

Accelerated Murucututu Drilling Program Supports Growth Outlook

ACTION: Maintain SPECULATIVE BUY and Target Price

Yesterday, ALV announced June production results, provided an operational update on its Murucututu drilling program, and announced higher natural gas pricing under its long-term gas sales agreement. June sales averaged 2,990 boe/d, bringing Q2/26 sales to 3,067 boe/d, essentially in line with our forecast of 3,083 boe/d. Operationally, management has accelerated its Murucututu drilling program, with the 183-H2 exploration well now expected to commence within the next two weeks, followed immediately by the 183-G2 development well. In addition, the Company announced that its weighted average realized natural gas price for firm gas sales is expected to increase to approximately US\$11.70/Mcf from August 1 through October 31, 2026, representing an approximate 15% increase over the Q1/26 realized price. We view the update positively, as higher gas pricing combined with an accelerated drilling program should support stronger production and cash flow growth through the second half of 2026. We reiterate our **SPECULATIVE BUY** recommendation and our US\$9.70/share target price, based on a 4.2x multiple of our 2027 estimated funds flow.

Production Update: June sales averaged 2,990 boe/d compared to 3,076 boe/d in May, while Q2/26 sales averaged 3,067 boe/d, approximately 89% weighted to natural gas and essentially in line with our forecast. Brazilian operations averaged 2,894 boe/d during the quarter, while Canadian production contributed an average of 173 bbl/d. Overall production remained relatively stable despite ongoing development activity at Murucututu, and we continue to expect production growth as new wells are brought online later this year.

Murucututu (100% W.I.) Operational Update: As previously announced, the 183-D1 development well was drilled to a measured depth of 3,263 metres and encountered 47.7 metres of aggregate potential natural gas pay across the Caruaçu and Gomo formations (see our June 9, 2026 research report [here](#)). Importantly, the well also encountered 21.9 metres of net pay within the lowermost Caruaçu Member (Sequence 6.1), a zone not currently included in the Company's reserve or resource estimates. Completion equipment is currently being mobilized, with first production now expected in early August.

Accelerated Murucututu Drilling Program: More importantly, management has accelerated the Murucututu drilling program. The Company now expects to commence drilling the 183-H2 exploration well within the next two weeks. The well will target the prospective resource portion of the Caruaçu structure and has the potential to further expand the Company's already significant Murucututu resource base. Upon completion, the drilling rig will move directly to the 183-G2 location, representing the first Caruaçu development well drilled from the newly constructed G Pad.

IMPACT: Neutral/Positive

The operational update was largely in line with expectations; however, we believe the key takeaway is the acceleration of the Murucututu drilling program together with higher contracted natural gas pricing. The upcoming 183-H2 exploration well provides another opportunity to expand the Caruaçu resource base, while the subsequent 183-G2 development well should support future production growth. Combined with premium-priced Brazilian natural gas, strategic infrastructure already in place, and major expansion projects underway at Murucututu, we believe ALV remains well positioned to deliver sustained production, cash flow, and shareholder returns over the next several years. We reiterate our **SPECULATIVE BUY** recommendation.

RATING & TARGET PRICE

Rating	SPECULATIVE BUY
Price	C\$9.19
Price Target	C\$9.70
Market Cap (\$M)	C\$341.90
Projected Return	5.5%

MARKET DATA

ALV-TSXV	C\$9.19
52 Week Range	C\$10.54 - C\$5.65
Basic Shares O/S (mm)	37.2
Fully Diluted O/S (mm)	39.1
Enterprise Value (\$M)	C\$335.0
Net Debt (\$M)	C\$(6.9)

ESTIMATES

		2025A	2026E	2027E
FFO (\$MM)	Q1	9.2	12.5	13.6
	Q2	10.5	12.7	14.6
	Q3	10.4	12.5	14.5
	Q4	10.5	12.7	14.7
	FY	40.6	50.4	57.3
FFPS	Q1	\$0.25	\$0.33	\$0.37
	Q2	\$0.28	\$0.34	\$0.39
	Q3	\$0.28	\$0.34	\$0.39
	Q4	\$0.28	\$0.34	\$0.40
	FY	\$1.09	\$1.36	\$1.55
Production	Q1	2,446	3,128	3,475
	Q2	2,436	3,067	3,875
	Q3	2,343	3,091	3,975
	Q4	2,867	3,141	4,075
	FY	2,523	3,107	3,851

UPCOMING EVENTS/CATALYSTS

Q2 Results: August 2026.

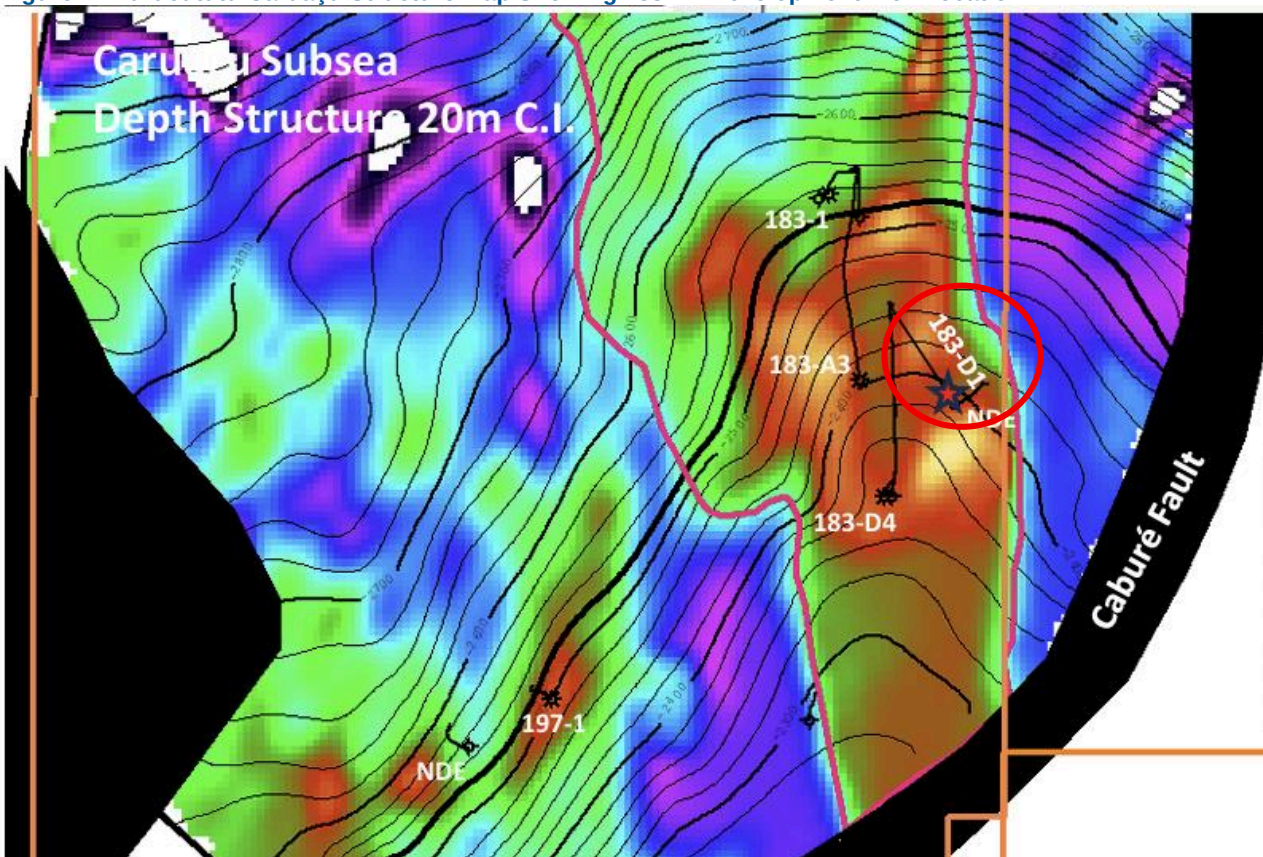
ANALYST INFORMATION

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MURUCUTUTU

The 183-D1 well was drilled between the previously successful 183-A3 and 183-D4 wells within the Murucututu development area. The well encountered 47.7 metres of aggregate net pay and further supports continuity of the Caruaçu reservoir.

Figure 1: Murucututu Caruaçu Structure Map Showing 183-D1 Development Well Location



Source: Company presentation, Research Capital

Figure 2: Detailed Summary and Forecast

Alvopetro Energy Ltd.

ALV

Share Data			Market Value			Stock Price		Dividend			Target Price		
Basic Shares (mm): 37.2			Market Cap. (mm): \$ 341.9			Close: \$9.19		Per Q: US\$0.12			Target: \$ 9.70		
Diluted Shares (mm): 39.1			Enterprise Value (mm): \$ 335.0			High: \$10.54		Annual: US\$0.48			Return: 5.5%		
Fully Diluted (mm): 39.1			Net Debt (W.C.) (mm): \$ (6.9)			Low: \$5.65		Yield: 7.4%			EV/DACF: 4.2		
Production		2024A	Q1 25A	Q2 25A	Q3 25A	Q4 25A	2025A	Q1 26A	Q2 26E	Q3 26E	Q4 26E	2026E	2027E
Oil & Liquids	bb/d	101	145	269	294	351	265	380	348	425	475	407	851
Natural Gas	MMcf/d	10.2	13.8	13.0	12.3	15.1	13.5	16.5	16.3	16.0	16.0	16.2	18.0
Boe/d	6M	1,794	2,446	2,436	2,343	2,867	2,523	3,128	3,067	3,091	3,141	3,107	3,851
Production Growth	%						41%	28%	26%	32%	10%	23%	24%
Percentage Natural Gas	%	94%	94%	89%	87%	88%	89%	88%	89%	86%	85%	87%	78%
Production/Million Shares		48	66	65	63	77	68	84	82	83	84	84	104
Funds Flow (US\$)		2024A	Q1 25A	Q2 25A	Q3 25A	Q4 25A	2025A	Q1 26A	Q2 26E	Q3 26E	Q4 26E	2026E	2027E
Funds Flow	US\$ mm	33.3	9.2	10.5	10.4	10.5	40.6	12.5	12.7	12.5	12.7	50.4	57.3
Funds Flow/Share	US\$/share	\$0.89	\$0.25	\$0.28	\$0.28	\$0.28	\$1.09	\$0.33	\$0.34	\$0.34	\$0.34	\$1.36	\$1.55
Funds Flow/FD Share	US\$/share	\$0.89	\$0.24	\$0.28	\$0.28	\$0.28	\$1.08	\$0.33	\$0.33	\$0.33	\$0.33	\$1.33	\$1.51
\$/Barrel of Oil Equivalent (US\$)		2024A	Q1 25A	Q2 25A	Q3 25A	Q4 25A	2025A	Q1 26A	Q2 26E	Q3 26E	Q4 26E	2026E	2027E
Revenue	US\$/boe	69.31	63.67	63.20	65.76	59.74	62.92	61.78	64.08	64.64	64.73	63.81	58.94
Royalties	US\$/boe	1.99	7.60	2.97	3.54	3.83	4.46	4.19	5.13	5.17	5.18	4.92	7.05
Operating & Trans Costs	US\$/boe	6.33	5.30	5.51	6.32	6.21	5.85	5.46	6.47	6.92	7.18	6.51	6.16
Operating Netback	US\$/boe	60.99	50.76	54.72	55.91	49.70	52.62	52.12	52.48	52.55	52.38	52.38	45.72
Funds Flow Netback	US\$/boe	50.81	41.90	47.25	48.47	39.64	44.08	44.42	45.61	44.00	43.86	44.47	40.78
Valuation Metrics (C\$)		2024A	Q1 25A	Q2 25A	Q3 25A	Q4 25A	2025A	Q1 26A	Q2 26E	Q3 26E	Q4 26E	2026E	2027E
FD Cash-Flow Multiple		7.6x	6.6x	6.0x	6.0x	6.0x	6.1x	5.1x	5.0x	5.1x	5.0x	5.0x	4.4x
EV/DACF Multiple		6.7x	5.8x	5.6x	5.6x	5.5x	5.7x	4.6x	4.6x	4.6x	4.5x	4.5x	4.0x
EV/Production	C\$/mboe/d	163.0	119.6	120.1	124.8	102.0	115.9	93.5	95.4	94.6	93.1	94.1	75.9
EV/boe Reserves	C\$/boe												
Commodity Price		2024A	Q1 25A	Q2 25A	Q3 25A	Q4 25A	2025A	Q1 26A	Q2 26E	Q3 26E	Q4 26E	2026E	2027E
Brent	US\$/bbl	79.85	74.97	66.71	68.16	63.08	68.21	78.10	95.00	80.00	75.00	82.01	75.00
Realized Oil Price	US\$/bbl	66.94	64.96	47.10	50.42	47.99	48.86	56.24	80.00	65.00	60.00	65.31	64.00
Realized Natural Gas Price	US\$/Mcf	11.42	10.44	10.62	11.04	9.97	10.49	10.14	11.12	11.41	11.52	11.05	10.55
Exchange Rate	1 US\$ = C\$	1.37	1.43	1.38	1.38	1.38	1.39	1.38	1.38	1.38	1.38	1.38	1.38
Capex and Capital Structure		2024A	Q1 25A	Q2 25A	Q3 25A	Q4 25A	2025A	Q1 26A	Q2 26E	Q3 26E	Q4 26E	2026E	2027E
Capex	US\$ mm	15.3	8.4	9.0	11.2	4.9	33.5	5.1	10.0	5.0	5.0	25.1	32.0
Free Cash Flow		18.0	0.8	1.5	(0.8)	5.6	7.1	7.4	2.7	7.5	7.7	25.3	25.3
Capex/Cash Flow	%	46%	91%	86%	108%	47%	83%	41%	79%	40%	39%	50%	56%
Dividend Yield	%	5.4%	6.2%	6.0%	6.0%	7.2%	6.4%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
Free Cash Flow Net of Dividend	US\$ mm	4.8	(2.8)	(2.2)	(4.5)	1.2	(8.3)	2.9	(1.7)	3.1	3.2	7.5	7.5
Weighted Average Basic	mm	37.3	37.3	37.3	37.3	37.3	37.3	37.4	37.1	37.1	37.1	37.2	37.1
Dilutive	mm	37.6	37.8	37.8	37.9	37.7	37.7	38.1	38.1	38.1	38.1	38.1	38.1
Net Debt (W.C.)	C\$ mm	(17.3)	(13.0)	(8.5)	(3.0)	(3.3)	(3.3)	(6.7)	(3.4)	(6.7)	(10.1)	(10.1)	(19.1)
Net Debt/Cash Flow		na	na	na	na	na	na	na	na	na	na	na	na

Net Asset Value Estimate				Reserve Estimate (December 31, 2025)				Murucututu - Contingent Resources			
	C\$mm	C\$/share			mboe	%			mboe	US\$mm	C\$/sh
Reserves (P + P)	\$428.0	\$11.50									
Working Capital (Net Debt)	(\$6.9)	(\$0.19)		Proven	8,054	61%		Risked	3,805	88.0	\$3.24
Net Asset Value Basic	\$434.9	\$11.69		Probable	5,058	39%		Unrisked	4,227	97.8	\$3.60
Dilution	\$11.4	\$0.31		2P	13,112	100%					
Core NAV/FD Share		\$446.2	\$11.42	Reserve Life Index (years)			RLI - (2P + Risked Contingent Resources)				
Price/Core NAV			0.80x	Production			Production				
Exploration Drilling	\$0.0	\$0.00			2025	2026			2025	2026	
Risked NAV/FD share	\$446.2	\$11.42		Proven	8.7	7.1		Proven	12.9	10.5	
Price/Risked NAV		0.80x		2P	14.2	11.6		2P	18.4	14.9	

Source: Company reports and Research Capital Corp.

Company Description:

Alvopetro Energy Ltd. holds a concentrated land base of exploration and development assets located onshore in the state of Bahia in Brazil. The Company owns an 18 MMcf/d natural gas plant and currently produces the majority of its gas from the Caburé field. Near-term growth is expected from the development of the Murucututu natural gas project. Capital expenditures and a quarterly dividend are expected to be fully funded with cash flow. In addition, ALV has expanded its operations into the WCSB with the a farm-in on lands located in southern Saskatchewan.

Risks:

While this is not an exhaustive list, we view the following risks as being noteworthy to investors in Alvopetro Energy Ltd:

PRODUCTION CONCENTRATION RISK: In the near term, nearly all of Alvopetro's production will be derived from the Caburé natural gas field. Any production disruptions caused by natural disasters, labour strikes, or unscheduled maintenance of production facilities, or reservoir performance could impact the company's ability to achieve our targets and potentially impact valuation.

CABURE UNIT REDETERMINATION: On April 5, 2024, ALV announced that the independent expert appointed to determine the unit interest split in the Caburé field ruled in favor of the Company. Consequently, ALV's interest in the Caburé Unit increased to 56.2% from the previous 49.1%, effective June 1, 2024. Alvopetro's partner is disputing the redetermination result, and the full arbitration process is ongoing.

NATURAL GAS PRICE: ALV's natural gas production is sold according to a long-term gas sales agreement and is set quarterly and is tied to Brent oil and Henry Hub natural gas prices. The price is then converted to a Brazilian Real ("BRL") denominated natural gas price. A significant drop in commodity prices could have a material impact on our valuation.

EXCHANGE RATE RISK | Alvopetro an international company, is exposed to currency fluctuations including the Brazilian real, the US dollar and Canadian dollar.

EXPLORATION RISK | Alvopetro has an active exploration/appraisal program. The exploration for, and production of, hydrocarbons is a highly speculative activity which involves a high degree of risk. Exploration failure could have a material impact on our valuation.

POLITICAL RISK | Alvopetro is an international oil and natural gas exploration and production with primary activities in Brazil and Canada and as a result is subject to political risks. The government extensively regulates the energy industry, with influence over exploration and production activities, prices, taxes, royalties and export restrictions. New regulations or modifications to existing regulations could adversely impact the company's profitability.

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A Research Capital employee visited Gladiator Metals operations during the week of June 15, 2026.

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