

CALGARY, ALBERTA--(Marketwired - Aug 19, 2015) - [Alvopetro Energy Ltd.](#) (TSX VENTURE:ALV) is pleased to announce production testing results from our 182(B1) discovery and our second quarter 2015 financial and operating results.

Operational Update

The 182(B1) well was drilled to a total MD of 2,095 metres and successfully cased and cemented. Cased-hole sonic and neutron logs indicate the well encountered 6 metres of conventional hydrocarbon pay in the Agua Grande Formation at 1,900 - 1,906 m MD, with an average 35% water saturation and porosity range of 10 - 14%.

We perforated the Agua Grande Formation, from 1,900 to 1,906 metres, using tubing conveyed perforations on 2 7/8" tubing. We initially swabbed the well to recover the 171 barrels of load fluid and clean up the well. The well was shut in for initial pressure buildup, and then swabbed over a 72-hour period recovering a total of 395 barrels of 32 degree API oil, and no water. Gas rates were too small to measure. The SICP was 1,786 kPa at the beginning of the test and 827 kPa at the end of the test. The well was shut in to measure reservoir pressure and obtain pressure build up data. This build up analysis indicates an expected initial oil rate of 123 bopd from this zone.

We then perforated the Candeias Formation, from 1,714 to 1,722 metres, using tubing conveyed perforations on 2 7/8" tubing. The well was swabbed in, and flowed at a rate of 668 barrels of fluid per day over a 16-hour period at which time the well stopped flowing. A total of 445 barrels of liquid was recovered during this flow period, 429 barrels of 32 degree API oil and 16 barrels of completions fluid. The SICP was 0 kPa at the beginning of the test and 979 kPa at the end of the test. The zone was then stimulated with 71 barrels of 15% hydrochloric acid and 15 barrels of mutual solvent and is now being evaluated with an additional 72-hour production test. Following the test, it is expected that the well will be completed by removing the bridge plug and producing this Candeias zone commingled with the Agua Grande zone. We will submit a field development plan with complete test results and expect to put the well on long duration test in the fourth quarter, subject to receipt of customary regulatory approvals.

Our first two conventional exploration wells have been successful, resulting in a significant natural gas discovery at 197(2) and now a crude oil success with our 182(2) discovery. Later in 2015, we plan to spud our 170(B1) well which will be our third conventional exploration location. The exploration potential on our land base continues to expand, and we currently have 22 conventional prospects in inventory.

We are being patient with our capital activity in light of world crude oil prices, and to benefit from reduced service sector activity and equipment prices to improve our long-term capital efficiencies. We are sourcing a larger drilling rig capable of efficiently drilling our first Bom Lugar horizontal development oil well. It is expected this rig would also be used to drill the first of two conventional oil prospects on Block 107 which is offsetting and analogous to our Bom Lugar producing field.

Financial and Operating Highlights - Q2 2015

- During the second quarter, we tested three separate intervals in our 197(2) well. Pressure transient analysis forecasts potential post-stimulation rates with damage removed (expected to be achieved using a near well bore acid wash) on a combined basis with total deliverability of 12.5 MMcfpd (2,089 boepd) after three months of continuous production and 6.9 MMcfpd (1,146 boepd) after one year of continuous production.
- In June 2015, we completed drilling our 182(B1) well which reached a MD of 2,095 metres. Based on cased hole sonic and neutron logs, the well encountered 6 metres of potential conventional hydrocarbon pay in the Agua Grande Formation with an average 35% water saturation and porosity range of 10 - 14%.
- In May 2015, we acquired the remaining interest in Block 170, subject to the approval of Brazil's National Agency of Petroleum, Natural Gas and Biofuels ("ANP"), for a total cost of \$0.3 million. Prior to the acquisition, Alvopetro had a commitment to pay 100% of the cost of a well drilled to the Gomo formation (3,200 metres vertical depth) to retain a 90% interest in the Gomo formation and a 50% interest in all formations above the Gomo. This acquisition allows us to significantly reduce our capital commitments on Block 170 by drilling a shallower well and retaining 100% of the upside associated with this priority prospect.
- On April 10, 2015, we announced the relinquishment of Blocks 131, 132, 144, and 157 in accordance with the associated concession contracts. Extensive seismic and geotechnical work completed to date indicated limited prospectivity on these Blocks. On May 19, 2015 Alvopetro paid Brazilian real ("BRL") of 12.2 million (\$4.0 million) in connection with the relinquishments. The relinquishment of these less prospective blocks and elimination of our four well commitment allows us to prioritize capital on our higher impact and more prospective locations. Of our remaining twelve exploration blocks, seven of these were acquired in the 11th and 12th Brazil Bid Rounds, providing us with a timeframe for completion of work commitments extending to August 2016 and May 2017, respectively.
- Capital and other asset expenditures in the second quarter included \$4.1 million relating to drilling our 182(B1) well, \$1.1 million relating to completion and testing of our 197(2) well, \$0.3 million relating to our acquisition of the remaining interest in Block 170, and \$0.4 million in capitalized G&A.
- Our cash, restricted cash and working capital resources remain strong at \$35.8 million, with a working capital surplus of \$30.7 million (including \$31.3 million of cash and cash equivalents and \$4.6 million of current restricted cash) as well as non-current restricted cash of \$5.0 million.

Summary of Q2 2015 Financial and Operating Results

The following table provides a summary of Alvopetro's financial and operating results for the three and six months ended June 30, 2015 and June 30, 2014. The interim condensed consolidated financial statements with the Management's Discussion and Analysis ("MD&A") are available on our website at www.alvopetro.com and will be available on the SEDAR website at www.sedar.com.

SUMMARY OF Q2 2015 RESULTS

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Financial				
(\$000s, except where noted)				
Oil sales	150	323	322	637
Funds flow from operations ⁽¹⁾	(1,352)	(1,893)	(2,709)	(4,909)
Per share - basic and diluted (\$)	(0.02)	(0.02)	(0.03)	(0.06)
Net loss	(980)	(1,304)	(2,543)	(5,325)
Per share - basic and diluted (\$)	(0.01)	(0.02)	(0.03)	(0.06)
Capital and other asset expenditures	6,602	6,093	7,956	13,464
Total assets	112,822	153,038	112,822	153,038
Debt	-	-	-	-
Net working capital surplus ^{(1) (2)}	30,737	63,704	30,737	63,704
Common shares outstanding, end of period (000s)				
Basic	85,167	85,167	85,167	85,167
Diluted ⁽³⁾	90,543	88,234	90,543	88,234
Operations				
Operating netback (\$/bbl) ⁽¹⁾				
Brent benchmark price	63.50	109.74	59.33	108.82
Discount	(11.36)	(5.83)	(10.95)	(6.91)
Sales price	52.14	103.91	48.38	101.91
Transportation expenses	(1.74)	(4.83)	(3.16)	(4.16)
Realized sales price	50.40	99.08	45.22	97.75
Royalties and production taxes	(2.09)	(10.62)	(3.16)	(10.72)
Production expenses	(91.76)	(116.78)	(76.92)	(109.91)
Operating netback	(43.45)	(28.32)	(34.86)	(22.88)
Average daily crude oil production (bopd)	32	34	37	35

Notes:

⁽¹⁾ Non-GAAP measure. See "Non-GAAP Measures" section within this news release.

⁽²⁾ Includes current restricted cash of \$4.6 million (June 30, 2014 - \$11.1 million) but excludes non-current restricted cash of \$5.0 million (June 30, 2014- \$16.0 million).

⁽³⁾ Consists of outstanding common shares and stock options of the Company as at June 30, 2015 and 2014.

Updated Corporate Presentation

Our updated corporate presentation is available at <http://www.alvopetro.com/corporate-presentation>.

Alvopetro Energy Ltd.'s vision is to be the premier independent exploration and production company in Brazil, maximizing shareholder value by applying innovation to underexploited opportunities. Our strategy is to focus on three core opportunities including lower risk development drilling on our mature fields, shallow conventional exploration, and the development of the significant hydrocarbon potential present in our deep Gomo resource play.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

All amounts contained in this news release are in United States dollars, unless otherwise noted.

Forward-Looking Statements and Cautionary Language. This news release contains "forward-looking information" within the meaning of applicable securities laws. The use of any of the words "will", "plan", "intend" and other similar words or expressions are intended to identify forward-looking information. More particularly and without limitation, this news release contains forward-looking information concerning financial results and operating results, reserves and potential hydrocarbons in our

assets, exploration and development prospects of Alvopetro and the expected timing of certain of Alvopetro's testing and operational activities. The forward-looking statements are based on certain key expectations and assumptions made by Alvopetro, including expectations and assumptions concerning testing results, the timing of regulatory licenses and approvals, availability of capital, the success of future drilling and development activities, prevailing commodity prices and economic conditions, the availability of labour and services, the ability to transport and market our production, timing of completion of infrastructure and transportation projects, weather and access to drilling locations. 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. Although Alvopetro believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Alvopetro can give no assurance that it will prove to be correct. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Alvopetro are included in our annual information form which may be accessed through the SEDAR website at www.sedar.com. The forward-looking information contained in this news release is made as of the date hereof and Alvopetro undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Test Results. Any references in this news release to test results, production from testing and performance rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such well will continue production and decline thereafter. Test results are not necessarily indicative of long-term performance of the relevant well or fields or of ultimate recovery of hydrocarbons.

Abbreviations:

degrees API = degrees API (American Petroleum Institute)

Boepd = barrels of oil equivalent per day

Bopd = barrels of oil per day

kPa = kilopascals (103)

m³ = cubic metre

m³/d = cubic metre per day

Mcfpd = thousand cubic feet per day

MD = measured depth

MMcf = million cubic feet

MMcfpd = million cubic feet per day

SCIP = shut in casing pressure

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 (6Mcf/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 news release are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.

Non-GAAP Measures. This news release contains financial terms that are not considered measures under Canadian generally accepted accounting principles ("GAAP"), such as funds flow from operations, funds flow per share, net working capital surplus and operating netback. These measures are commonly utilized in the oil and gas industry and are considered informative for management and shareholders. Specifically, funds flow from operations and funds flow per share reflect cash generated from operating activities before changes in non-cash working capital. Management considers funds flow from operations and funds flow per share important as they help evaluate performance and demonstrate the Company's ability to generate sufficient cash to fund future growth opportunities. Net working capital surplus includes current assets (including current restricted cash) less current liabilities and is used to evaluate the Company's financial leverage. Operating netback is determined by dividing oil sales less royalties and production taxes, transportation and operating expenses by sales volume of produced oil. Management considers operating netback important as it is a measure of profitability per barrel sold and reflects the economic quality of production. Funds flow from operations, funds flow per share, net working capital surplus and operating netbacks may not be comparable to those reported by other companies nor should they be viewed as an alternative to cash flow from operations, net income or other measures of financial performance calculated in accordance with GAAP.

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