

Alvopetro Announces Record February Sales Volumes and Operational Update

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CALGARY, March 2, 2021 - [Alvopetro Energy Ltd.](#) (TSXV: ALV) (OTCQX: ALVOF) (\$ figures are expressed in US\$ unless otherwise noted) announces record daily average February sales volumes, updated results from our 183-1 deep basin Gomo natural gas well, and the early commencement of long-term debt repayments.

February Sales Volumes

Alvopetro's February natural gas sales averaged 12.7 mmcfpd with associated natural gas liquids sales from condensate of 99 bpd, for an overall daily average of 2,222 boepd, based on field estimates. This represents 14% and 16% increases over Q4 2020 and January 2021 production levels, respectively. In December 2020, we successfully conducted tests of our Caburé gas processing facility to ensure the facility can meet required sales quality specifications at higher production rates. This allowed us to increase production in February to accommodate incremental demand from our offtaker, Bahiagás. Alvopetro expects to continue production at these rates for March. In addition, February is our first month of production at the recently recalculated gas sales price of BRL\$1.06/m³ (\$5.88/mcf), which represents a 10% increase from the prior period. Under our gas contract, our sales price is recalculated every 6 months based on a basket of global energy price markers and is subject to an escalating minimum base price, currently set at \$5.28/mmbtu. Our semi-annual gas sales price is denominated in the local currency, and as such, future US\$ denominated sales prices will be impacted by changes in BRL/US\$ exchange rates.

Deep Basin Gomo Natural Gas Project (100% Alvopetro Working Interest)

We have completed our updated production test on our 183-1 Gomo well which validated the previous production test of the well. We originally drilled the well in 2014 to a total depth of 3,550 metres. We completed the stimulation of a 14-metre zone in the Gomo Member of the Candeias Formation and in early 2020 conducted an initial 72-hour production test. We recently installed a plunger lift system and, prior to starting a new production test, we recovered 226 bbls of completions fluid, 427 barrels of 64-degree API condensate and 10.1 mmcf of natural gas over a 34-day clean up period. Then, over the 72-hour flow period of the production test, the well produced a total of 1.9 mmcf of natural gas, 21 bbls of completion fluid and 45 bbls of 64-degree API condensate, or approximately 24 bbls of condensate per mmcf, with a final flowing wellhead pressure of 60 psi on a 32/64" choke. The test duration was 80-hours with 72-hours of actual flowtime due to an equipment malfunction. Through laboratory testing we were also able to confirm that the produced water during the test was from completion fluids and not formation water.

This test validates previous pressure transient analysis that is the basis for our longer-term productivity forecast from this well. Based on this analysis, this single 14-metre zone is expected to produce at an average rate of 410 mcfd over the first year of production (assuming the well is operated at a flowing wellhead pressure of 500 psi) and to ultimately recover over 2 Bcf over a 25-year period. We don't believe that these results are indicative of future results from developing this Gomo resource since we only stimulated one-half of the net pay in the well, and we were limited to using an undersized stimulation because the 183-1 well was drilled only 120 metres from a pre-existing well. Most importantly, the test now allows us to better predict productivity using optimally sized stimulations across all the net pay in future wells. We have designed a "fit for purpose" development drilling and completion plan for future wells to optimize productivity and reserve recovery.

We have received environmental approvals to install our 9-kilometre Gomo transfer pipeline extension to tie this well into our Caburé gas processing facility through our existing Caburé transfer pipeline. We expect to complete the installation of this Gomo pipeline extension by the end of 2021 at an estimated cost, including field production facilities, of \$2.3 million. This pipeline will provide us with further flexibility to set the pace of future expansion and development of this Gomo resource.

Early Debt Repayment

Given strong production and financial results since starting production from our Caburé project on July 5, 2020, we have decided to commence the early repayment of our outstanding long-term debt. In February, we repaid \$2.5 million, bringing the outstanding balance under our credit facility down to \$13.0 million (including accrued payment-in-kind interest amounts outstanding). This debt level now represents leverage of only 0.7 times our base 2021 EBITDA forecast.

Venture 50

For the third year in a row Alvopetro has been recognized as a TSX Venture 50 winner. The TSX Venture 50 is a ranking of the top performers on the TSX Venture Exchange over the last year. The ranking is composed of 10 companies from each of 5 industry sectors, selected based on 3 equally weighted criteria. Alvopetro's video can also be found at <https://vimeo.com/509529541/0c9c40fc1e>.

Annual General Meeting

Alvopetro's Annual General Meeting will be held on Tuesday May 18, 2021 at the Eighth Avenue Place Conference Centre, Suite 410 (Fourth Floor), 525 - 8th Avenue S.W., Calgary, Alberta Canada, beginning at 9:30 a.m. The Management Information Circular and all related meeting materials will be available on our website and www.sedar.com closer to the meeting date.

As a result of the COVID-19 pandemic and public health recommendations in place, Alvopetro expects to be strictly restricting physical access to the meeting. Alvopetro will continue to monitor the situation and will take all actions necessary to protect the health and safety of our employees and all of our Shareholders who wish to attend. Further details will be provided in advance of the meeting. In the event it is not possible or advisable to hold the meeting in person, the Corporation will announce alternative arrangements for the meeting as promptly as practicable.

Corporate Presentation

Alvopetro's updated corporate presentation is available on our website at: <http://www.alvopetro.com/corporate-presentation>.

Social Media

Follow Alvopetro on our social media channels at the following links:

Twitter - <https://twitter.com/AlvopetroEnergy>

Instagram - <https://www.instagram.com/alvopetro/>

LinkedIn - <https://www.linkedin.com/company/alvopetro-energy-ltd>

[Alvopetro Energy Ltd.](#)'s vision is to become a leading independent upstream and midstream operator in Brazil. Our strategy is to unlock the on-shore natural gas potential in the state of Bahia in Brazil, building off the development of our Caburé natural gas field and our strategic midstream infrastructure.

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 new release are in United States dollars, unless otherwise stated and all tabular amounts are in thousands of United States dollars, except as otherwise noted.

Abbreviations:

boepd = barrels of oil equivalent ("boe") per day

bopd = barrels of oil and/or natural gas liquids (condensate) per day

BRL\$ = Brazilian Real

m³ = cubic metres

mmbtu = million British Thermal Units

mmcf = million cubic feet

mmcfpd = million cubic feet per day

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.

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", "expect", "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 the plans relating to the Company's operational activities, and the expected gas sales and gas deliveries under Alvopetro's long-term gas sales agreement. The forward-looking statements are based on certain key expectations and assumptions made by Alvopetro, including but not limited to the timing of regulatory licenses and approvals, the success of future drilling, completion, testing, recompletion and development activities, the outlook for commodity markets and ability to access capital markets, the impact of the COVID-19 pandemic, the performance of producing wells and reservoirs, well development and operating performance, general economic and business conditions, weather and access to drilling locations, the availability and cost of labour and services, environmental regulation, including regulation relating to hydraulic fracturing and stimulation, the ability to monetize hydrocarbons discovered, the regulatory and legal environment and other risks associated with oil and gas operations. 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.

Non-GAAP Measures. This news release contains financial terms that are not considered measures under International Financial Reporting Standards ("IFRS"), such as earnings before interest, tax, depreciation, and amortization ("EBITDA"). This measure is commonly utilized in the oil and gas industry and is considered informative for management and shareholders. EBITDA is used to measure the Company's operating performance and the cash available for reinvestment and distribution to stakeholders. Its most comparable GAAP measure is the Company's net loss and is reconciled to such by adding back depletion and depreciation, impairment, interest and taxes, as presented on the Company's Statement of Operations and Comprehensive Loss. EBITDA may not be comparable to EBITDA reported by other companies nor should it be viewed as an alternative to net income or other measures of financial performance calculated in accordance with IFRS. For more information with respect to financial measures which have not been defined by GAAP, including reconciliations to the closest comparable GAAP measure, see the "Non-GAAP Measures" section of the Company's most recent MD&A which may be accessed through the SEDAR website at www.sedar.com.

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