



## Forced Labour and Child Labour Report 2024

### Summary and Scope

During 2024 Alvopetro was engaged in the exploration for, and the acquisition, development and production of hydrocarbons in Brazil. Alvopetro is a publicly traded company listed on the TSX Venture Exchange and is also traded on the OTCQX® Best Market in the United States.

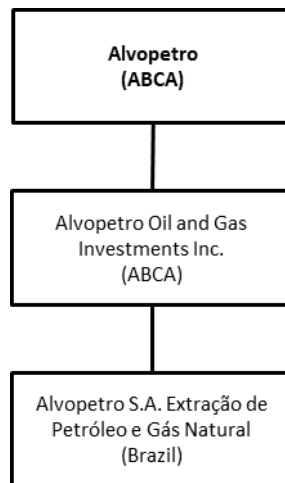
Pursuant to Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "Act") this report (the "Report") is made jointly by Alvopetro Energy Ltd. ("Alvopetro" or "the Company") and its two wholly-owned subsidiaries: 1) Alvopetro Oil and Gas Investments Inc.; and 2) Alvopetro S.A. Extração de Petróleo e Gás Natural (collectively the "Reporting Entities"). Although our governing policies, including those on forced labour and child labour, encompass all assets, the scope of this report does not include non-operated properties and infrastructure.

Alvopetro recognizes that forced labour and child labour exist and acknowledges that understanding and managing these risks involves a joint effort, working with our employees, suppliers and other stakeholders. This Report outlines our existing governance processes and measures as well as future initiatives to prevent and mitigate the risks of forced labour and child labour across the supply chains we utilize. This Report constitutes our forced labour and child labour reporting statement for the financial year ending December 31, 2024.

### Structure, Operations and Supply Chain

#### Structure

Alvopetro is headquartered in Calgary, Alberta with upstream and midstream operations in Brazil. Alvopetro was incorporated under the Alberta Business Corporates Act on September 25, 2013 and holds a 100% voting interest, either directly or indirectly, in each of its subsidiaries:



As of December 31, 2024 Alvopetro employed 53 individuals including 46 in Brazil with the remainder in Calgary.

Alvopetro's main office in Brazil is in Salvador, a city in a well-developed industrialized region within the state of Bahia. The Company also has a small office for finance functions in Belo Horizonte (in the state of Minas Gerais) as well as field offices in the state of Bahia. Staff and contractors in these locations are predominantly oil and gas specialists, operators, finance professionals and administrative employees.



## **Operations**

As at December 31, 2024, Alvopetro held interests in the Caburé and Murucututu natural gas fields, one exploration asset and two oil fields.

### ***Caburé Natural Gas Field***

The Caburé natural gas field is a joint development of a conventional natural gas discovery in the Recôncavo Basin in Bahia. Natural gas deliveries from the field commenced on July 5, 2020 with Alvopetro's initial working interest being 49.1%. As of December 31, 2024 Alvopetro's working interest was 56.2% with the other 43.8% held by its partner, the initial operator of this property. Transition of operatorship to Alvopetro was completed in the third quarter of 2024. Scope limitations provided above are relevant for the period that this was a non-operated property for Alvopetro.

### ***Murucututu Natural Gas Field***

Alvopetro's Murucututu natural gas field consists of three wells which are tied into field production facilities and a 9-kilometre transfer pipeline connecting the field to the Caburé transfer pipeline.

### ***Midstream***

Natural gas is transferred, processed and sold via Alvopetro's 100%-owned pipelines and the natural gas processing facility (the "Facility") which is owned and operated by Enerflex Ltd. pursuant to the terms of Alvopetro's Gas Treatment Agreement. Oil and gas professionals operate the facility and limited supplies are required for day-to-day operations. Scope limitations provided above are relevant for the operations of this facility. All natural gas is sold to Bahiagás, the local state distribution company, under the terms of a long-term gas sales agreement. Total natural gas sales volumes averaged 10.2 million cubic feet per day ("MMcfd") in the year ended December 31, 2024 (with 9.2 MMcfd from the Caburé natural gas field and 0.9 MMcfd from the Murucututu natural gas field). Natural gas liquids (condensate) sales averaged 90 barrels of oil per day ("bopd").

### ***Oil Fields***

The Company has two oil fields which together consist of three producing wells, each with a production battery equipped with testing, water separation and trucking facilities. Total oil sales from these two fields averaged 12 bopd in 2024.

### ***Exploration Block***

The Company has one exploration block with one existing well that was initially drilled in 2022 and will be abandoned. The Company has identified an additional prospect on the block and is seeking an extension of the rights on this block which would be required to drill the additional prospect.

## **Supply Chains**

Our operations require us to use a wide range of suppliers. The majority of our suppliers are domiciled in Canada and Brazil however the oil and gas market in Brazil can have limited options for certain specialized supplies and services, leaving reduced options and at times requiring us to source outside of Brazil (usually Canada or the United States). We also recognize that our suppliers may have sourced parts and products originating from other jurisdictions.

## **Policies and Due Diligence Processes in Relation to Forced Labour and Child Labour**

### ***Board Oversight***

Alvopetro's Board of Directors is responsible for the overall stewardship of the Corporation, to ensure Alvopetro's core values are upheld and all corporate conduct is carried out in an ethical and legal manner through an appropriate system of corporate governance, disclosure processes and internal controls, encompassing all corporate policies, including but not limited to human rights.



### ***Policies***

Alvopetro respects the human rights of all individuals impacted by our operations and strives to uphold the highest human rights standards, seeking to avoid causing or contributing to any human rights violation and working to remedy any violations to the extent they do occur. Our commitment to human rights applies not only to our own activities but also to third parties acting on our behalf or in any part of our operations. All Alvopetro employees, including all members of the Board of Directors, are required to adhere to our Human Rights Policy.

Alvopetro's comprehensive Human Rights Policy ("the Policy") is guided by the International Bill of Human Rights, the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the International Labour Organization Declaration on Fundamental Principles and Rights at Work. The Policy provides that all employees must be compensated fairly and that the following conditions must be met, for both direct employees as well as suppliers and contractors:

- zero tolerance for forced or child labour; and
- no employment of individuals under the age of 18 to carry out any work that could cause harm to their health or safety.

### ***Due Diligence***

Alvopetro encourages, supports and requires reporting of violations or suspected violations of our Human Rights Policy (including any instances of forced labour or child labour), our Code of Conduct, any of our other policies or any laws or regulations. The Company's Whistleblower Policy provides various methods to make a Whistleblower report as follows:

- to the Chair of Alvopetro's Audit Committee via email or phone;
- to the President and CEO by email or phone;
- to the CFO by email or phone;
- by confidential letter addressed to the Audit Committee Chair, President and CEO or CFO at the Calgary address;
- in person at the Calgary address;
- via SafeSpace, a confidential reporting system which is available seven days a week, 24 hours a day, in both English and Portuguese.

The Company's Code of Conduct stipulates that all reports will be promptly investigated and appropriate corrective action will be taken if warranted by investigation. The Code of Conduct also specifies that no individual who in good faith reports a violation or suspected violation shall suffer harassment, retaliation or adverse employment consequences.

During 2024 no reports related to forced labour or child labour were received.

### **Business Segments and Supply Chains Containing Risk of Forced Labour or Child Labour**

Alvopetro's Brazil operations are located in regions with a low human development index which is a significant risk factor for forced labour and child labour. The key issues in the areas that Alvopetro operates in are:

- Dependence on Bolsa Familia (government welfare program) for a high proportion of families;
- Over half of households live on less than one minimum wage;
- The majority of families make their living from agriculture (highest prevalence industry for forced labour and child labour);
- Farmers have small plots of land and shared water sources;
- The lack of jobs in the region;
- There is little in the way of social activities for youth; and
- The prevalence of violence and drug trafficking.



These issues were identified through a comprehensive community assessment Alvopetro conducted in 2021, visiting over 190 families in our areas of operations, utilizing an expert NGO to engage multiple stakeholders through a participatory process.

### **Steps Taken to Mitigate Forced Labour or Child Labour in High Risk Areas**

#### ***Generating Opportunities, Hiring Locally and Fair Compensation***

When executing our projects, management understands we play a key role in offering employment opportunities to the region, creating advantages for the local workforce through both the direct economic benefits of employment as well as the long-term benefits of experience and expertise that can contribute to improved prosperity. Alvopetro collaborates with the local municipality to implement a labour sourcing program to source local workers. This program promotes a transparent and equitable process through channels familiar to the local population.

Alvopetro offers an attractive compensation and benefits package that is competitive with other peer companies operating in the industry and includes short-term incentives based on individual and corporate performance as well as long-term incentives. Our benefits package includes health, dental and life insurance coverage for all employees and their families and, in Brazil, additional monthly compensation for meals, groceries and transportation. Furthermore, non-managerial employees in Brazil are protected by a collective bargaining agreement.

#### ***Vendor Risk Mitigation Initiatives***

Alvopetro is committed to ensuring that our contracting and procurement activities are done in compliance with our policies and we strive to build relationships with those who align themselves with our values and our safety and operational integrity requirements.

#### ***Supply Chain Management***

Alvopetro looks to establish longstanding relationships with suppliers who are aligned with our strategic goals, working together to support local communities. This collaboration aids in fostering economic growth not only for Alvopetro and each supplier but also the broader community. As a strategy to achieve these goals, we prioritize the hiring of local service providers and local labour.

Alvopetro is dedicated to ensuring our suppliers are aligned with our policies by screening suppliers prior to contracting to ensure they have established HSE management systems in place, and that they meet the legal, labour, health, environment, safety and human rights requirements and are in accordance with our standards of excellence and sustainability. In 2024 the Company developed a comprehensive ESG Assessment to be completed by suppliers commencing in early 2025. This assessment covers all aspects of Alvopetro's Code of Conduct, including forced labour and child labour and will be mandatory for all Alvopetro suppliers. The assessment will be part of the Company's supplier selection process and management is targeting to have it completed by 100% of active vendors by the end of 2025.

Also in 2024 management developed an addendum for its existing master service agreement contract. The addendum clearly prohibits the use of slave labour, slavery-like labour, and child labour, both directly and indirectly, in the provision of services under the Contract. Furthermore, it requires the counterparty to sign off on its efforts to contribute to the fight against child labour and forced labour through its suppliers, contractors and subcontractors.

Given its size, Alvopetro does not have an extensive supply chain department or sophisticated supply chain software, however, the Company has identified other methods to screen and monitor suppliers for human rights risks including forced labour and child labour, namely screening lists such as the *Cadastro de Empregadores que submeteram trabalhadores a condições análogas à escravidão* in Brazil, published by the Ministry of Labour, providing a list of employers, companies, and individuals responsible for keeping workers in a situation consistent with forced or child



labour. This list is cross-referenced with the Company's vendor list on a regular and consistent basis and no suppliers used by Alvopetro in 2024 were on this list.

### ***Voluntary Social Programs***

Management is of the opinion that energy industry activity can help advance socioeconomic progress. Our presence promotes the direct and indirect creation of local business and jobs, provides important payments to landowners, and has a broader benefit from taxes and royalties paid to government entities. Furthermore, we are committed to improving the social and economic well-being of the communities we operate in through voluntary social programs. From the results of the 2021 community assessment described above, we developed a Strategic Corporate Social Responsibility Plan (the "Plan") with an emphasis on education, sports and cultural activities targeting youth, sustainable development of rural communities and strengthening community and entrepreneurship. Management believes that such programs offer long-lasting benefits to communities by fostering well-informed, skilled and engaged community members. By providing access to education and supportive mentorship, these programs help youth and other community members build the skills and confidence needed to pursue safe and legitimate employment opportunities. Furthermore, such programs engage families and communities, creating stronger support networks that can protect youth and other vulnerable individuals from potential exploitation. By addressing the root causes of vulnerability—such as poverty, lack of education, and social isolation—these initiatives act as a preventative measure against forced labor and other forms of exploitation.

Alvopetro's key initiatives included:

- a music and arts program benefiting over 1,000 students, teaching artistic skills while also offering new educational opportunities to students, valuing talents, cultural traditions and strengthening the sense of collectivity and belonging;
- a program working with over 200 families in rural communities with a focus on promoting sustainable farming practices and small plot farming productivity through training in circular water systems and collective cooperation in productive systems and techniques and also providing health and wellness assistance and guidance to families to promote social well-being; and
- a youth volleyball program offering free volleyball practice and assistance for competitions for over 100 students and young adults.

### **Measures Taken by Alvopetro to Remediate Forced Labour or Child Labour**

Alvopetro has not identified any instances of forced labour or child labour in its operations or supply chains nor has Alvopetro received any reports of forced labour or child labour with respect to any of our operations or within our supply chain. As a result, there has been no requirement for remediation measures.

Management is not aware of any loss of income to vulnerable families that results from any measures taken to eliminate the use of forced labour or child labour in Alvopetro's activities and supply chains.

### **Training**

Upon joining Alvopetro, all new employees and consultants must undergo training of the Code of Conduct and the Human Rights Policy. In addition, training sessions are designed and held for existing employees to increase understanding of these policies. In February 2024, employees in Brazil attended a mandatory corporate ethics workshop which was held in-person at an offsite location in Salvador for approximately three hours. Topics addressed included Alvopetro's Code of Conduct and related policies, including Alvopetro's Human Rights Policy and prohibitions against forced labour and child labour. The training included topics developed and presented by the Company as well as an external third party.



All employees, officers and directors are required to certify annually that they understand the Code of Conduct (including the Human Rights Policy) and provide confirmation of compliance, along with confirmation that any non-compliance has been reported appropriately.

### **Assessing Effectiveness**

Upon review of our existing policies, recruitment practices, training, remuneration, compliance measures, community social programs and our supplier screening and selection processes, Alvopetro has not identified any instances of or gaps that could contribute to forced labour or child labour in our operations. Although Alvopetro is confident in the actions applied to this effort for 2024, given the Company's ongoing commitment to reduce and prevent child labour and forced labour, Alvopetro will continue to work towards highly effective processes and policies through:

- development of a prioritization risk assessment to identify the highest-risk areas of our operations;
- increasing the transparency of our supply chain through both existing and new initiatives including increased vendor scoping;
- more focused employee and supplier awareness training; and
- establishing a scorecard to evaluate the effectiveness of our efforts in preventing the use of forced labour and child labour.

### **Approval and Attestation**

This Report was approved pursuant to subparagraph 11(4)(b)(ii) of the Act by the Board of Directors of Alvopetro Energy Ltd. for all Reporting Entities.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the Report. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the Report is true, accurate and complete in all material respects for the purposes of the Act, for 2024.

I have the authority to bind Alvopetro Energy Ltd. and the Reporting Entities.

A handwritten signature in dark ink, appearing to read "Corey Ruttan", with a stylized flourish at the end.

Corey Ruttan  
President, & Chief Executive Office and a Director, Alvopetro Energy Ltd.  
May 29, 2025