6.02/MMBtu and $10.23/MMBtu, respectively, as of February 1, 2023, and $6.01/MMBtu and $10.22/MMBtu, respectively, as of August 1, 2022. The floor and ceiling prices are adjusted for US inflation under the terms of the GSA. The natural gas price is then converted to a BRL-denominated natural gas price based on historical average foreign exchange rates and billed monthly in BRL until the next price reset. As all invoices are issued in BRL, actual receipts and revenue recognized in equivalent USD will be subject to exchange rate variations. See "*Foreign Exchange*" discussion below.

Alvopetro's natural gas price under the GSA has been set to the ceiling price since February 1, 2022, adjusting semi-annually with US inflation. As of February 1, 2023, the natural gas price was increased to BRL2.00, a 4% increase from the prior contracted price. In addition, as of January 1, 2023, Alvopetro is entitled to a sales tax credit of 3.43% on all natural gas, oil and condensate sales. This new tax credit reduces the 12% ICMS tax otherwise owing on natural gas sales from January 1, 2023 to December 31, 2023. With all Q1 2023 natural gas sales at the ceiling price in the GSA (compared to only two months in Q1 2022), the inflation adjustment to the natural gas price on February 1, 2023, and the enhanced sales tax credits applicable as of January 1, 2023, Alvopetro's realized natural gas price increased 20% from Q1 2022 to $12.06/Mcf in Q1 2023.

Condensate production from the Caburé Unit, Murucututu and the Facility is sold pursuant to contracts based on Brent. With average Brent prices decreasing 20% compared to Q1 2022, our realized sales price on condensate decreased 21% compared to Q1 2022.

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,		
	2023	2022	Change (%)
Natural gas	**17,147**	12,939	33
Condensate	**983**	950	3
Oil	**30**	83	(64)
Total revenues	**18,160**	13,972	30

Alvopetro's total natural gas, oil and condensate revenues increased by $4.2 million compared to Q1 2022 with the 17% increase in the average realized price per boe (resulting in $2.5 million in additional revenue) and the 11% increase in average daily sales volumes (resulting in $1.7 million in additional revenues).

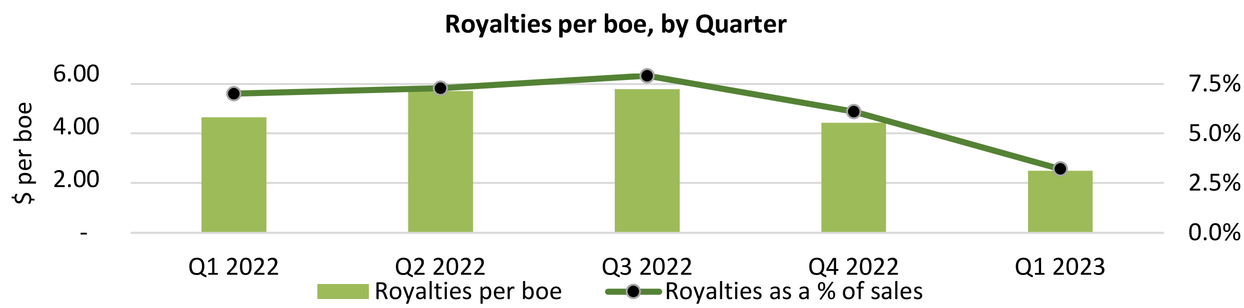
Royalties

	Three Months Ended March 31,		
	2023	2022	Change (%)
Royalties	**582**	979	(41)
Royalties per boe ($)[1]	**2.34**	4.35	(46)
Royalties as a % of sales[1]	**3.2**	7.0	(54)

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

As of May 1, 2022, Alvopetro's Caburé natural gas field and the Mãe-da-lua field are subject to a base 7.5% government royalty plus a 1% landowner royalty. Prior to this time, these fields were subject to a 10% government royalty rate and the 1% landowner royalty. Following production commencement from the Murucututu natural gas field in Q4 2022, Alvopetro applied for the reduced royalty rate on this field as well and these reduced royalty rates will be effective April 1, 2023. 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 on 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 natural gas royalties, Alvopetro's effective royalty rate fluctuates with changes in Henry Hub prices relative to Alvopetro's contracted natural gas price. While Alvopetro's contracted natural gas price under the GSA increased 15% compared to Q1 2022, with the 43% reduction in average Henry Hub prices in Q1 2023 compared to Q1 2022, Alvopetro's overall effective royalty rate decreased to 3.2% in Q1 2023 compared to 7.0% in Q1 2022.



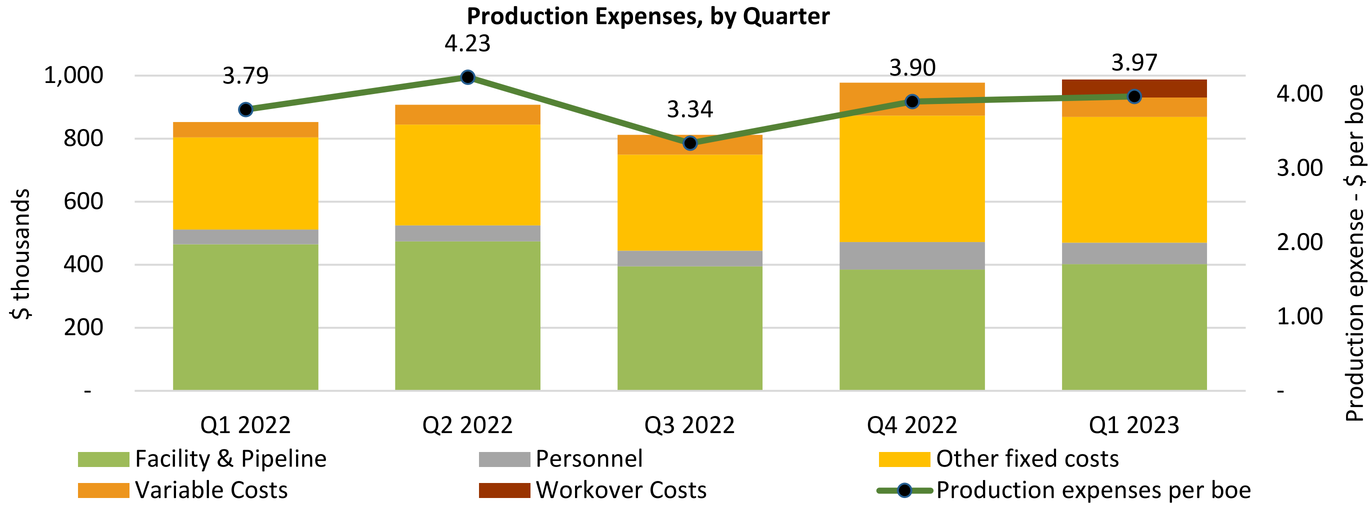
Production Expenses

	Three Months Ended March 31,		
	2023	2022	Change (%)
Production expenses by type:			
Personnel costs	**68**	46	48
Facility and pipeline costs	**402**	465	(14)
Other fixed costs	**399**	293	36
Variable costs	**62**	49	27
Workover costs	**57**	-	-
Total production expenses	**988**	853	16

	Three Months Ended March 31,		
	2023	2022	Change (%)
Production expenses per boe($)[1]:			
Personnel costs	**0.27**	0.20	35
Facility and pipeline costs	**1.61**	2.07	(22)
Other fixed costs	**1.61**	1.30	24
Variable costs	**0.25**	0.22	14
Workover costs	**0.23**	-	-
Total	**3.97**	3.79	5

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

The majority of the Company's production expenses relate to operational fees paid for the Facility and the transfer pipeline and agreed unit operating costs with our partner on the Caburé upstream assets. Following completion of the expansion of the Facility in the third quarter of 2022, a portion of Facility and pipeline costs are now part of Alvopetro's right-of-use asset, resulting in lower production expenses in Q1 2023 compared to Q1 2022. With commencement of production from the 183(1) well on the Murucututu natural gas field, other fixed costs increased in Q1 2023 compared to Q1 2022. Workover costs in Q1 2023 represent Alvopetro's share of workover costs at the Caburé Unit.

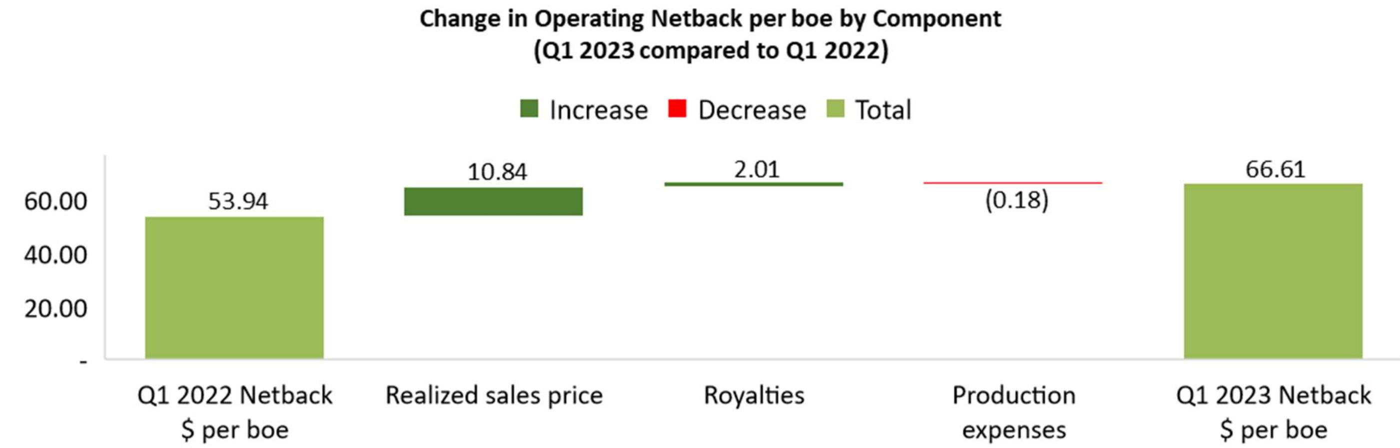


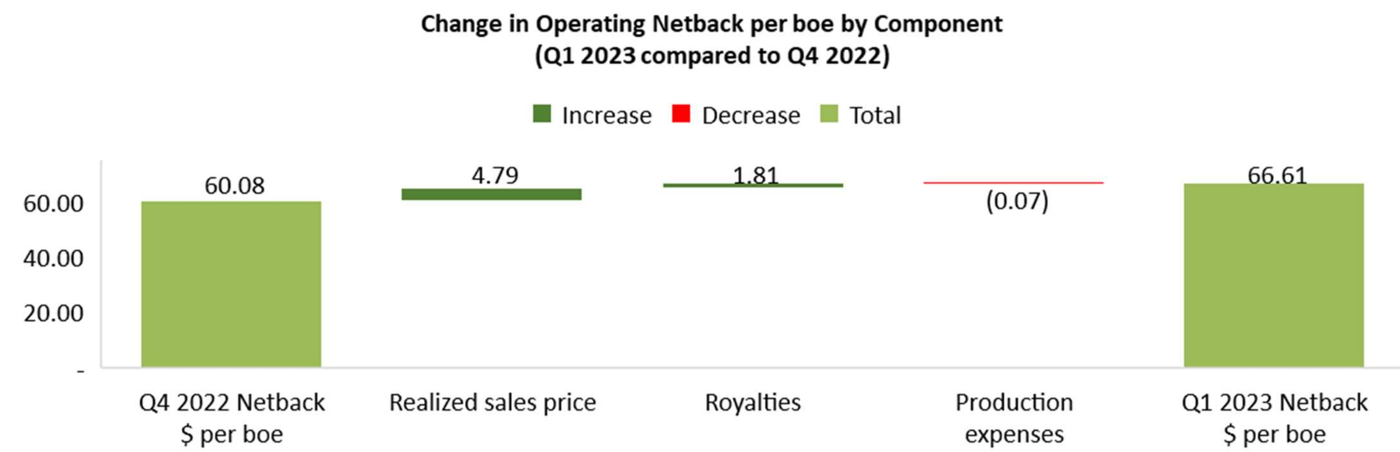
Operating Netback

	Three Months Ended March 31,		
	2023	2022	Change (%)
Operating netback[1]			
Natural gas, oil and condensate sales	**18,160**	13,972	30
Royalties	**(582)**	(979)	(41)
Production expenses	**(988)**	(853)	16
Operating netback	**16,590**	12,140	37
Operating netback per boe[1]:			
Average realized sales price - $ per boe[1]	**72.92**	62.08	17
Royalties - $ per boe[1]	**(2.34)**	(4.35)	(46)
Production expenses - $ per boe[1]	**(3.97)**	(3.79)	5
Operating netback per boe	**66.61**	53.94	23
Operating netback margin[1]	**91%**	87%	5

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

Alvopetro's operating netback increased by $12.67 per boe (+23%) in Q1 2023 compared to Q1 2022 and by $6.53 per boe (+11%) compared to Q4 2022 due to improved realized sales prices and lower royalties.





Other Income

	Three Months Ended March 31,		
	2023	2022	Change (%)
Interest income	**289**	14	1,964
Tax recoveries from operations	**144**	114	26
Water disposal income and other	**(6)**	13	(146)
Total	**427**	141	203

The majority of other income relates to interest income on cash and cash equivalent deposits and tax credits arising from ongoing operations. With rising cash balances and higher interest rates in 2023 compared to 2022, Alvopetro's interest income has increased.

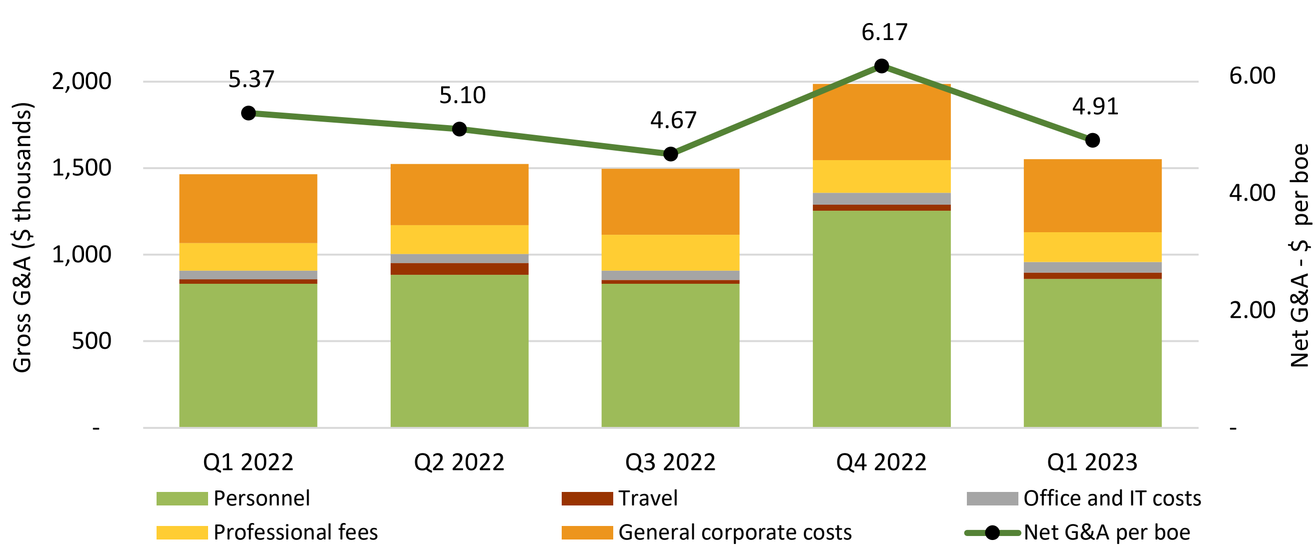
General and Administrative ("G&A") Expenses

G&A Expenses, by type:	Three Months Ended March 31, 2023	2022	Change (%)
Personnel	**859**	831	3
Travel	**37**	26	42
Office and IT costs	**62**	50	24
Professional fees	**171**	160	7
General corporate costs	**421**	397	6
Gross G&A	**1,550**	1,464	6
Capitalized G&A	**(328)**	(256)	28
G&A expenses	**1,222**	1,208	1
$ per boe(1)	**4.91**	5.37	(9)

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

Overall gross G&A expenses in Q1 2023 were higher than Q1 2022 (+6%) due mainly to inflation adjustments. However, with higher activity levels in Q1 2023, capitalized G&A increased 28% compared to Q1 2022, resulting in net G&A 1% higher than the prior comparative period.

G&A Expenses, by Quarter

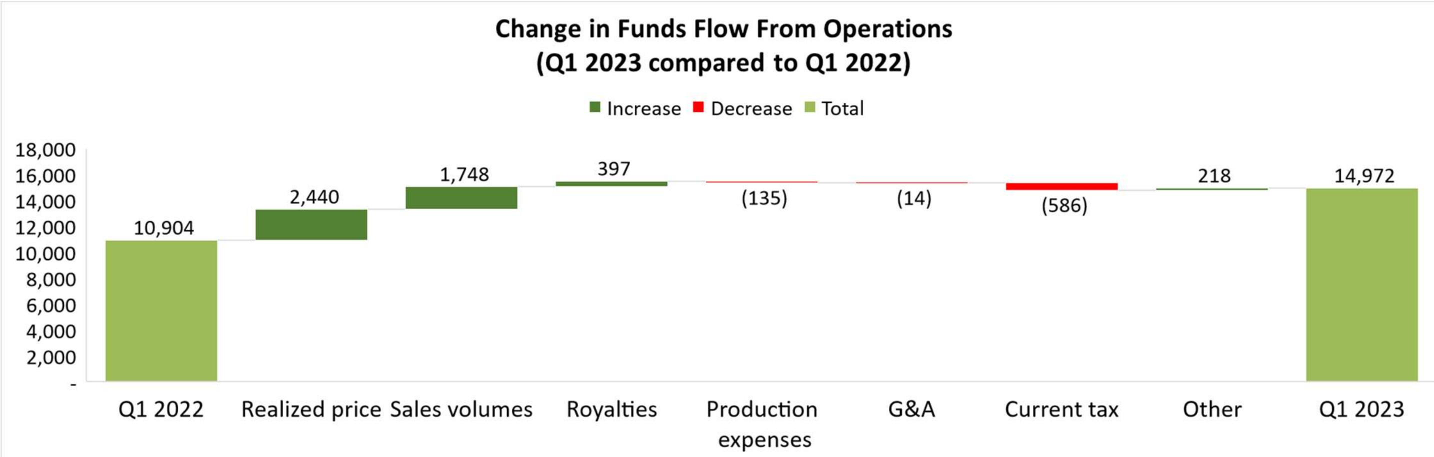


Cash Flows from Operating Activities and Funds Flow from Operations

	Three Months Ended March 31, 2023	2022	Change (%)
Cash flows from operating activities	**13,856**	8,333	66
Per share – basic ($)	**0.38**	0.25	52
Per share – diluted ($)	**0.37**	0.23	61
Funds flow from operations(1)	**14,972**	10,904	37
Per share – basic ($)	**0.41**	0.32	28
Per share – diluted ($)	**0.40**	0.30	33

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

Funds flow from operations and cash flows from operating activities increased in Q1 2023 compared to Q1 2022 due to higher revenues associated with higher realized sales prices on natural gas sales and higher volumes and lower overall royalties, partially offset by higher current tax and production expenses.



Foreign Exchange

	As at		
	March 31, 2023	December 31, 2022	**% Appreciation (Depreciation) of BRL/CAD to USD**
Rate at end of period:			
$1 USD = BRL	**5.080**	5.218	**2.6**
$1 USD = CAD	**1.353**	1.354	**0.1**

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:

	Three Months Ended March 31,		
	2023	2022	**% Appreciation (Depreciation) of BRL/CAD to USD**
Average rate in the period:			
$1 USD = BRL	**5.196**	5.230	**0.7**
$1 USD = CAD	**1.352**	1.266	**(6.8)**

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 3% from December 31, 2022, resulting in an exchange gain in other comprehensive income of $0.6 million in Q1 2023.

Foreign exchange fluctuations on USD-denominated intercompany 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. The Company recorded $1.1 million of foreign exchange gains on intercompany advances in Q1 2023 (Q1 2022 - $3.7 million) due to the appreciation of the BRL relative to the USD.

As discussed above, the Company is exposed to foreign exchange fluctuations on its natural gas revenues. With respect to Alvopetro's natural gas price resets on February 1, 2023 and August 1, 2022, respectively, the price determined in BRL was based on average historical exchange rates of 5.25 and 5.08. In Q1 2023, the actual average rate was 5.20, an appreciation of 1% compared to the February 1, 2023 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,	
	2023	2022
Increase (Decrease) to Natural Gas Revenues from:		
5% Appreciation of BRL to USD	**902**	681
10% Appreciation of BRL to USD	**1,905**	1,438
5% Depreciation of BRL to USD	**(817)**	(616)
10% Depreciation of BRL to USD	**(1,559)**	(1,176)

To mitigate exposure to foreign exchange volatility with respect to the BRL, the Company has periodically entered into BRL/USD forward exchange rate contracts. The Company recognized the fair value of these contracts in the statement of financial position with changes in fair value recognized as an unrealized gain or loss included in net income. Realized gains or losses are recognized in the period the contracts are settled. No forward contracts were entered into or outstanding at any time in Q1 2023 and as a result no gains or losses were recognized in Q1 2023 (Q1 2022 – total losses of $0.1 million).

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,		
	2023	2022	Change (%)
Depletion and depreciation on PP&E	**1,854**	1,576	18
Depreciation of right-of-use assets	**290**	243	19
Depletion and depreciation expense	**2,144**	1,819	18
$ per boe(1)	**8.61**	8.08	7

(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. Depletion was higher in Q1 2023 compared to Q1 2022 due to higher production volumes and a higher depletable base with additional future development costs for reserves additions on the Murucututu field. 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. With the expansion of the Facility completed in the third quarter of 2022, the increase in future equipment rental costs associated with the expansion was recognized as an increased right-of-use asset, resulting in higher depreciation in Q1 2023 compared to Q1 2022.

Share-Based Compensation Expense

	Three Months Ended March 31,		
	2023	2022	Change (%)
Share-based compensation expense	**283**	250	13

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 well as costs associated with dividend equivalents attributable to RSUs and DSUs granted to date. As of March 31, 2023, a total of 2.1 million awards were outstanding (Q1 2022 – 2.0 million) with 1,377,216 stock options (Q1 2022 – 1,398,585) and 733,081 RSUs and DSUs (Q1 2022 – 563,165). While the overall awards outstanding has increased only 8%, with increasing share prices and higher dividends, share-based compensation increased in Q1 2023 compared to Q1 2022.

Finance Expenses

	Three Months Ended March 31,		
	2023	2022	Change (%)
Lease interest	**388**	337	15
Accretion on decommissioning liabilities	**15**	13	15
Amortization of deferred financing costs	**-**	157	(100)
Interest on Credit Facility	**-**	143	(100)
Finance expenses	**403**	650	(38)

Finance expenses decreased in Q1 2023 due to decreased interest on our Credit Facility, which was fully repaid in the third quarter of 2022, partially offset by additional lease interest expense following completion of the Facility expansion and the associated incremental lease liabilities recognized in the third quarter of 2022.

Income Tax Expense

	Three Months Ended March 31,		
	2023	2022	Change (%)
Current income tax expense	**725**	139	422
Deferred income tax expense	**1,330**	2,019	(34)
Total	**2,055**	2,158	(5)

The statutory corporate tax rate in Brazil is 34%. This is comprised of a basic 15% corporate income tax, plus 10% surtax and a 9% social contribution tax. In 2021 the Company received approval from tax authorities in Brazil for Supertintendência de Desenvolvimento do Nordeste ("SUDENE"), a regional tax incentive offered in Bahia State. Under the incentive, special deductions reduce the inherent current tax payable on qualifying projects to an effective rate of 15.25% where SUDENE profits align with taxable income under the actual profit regime. The SUDENE incentive applies to natural gas 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%.

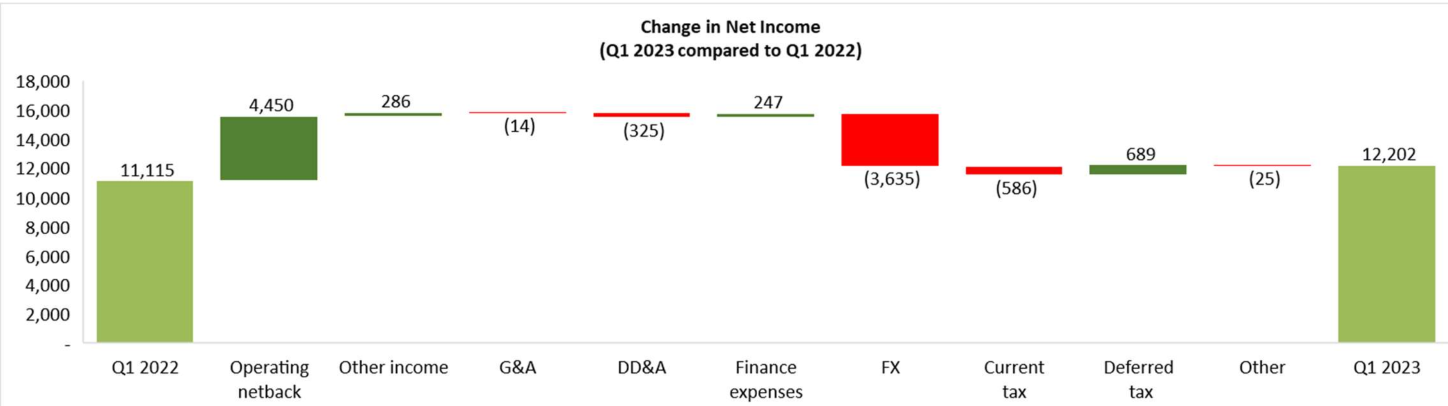
The Company's current tax expense increased in Q1 2023 compared to Q1 2022 due mainly to a higher operating netback[1] and also as a result of lower tax deductions available on E&E assets in 2023 due to lower capital expenditures on such projects in Q1 2023 compared to Q1 2022. Expenditures on such assets are eligible for immediate deduction under Brazil tax legislation. Deferred tax expense was lower in Q1 2023 compared to Q1 2022, due primarily to lower foreign exchange gains in 2023, namely on intercompany loans. Overall, the Company's effective tax rate (computed as total income tax expense divided by income before taxes) is 14% in Q1 2023 (Q1 2022 – 16%), consistent with the SUDENE rate of 15.25%.

[1] Non-GAAP Financial Measure. See "*Non-GAAP and Other Financial Measures*".

Net Income

	Three Months Ended March 31,		
	2023	2022	Change (%)
Net income	**12,202**	11,115	10
Per share – basic($)	**0.34**	0.33	3
Per share – diluted($)	**0.33**	0.30	10

The Company reported $12.2 million in net income in Q1 2023, an increase of $1.1 million compared to Q1 2022 due to improved operating netback[2] and higher other income, partially offset by lower foreign exchange gains ("FX").



[2] Non-GAAP Financial Measure. See "*Non-GAAP and Other Financial Measures*".

Capital Expenditures

Capital Expenditures by Type	Three Months Ended March 31, 2023	2022
E&E		
Drilling and completions	**283**	1,893
Land, lease, and similar payments	**34**	5
Inventory purchases	**905**	291
Capitalized G&A	**59**	116
Total E&E	**1,281**	2,305
PP&E		
Facility & equipment	**273**	1,266
Drilling & completion	**1,454**	49
Land, lease and similar payments	**14**	14
Furniture & fixtures	**-**	5
Capitalized G&A	**269**	140
Other	**-**	21
Total PP&E	**2,010**	1,495
Total Capital Expenditures	**3,291**	3,800

Capital Expenditures by Property	Three Months Ended March 31, 2023	2022
E&E		
Blocks 182, 183	**376**	2,014
Inventory	**905**	291
Other	**-**	-
Total E&E	**1,281**	2,305
PP&E		
Caburé and associated midstream assets	**492**	86
Murucututu	**1,287**	1,404
Bom Lugar	**219**	-
Mãe-da-lua	**9**	-
Other	**3**	5
Total PP&E	**2,010**	1,495
Total Capital Expenditures	**3,291**	3,800

Capital expenditures in the quarter included $1.0 million for stimulation costs on the 197(1) well on our Murucututu field, $0.5 million in expenditures at the Caburé unit including facilities expansion and testing costs for the Unit-C well, $0.3 million for testing the 182-C2 well, $0.9 million for long-lead inventory purchases and $0.3 million in capitalized G&A.

Summary of Quarterly Results

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Financial								
Natural gas, oil and condensate sales	**18,160**	17,077	16,672	15,787	13,972	9,896	9,963	8,182
Net income (loss)	**12,202**	5,191	8,795	6,631	11,115	2,778	(20)	3,784
Per share – basic ($)(1)	**0.34**	0.14	0.26	0.20	0.33	0.08	(0.00)	0.11
Per share – diluted ($)(1)	**0.33**	0.14	0.24	0.18	0.30	0.08	(0.00)	0.11
Cash flows from operating activities	**13,856**	12,366	13,838	12,997	8,333	7,088	7,234	5,665
Per share – basic ($)(1)	**0.38**	0.34	0.40	0.38	0.25	0.21	0.22	0.17
Per share - diluted ($)(1)	**0.37**	0.33	0.37	0.35	0.23	0.20	0.20	0.16
Funds flow from operations (2)	**14,972**	13,193	13,348	12,434	10,904	6,480	7,930	5,471
Per share – basic ($)(1)	**0.41**	0.36	0.39	0.37	0.32	0.19	0.24	0.16
Per share - diluted ($)(1)	**0.40**	0.35	0.36	0.34	0.30	0.18	0.22	0.16
Dividends declared	**5,104**	4,357	2,896	2,728	2,716	2,034	2,023	-
Per share ($)(1)(2)	**0.14**	0.12	0.08	0.08	0.08	0.06	0.06	-
Capital expenditures	**3,291**	5,944	8,713	6,338	3,800	1,470	1,261	918
Net working capital surplus(2)	**20,915**	14,698	12,225	11,641	12,302	9,097	6,839	4,499
Working capital, net of debt (net debt)(2)	**20,915**	14,698	12,225	9,096	7,257	2,552	294	(3,046)
Operations								
Average realized prices(2):								
Natural gas ($/Mcf)	**12.06**	11.18	11.18	11.90	10.03	7.07	7.07	6.06
NGL – condensate ($/bbl)	**84.10**	89.29	101.57	121.93	106.42	84.36	79.36	74.47
Oil ($/bbl)	**72.29**	79.50	80.92	94.47	79.50	76.47	61.11	59.63
Average foreign exchange ($1 USD = BRL)	**5.196**	5.255	5.246	4.927	5.230	5.586	5.229	5.291
Operating netback ($/boe) (2)								
Realized sales price ($/boe) (2)	**72.92**	68.13	68.59	73.54	62.08	44.22	44.04	38.08
Royalties (2)	**(2.34)**	(4.15)	(5.42)	(5.35)	(4.35)	(4.22)	(4.02)	(2.82)
Production expenses(2)	**(3.97)**	(3.90)	(3.34)	(4.23)	(3.79)	(3.62)	(3.64)	(3.68)
Operating netback ($/boe) (2)	**66.61**	60.08	59.83	63.96	53.94	36.38	36.38	31.58
Operating netback margin(2)	**91%**	88%	87%	87%	87%	82%	83%	83%
Average daily sales:								
Natural gas (Mcfpd)	**15,795**	15,546	15,139	13,546	14,339	13,966	14,102	13,512
NGL – condensate (bopd)	**130**	128	117	97	99	103	107	105
Oil (bopd)	**5**	5	2	5	12	2	2	5
Total average daily sales (boepd)	**2,767**	2,724	2,642	2,359	2,501	2,432	2,459	2,361

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 to 2,767 boepd in Q1 2023 (+2%), the third consecutive quarter of record daily sales volumes. With the natural gas price reset on February 1, 2023 continuing at the ceiling price under the GSA and adjusted for inflation, the realized natural gas price increased to $12.06/Mcf (+8%), including the impact of enhanced sales tax credits available as of January 1, 2023. With the increased realized natural gas price, Alvopetro's overall average realized price increased to $72.92 per boe (+7%), despite the decrease in Brent prices, and overall natural gas, oil and condensate sales increased $1.1 million (+6%) from Q4 2022. With the higher realized sales price per boe and lower royalties, our operating netback improved to $66.61 per boe (+11%). Funds flow from operations also increased $1.8 million to a new quarterly record of $15.0 million. Net income increased $7.0 million due mainly to impairment expense of $6.3 million recognized in Q4.

Commitments and Contingencies

The following is a summary of Alvopetro's contractual commitments as at March 31, 2023:

Commitments	< 1 Year	1-3 Years	Thereafter	Total
Minimum work commitments(1), (2)				
Bom Lugar	69	-	-	69
Mãe-da-lua	-	-	69	69
Minimum work commitments	69	-	69	138
Gas Treatment Agreement(2)	1,361	2,721	5,783	9,865
Total commitments	**1,430**	**2,721**	**5,852**	**10,003**

(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 minimum work commitments in the table above. Alvopetro previously reported a minimum work commitment for Block 183. This commitment was satisfied with the completion of drilling of the 183-B1 well in July 2022, subject to the approval of the ANP.

(2) Minimum work commitments and all 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, 2023. 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 Alvopetro's 11-kilometre transfer pipeline. All costs associated with equipment rental, including equipment rental costs for the Facility expansion, are treated as a 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 the amounts become determinable and the probability of loss is more likely than not. The outcome of adverse decisions in any pending or threatened proceedings related to these and other matters could have a material impact on the Company's financial position, results of operations or cash flows.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Working Capital

At March 31, 2023, Alvopetro's cash and cash equivalents of $24.6 million and restricted cash of $0.3 million were held as follows:

	Total	U.S. Dollar	CAD Dollar(1)	BRL(1)
Cash and cash equivalents held in Canada	17,553	17,172	381	-
Cash and cash equivalents held in Brazil	7,070	-	-	7,070
Restricted cash - current	326	-	-	326
Total	**24,949**	**17,172**	**381**	**7,396**

(1) Amounts in the table above denote the U.S. dollar equivalent as at March 31, 2023.

The Company had cash and cash equivalents of $24.6 million and a total net working capital surplus of $20.9 million at March 31, 2023. 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. 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 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.

The liability for decommissioning obligations of Alvopetro was $0.6 million as at March 31, 2023, 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, 2023, the Company had $4.1 million of equipment inventory to be utilized for future operations which is included in exploration and evaluation assets in the interim condensed consolidated statement of financial position.

Credit Facility

In 2019, the Company entered into a credit facility (the "Credit Facility") which was secured by all of Alvopetro's assets. The Credit Facility was subject to cash interest of 9.5% per annum, payable monthly. In September 2022, Alvopetro repaid all final amounts outstanding and the Credit Facility has been cancelled.

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, 2023 and December 31, 2022. 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, 2023	December 31, 2022
Lease liabilities, beginning of period	**9,428**	7,979
Additions	**14**	1,930
Finance expense	**388**	1,525
Lease payments	**(568)**	(2,027)
Foreign currency translation	**5**	21
Lease liabilities, end of period	**9,267**	9,428
Current	**896**	855
Non-current	**8,371**	8,573
Total, end of period	**9,267**	9,428

Dividends

	Three Months Ended March 31,		
	2023	2022	Change (%)
Dividends declared	**5,104**	2,716	88
Dividends declared – per share ($)[1]	**0.14**	0.08	75

(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 third quarter of 2021, Alvopetro initiated a quarterly dividend program and increased dividends in Q1 2022, Q4 2022 and again in Q1 2023, resulting in higher dividends per share in Q1 2023 compared to Q1 2022 (+75%). Total dividends declared are 88% higher with both the higher dividend declared per share and increased common shares outstanding at the Q1 2023 dividend record date compared to Q1 2022. 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 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 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

On January 3, 2023, Alvopetro announced the approval from the TSXV for the NCIB. The terms of the NCIB permit Alvopetro to repurchase up to 2,876,414 common shares from January 6, 2023, to the earlier of January 5, 2024 or when the NCIB is completed or terminated by Alvopetro. In March 2023, Alvopetro received approval from the TSXV to enter into an ASPP which allows for the purchase of common shares under the NCIB at times when the Company may not normally be permitted to purchase common shares due to regulatory restrictions and customary self-imposed blackout periods. Any shares purchased under the ASPP are included in the number of common shares available for repurchase under the NCIB and any shares repurchased under the NCIB (whether through the ASPP or not) will be cancelled.

No repurchases have occurred under the NCIB to-date.

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 10, 2023, there were 36,457,755 common shares, 1,368,216 stock options, 495,501 RSUs and 237,580 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 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,	
	2023	2022
Operating netback - $ per boe	**66.61**	53.94
Average realized price - $ per boe	**72.92**	62.08
Operating netback margin	**91%**	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:

	Three Months Ended March 31,	
$ per share	**2023**	2022
Per basic share:		
Cash flows from operating activities	**0.38**	0.25
Funds flow from operations	**0.41**	0.32
Per diluted share:		
Cash flows from operating activities	**0.37**	0.23
Funds flow from operations	**0.40**	0.30

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,	
	2023	2022
Cash flows from operating activities	**13,856**	8,333
Add back changes in non-cash working capital	**1,116**	2,571
Funds flow from operations	**14,972**	10,904

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,	
	2023	2022
Total current assets	**33,264**	21,930
Total current liabilities	**(12,349)**	(9,628)
Net working capital surplus	**20,915**	12,302

Working Capital Net of 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,	
	2023	2022
Net working capital surplus	**20,915**	12,302
Credit Facility, balance outstanding	**-**	(5,045)
Working capital, net of debt	**20,915**	7,257

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).

"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, 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, 2023 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: 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, 2022. There have been no significant changes in the three months ended March 31, 2023 to the risks and uncertainties identified in the MD&A and Annual information Form for the year-ended December 31, 2022.

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, 2023 are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended December 31, 2022. 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 NCIB 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 NCIB and the amount and timing of such repurchases 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 plans relating to the Company's operational activities, proposed exploration development activities and the timing for such activities, exploration and development prospects of Alvopetro, capital spending levels, future capital and operating costs, plans for dividends in the future, plans for share repurchases under the NCIB and the duration of the NCIB, future production and sales volumes, the expected natural gas price, gas sales and gas deliveries under Alvopetro's long-term gas sales agreement, the expected timing of production commencement from the 197(1) well, anticipated timing and duration of drilling operations for the BL-06 well, projected financial results, the expected timing and outcomes of certain of Alvopetro's testing activities, and sources and availability of capital. Forward-looking statements are necessarily based upon assumptions and judgments with respect to the future including, but not limited to, expectations and assumptions concerning the timing of regulatory licenses and approvals, equipment availability, the success of future drilling, completion, testing, recompletion and development activities and the timing of such activities, the performance of producing wells and reservoirs, well development and operating performance, expectations regarding Alvopetro's working interest and the outcome of any redeterminations, environmental regulation, including regulation relating to hydraulic fracturing and stimulation, the ability to monetize hydrocarbons discovered, the outlook for commodity markets and ability to access capital markets, foreign exchange rates, general economic and business conditions, forecasted demand for oil and natural gas, the impact of the COVID-19 pandemic, weather and access to drilling locations, the availability and cost of labour and services, the regulatory and legal environment and other risks associated with oil and gas operations. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. In addition, the declaration, timing, amount and payment of future dividends remain at the discretion of the Board of Directors. Although we believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because we can give no assurance that they will prove to be correct. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, reliance on industry partners, availability of equipment and personnel, uncertainty surrounding timing for drilling and completion activities resulting from weather and other factors, changes in applicable regulatory regimes and health, safety and environmental risks), commodity price and foreign exchange rate fluctuations and general economic conditions. Certain of these risks are set out in more detail in our MD&A for the year ended December 31, 2022 and in our 2022 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.

Abbreviations:

ANP	=	The National Agency of Petroleum, Natural Gas and Biofuels of Brazil
ASPP	=	automatic share purchase plan
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
$10^3m^3/d$	=	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
NCIB	=	normal course issuer bid
NGLs	=	natural gas liquids
Q1 2022	=	three months ended March 31, 2022
Q1 2023	=	three months ended March 31, 2023
Q4 2022	=	three months ended December 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.