ALVOPETRO ENERGY LTD.

ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2013

DATED APRIL 22, 2014

TABLE OF CONTENTS

DEFINITIONS AND ABBREVIATIONS

Unless the context indicates otherwise, the following terms shall have the meanings set out below when used in this Annual Information Form. Certain other terms and abbreviations used herein, but not defined herein, are defined in NI 51-101 or the COGE Handbook and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101 or the COGE Handbook.

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9;

"**AIF**" or "**Annual Information Form**" means this annual information form;

"**Alvopetro**" or the "**Corporation**" means Alvopetro Energy Ltd., a corporation existing under the laws of the Province of Alberta;

"**ANP**" means Agência Nacional do Petróleo, Gás Natural e Biocombustíveis, or National Agency of Petroleum, Natural Gas and Biofuels, an agency of the Brazilian government;

"**Arrangement**" means the arrangement pursuant to Section 193 of the ABCA involving Petrominerales, Pacific Rubiales Energy Corp., Alvopetro and the shareholders of Petrominerales;

"**Board**" or "**Board of Directors**" means the board of directors of Alvopetro as it may be comprised from time to time;

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum;

"**Common Shares**" means the common shares in the capital of Alvopetro;

"**NI 51-101**" means National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*;

"**Petrominerales**" means Petrominerales Ltd.;

"**Shareholders**" means the holders from time to time of Common Shares, collectively or individually, as the context requires;

"**Sproule Report**" means the independent engineering report dated March 31, 2014 and effective December 31, 2013 prepared by Sproule evaluating the oil, NGLs and natural gas reserves attributable to the Corporation;

"**Sproule**" means Sproule International Limited, independent oil and natural gas reservoir engineers;

"**Tax Act**" means the *Income Tax Act*, R.S.C. 1985, c.1 (5th Supp.) and the regulations made thereunder, as now in effect and as they may be promulgated or amended from time to time;

"**TSXV**" means the TSX Venture Exchange; and

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders. All dollar amounts set forth in this Annual Information Form are in Canadian dollars, except where otherwise indicated.

ABBREVIATIONS AND CONVERSION

In this Annual Information Form, the abbreviations set forth below have the following meanings:

Oil and Natural Gas Liquids

Bbl	barrel
Bbls	barrels
Mbbls	thousand barrels
MMbbls	million barrels
Mstb	1,000 stock tank barrels
Bbls/d	barrels per day
BOPD	barrels of oil per day
NGL	natural gas liquids

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
MMBTU	million British Thermal Units
Bcf	billion cubic feet
GJ	gigajoule

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls	6.293
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.50
Gigajoules	MMbtu	0.950
MMbtu	Gigajoules	1.0526

Other

°API	an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28° API or higher is generally referred to as light crude oil
BOE	barrel of oil equivalent on the basis of 1 BOE to 6 Mcf of natural gas
BOE/d	barrel of oil equivalent per day
m^3	cubic metres
MBOE	1,000 barrels of oil equivalent
$	Canadian dollars
R$	Brazilian real
US$	U.S. or United States dollars

NON-GAAP MEASURES

This AIF contains the term "netback" which is not defined by the International Financial Reporting Standards ("**IFRS**") and therefore may not be comparable to performance measures presented by others. In this AIF, "netback" is calculated by deducting royalties and production taxes paid and production costs, including transportation costs, from prices received, excluding the effects of hedging. Management believes that in addition to net income, netbacks are a useful supplemental measure as they assist in the determination of the Corporation's operating performance. Readers should be cautioned, however, that this measure should not be construed as an alternative to both net income and net cash from (used in) operating activities, which are determined in accordance with IFRS, as indicators of the Corporation's performance.

NOTES ON RESERVES DATA AND OTHER OIL AND NATURAL GAS INFORMATION

Caution Respecting Reserves Information

The determination of oil and natural gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved and probable reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery. The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

The recovery and reserve estimates of oil, NGL and natural gas reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein. The estimated future net revenue from the production of the Corporation's natural gas and petroleum reserves does not represent the fair market value of the Corporation's reserves.

Caution Respecting BOE

In this AIF, the abbreviation BOE means barrel of oil equivalent on the basis of 1 BOE to 6 Mcf of natural gas when converting natural gas to BOEs. **BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf to 1 BOE is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio of oil compared to natural gas based on currently prevailing prices is significantly different than the energy equivalency conversion ratio of 6 Mcf to 1 BOE, utilizing a conversion ratio of 6 Mcf to 1 BOE may be misleading as an indication of value.**

Definitions

Certain terms used in this AIF in describing reserves and other oil and natural gas information are defined below. Certain other terms and abbreviations used in this AIF, but not defined or described, are defined in NI 51-101 or the COGE Handbook and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101 or the COGE Handbook.

Reserves

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on: (a) analysis of drilling, geological, geophysical and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates as follows:

"**proved reserves**" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"**probable reserves**" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

The qualitative certainty levels referred to in the definitions above are applicable to "individual reserves entities" (which refers to the lowest level at which reserves calculations are performed) and to "reported reserves" (which refers to the highest-level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and

- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

Each of the reserves categories (proved and probable) may be divided into developed and undeveloped categories as follows:

"**developed reserves**" are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (e.g., when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing as follows:

"**developed producing reserves**" are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

"**developed non-producing reserves**" are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

"**undeveloped reserves**" are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Interests in Reserves, Production, Wells and Properties

"**gross**" means: (a) in relation to an issuer's interest in production or reserves, its "company gross reserves", which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the issuer; (b) in relation to wells, the total number of wells in which an issuer has an interest; and (c) in relation to properties, the total area of properties in which an issuer has an interest.

"**net**" means: (a) in relation to an issuer's interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interests in production or reserves; (b) in relation to an issuer's interest in wells, the number of wells obtained by aggregating the issuer's working interest in each of its gross wells; and (c) in relation to an issuer's interest in a property, the total area in which the issuer has an interest multiplied by the working interest owned by the issuer.

"**working interest**" means the percentage of undivided interest held by an issuer in the oil and/or natural gas or mineral lease granted by the mineral owner, which interest gives the issuer the right to "work" the property (lease) to explore for, develop, produce and market the leased substances.

Description of Exploration and Development Wells and Costs

"**development costs**" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the crude oil and natural gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to: (a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves; (b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly; (c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and (d) provide improved recovery systems.

"**development well**" means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

"**exploration costs**" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and natural gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as "prospecting costs") and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are: (a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as "geological and geophysical costs"); (b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records; (c) dry hole contributions and bottom hole contributions; (d) costs of drilling and equipping exploratory wells; and (e) costs of drilling exploratory type stratigraphic test wells.

"**exploration well**" means a well that is not a development well, a service well or a stratigraphic test well.

"**service well**" means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion.

"**stratigraphic test well**" means a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily, such wells are drilled without the intention of being completed for hydrocarbon production. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as: (a) "exploratory type" if not drilled into a proved property; or (b) "development type", if drilled into a proved property. Development type stratigraphic wells are also referred to as "evaluation wells".

FORWARD-LOOKING STATEMENTS

Certain statements or disclosures contained in this Annual Information Form constitute forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Such forward-looking statements included in this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form.

In particular, this Annual Information Form may contain forward-looking statements and information pertaining to the following:

- the performance characteristics of the Corporation's oil and natural gas properties;
- oil and natural gas production levels;
- the size of the oil and natural gas reserves of the Corporation and anticipated future cash flows from such reserves;
- projections of market prices and costs;
- supply and demand for oil and natural gas;
- expectations regarding the ability to raise capital and to continually add to reserves through acquisitions and development;
- estimated abandonment and reclamation costs;
- the impact of governmental controls and regulations on Alvopetro's operations;
- Alvopetro's competitive advantages and ability to compete successfully;
- Alvopetro's expectations regarding the development and production potential of its properties;
- expectations with respect to the expiration of rights to explore, develop and exploit Alvopetro's properties;

- intentions with respect to compliance with environmental requirements;
- community initiatives and relationships of Alvopetro;
- intentions with respect to the implementation of programs that support an environmental management system and attempts to manage and mitigate the environmental impact of Alvopetro's operations;
- treatment under governmental regulatory regimes and tax and royalty laws; and
- capital expenditure programs, the allocation of such capital and the timing thereof.

With respect to forward looking statements contained in this Annual Information Form, the Corporation has made assumptions regarding:

- oil and natural gas production levels;
- the success of the Corporation's operations and exploration and development activities;
- prevailing weather conditions, commodity prices and exchange rates;
- the availability of labour, services and drilling equipment;
- the availability of capital to fund planned expenditures;
- the timing and amount of capital expenditures;
- compliance with and liabilities under environmental laws and regulations;
- general economic and financial market conditions;
- the ability of the Corporation to secure necessary personnel, equipment and services;
- government regulation in the areas of taxation, royalty rates and environmental protection; and
- the success of exploration and development activities.

The actual results, performance or achievements of the Corporation may differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- volatility in market prices for oil and natural gas;
- volatility in exchange rates;
- liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- inability to secure labour, services or equipment on a timely basis or on favourable terms;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- unfavourable weather conditions;
- the impact of competition;
- failure to obtain required approvals and permits from regulatory authorities;
- impacts relating to general economic conditions in Canada, Brazil, the United States, and global markets;
- failure to obtain industry partners and other third party consents and approvals when required;
- the impact of amendments to applicable tax legislation, including the Tax Act and Brazilian tax legislation on Alvopetro;
- ability to monetize hydrocarbons;
- changes in or the introduction of new government regulations, in particular related to hydraulic fracturing and stimulation, relating to Alvopetro's business;
- the uncertainty of Alvopetro's ability to attract debt or equity capital when necessary;
- incorrect assessments of the value of acquisitions and exploration and development programs;
- geological, technical, drilling, completion and processing challenges;
- ability to manage expiries and other commitments and to successfully obtain extensions or approvals from the ANP as may be needed to manage our assets;
- the outcome of litigation brought against the Corporation or other disputes involving the Corporation;
- changes in legislation, including changes in tax laws and incentive programs relating to the oil and gas industry; and
- the other factors discussed under the heading "Risk Factors".

Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement. The Corporation does not undertake any obligation to publicly update or revise any forward-looking statements other than as required under applicable securities laws.

ALVOPETRO ENERGY LTD.

Introduction

Alvopetro is a resource company engaged in the exploration for, and the acquisition, development and production of, hydrocarbons in the Recôncavo, Tucano, Camamu-Almada and Sergipe-Alagoas basins in onshore Brazil. Alvopetro currently carries on the exploration, evaluation and development of hydrocarbons in three producing fields and 16 exploration blocks comprising 148,500 gross acres onshore Brazil.

On December 4, 2013, Alvopetro was listed on the TSXV under the symbol “ALV” and on December 5, 2013, the Common Shares commenced trading.

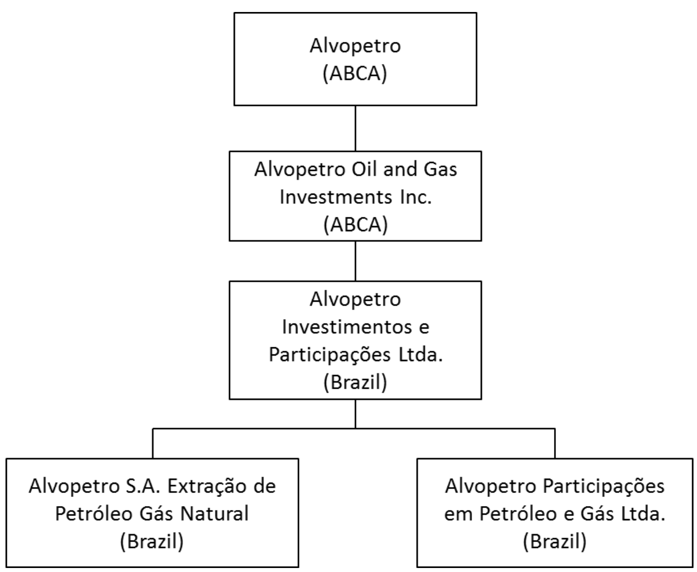
Name, Address and Incorporation

Alvopetro was incorporated under the ABCA on September 25, 2013 as “1774501 Alberta Ltd.” On November 19, 2013, Alvopetro amended its articles to change its name to “Alvopetro Energy Ltd.” On January 1, 2014 the Corporation amalgamated with 1765823 Alberta Ltd., a wholly-owned subsidiary, by way of articles of amalgamation and continued under the name “Alvopetro Energy Ltd.”

The principal business office of Alvopetro is located at Suite 1175, 332 6th Ave. S.W., Calgary, Alberta, T2P 0B2 and the registered office of Alvopetro is located at Suite 4000, 420 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9.

Intercorporate Relationships

The organizational structure of Alvopetro is as set out below. Alvopetro holds a 100% voting interest, either directly or indirectly, in each of its subsidiaries.



GENERAL DEVELOPMENT OF THE BUSINESS

History

Alvopetro was incorporated under the ABCA on September 25, 2013 as "1774501 Alberta Ltd." for the sole purpose of participating in the Arrangement between Alvopetro, Pacific Rubiales Energy Corp., Petrominerales and the shareholders of Petrominerales.

The Arrangement was completed on November 28, 2013. Under the terms of the Arrangement, Pacific Rubiales Energy Corp. acquired all of the outstanding shares of Petrominerales and the then shareholders Petrominerales received, for each share of Petrominerales held, $11.00 in cash and one Common Share.

On November 28, 2013, Alvopetro also announced that it had successfully bid on and was awarded four additional exploration blocks in the 12th Brazil Bid Round, administered by the ANP. Each of these four awarded blocks are located the Recôncavo Basin, in the state of Bahia, onshore Brazil.

With the closing of the Arrangement, Alvopetro became a standalone resource company holding all of the Brazilian assets owned by Petrominerales prior to closing of the Arrangement, which consisted of three producing fields and 16 exploration blocks of 148,500 gross acres onshore Brazil.

DESCRIPTION OF THE BUSINESS

Business

Alvopetro is engaged in the exploration for, and the acquisition, development and production of, hydrocarbons in the Recôncavo, Tucano, Camamu-Almada and Sergipe-Alagoas basins onshore Brazil. Alvopetro holds interests in three producing fields and 16 exploration blocks comprising 148,500 gross acres onshore Brazil. Alvopetro intends to develop producing hydrocarbons by appraising and developing existing discoveries and exploring in areas considered by management to be prospective for hydrocarbon resources. Alvopetro's primary target in the Recôncavo Basin is the Gomo member of the Candeias Formation, which is a mature source rock for the basin and contains prospective reservoir sands.

Strategy

Alvopetro's vision is to be the premier independent exploration and production company in Brazil, maximizing shareholder value by being the lowest cost operator and applying innovation to underexploited opportunities. Alvopetro aims to implement a large-scale, repeatable, low-risk, multi-well development program, utilizing advanced technology and completion techniques. Alvopetro's strong financial position, along with our experienced team of professionals, and highly prospective land base, will enable us to efficiently develop our resource opportunities.

Our activities are targeting mature fields, shallow conventional exploration, and the Gomo member of the Candeias Formation in the Recôncavo Basin. Supporting our strategy, Alvopetro's experienced team brings developed basin expertise to Brazil's underexploited resource opportunities and efficient, cost-effective and innovative operating capabilities.

Competitive Conditions

The oil and gas industry is highly competitive. Competition is particularly intense in the acquisition of prospective oil and gas properties and reserves. Alvopetro's competitive position depends on its geological, geophysical and engineering expertise, its financial resources and its ability to efficiently acquire and develop its reserves. Alvopetro competes with a substantial number of other companies having larger technical staffs and greater financial and operational resources.

In Brazil particularly, Petrobras dominates the majority of the industry, including all aspects of oil and gas exploration, development, transportation and sales. Petrobras, and many other companies in Brazil, not only engage in the acquisition, exploration, development and production of oil and gas reserves, but also carry on refining operations and market refined products. Alvopetro competes with Petrobras, other major and independent oil companies, and other industries supplying energy and fuel, in the marketing and sale of oil and gas to transporters, distributors and end users, including industrial, commercial and individual consumers. Due to Petrobras' position in all aspects of Brazil's energy market, Alvopetro may encounter challenges with respect to transporting and marketing crude oil and natural gas. Access to pipelines and other transportation infrastructure may limited or the terms or which such access is provided may not be favourable.

Alvopetro also competes with other oil and gas companies in attempting to secure drilling rigs and other equipment necessary for drilling and completion of wells. Such equipment may be in short supply from time to time. In addition, equipment and other materials necessary to construct production and transmission facilities may be in short supply from time to time. Finally, companies not previously investing in the oil and gas industry may choose to acquire reserves providing additional competition for Alvopetro. Alvopetro believes it is well positioned to succeed in the current economic climate in which it operates.

Specialized Skill and Knowledge

Exploration for and development of petroleum resources requires specialized skills and knowledge, including in the areas of petroleum engineering, geophysics, and geology. Alvopetro's management team has the required specialized skills and knowledge to carry out Alvopetro's operations. While the current labour market in the industry is highly competitive, Alvopetro expects to be able to attract and retain appropriately qualified employees during 2014 and our current staffing levels are sufficient to support higher levels of operations without significant staff additions.

Cycles

Alvopetro's business is not seasonal, except to the extent that forecast weather may determine the timing of operations and weather delays may affect the speed of completion of operations. Alvopetro's revenues are generally reliant on international commodity prices, which are partially affected by seasonality.

Oil prices vary in line with international prices, for which there have been, in past years, seasonal highs in the summer months (for the U.S. driving season) and in the winter months (for the northern hemisphere heating oil season).

Employees

Alvopetro has appointed four officers who are employed by Alvopetro. Alvopetro and its subsidiaries employ 39 employees and 4 consultants, of which 29 employees are based in Brazil. Alvopetro may require additional employees and third-party consultants and contractors.

Foreign Operations

All of Alvopetro's operations are in foreign jurisdictions. International operations are subject to political, economic and other uncertainties, including but not limited to, risk of terrorist activities, revolution, border disputes, expropriation, nationalization of assets by the Brazilian government, renegotiations or modification of existing contracts, import, export and transportation regulations and tariffs, taxation policies, including royalty and tax increases and retroactive tax claims, exchange controls, limits on allowable levels of production, currency fluctuations, labour disputes and other uncertainties arising out of foreign government sovereignty over Alvopetro's international operations. Alvopetro's operations may also be adversely affected by applicable laws and policies of Brazil which could have a negative impact on Alvopetro.

Environment, Health and Safety Policies and Procedures

Alvopetro's main environmental strategies include the preparation of comprehensive environmental impact assessments and assembling project-specific environmental management plans. Alvopetro encourages local community engagement in environmental planning in order to create a positive relationship between our business, our stakeholders and those who are impacted by our business.

Alvopetro is committed to meeting its responsibilities to protect the environment wherever it operates and will take such steps as required to ensure compliance with environmental legislation. Monitoring and reporting programs for environment, health and safety ("**EH&S**") performance in day-to-day operations, as well as inspections and assessments, are designed to provide assurance that environmental and regulatory standards are met. Alvopetro maintains an active comprehensive integrity monitoring and management program for surface piping, facilities, and storage tanks. Contingency plans are in place for a timely response to an environmental event and abandonment, remediation and reclamation programs are in place and utilized to restore the environment. Alvopetro performs a detailed due diligence review as part of acquisition processes to determine whether the acquired assets are in compliance with regulatory and environmental requirements and assesses any liabilities with respect thereto.

Management of Alvopetro are responsible for reviewing Alvopetro internal control systems in the areas of health, safety and environment and strategies and policies regarding health, safety and the environment, including Alvopetro's emergency response plan. Management of Alvopetro reports to the Board on a quarterly basis with respect to EH&S matters, including: (i) compliance with all applicable laws, regulations policies with respect to EH&S; (ii) emerging trends, issues and regulations related to EH&S that are relevant to Alvopetro; (iii) the findings of any significant report by regulatory agencies, external EH&S consultants or auditors concerning performance in EH&S; (iv) any necessary corrective measures taken to address issues and risks with regards to performance in the areas of EH&S that have been identified by management, external auditors or by regulatory agencies; and (v) the results of any review with management, outside accountants, external consultants and legal advisors of the implications of major corporate undertakings such as the acquisition or expansion of facilities or decommissioning of facilities.

Trends in Environmental Regulation

Alvopetro believes that it is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue. Alvopetro anticipates increased capital and operating expenditures as a result of increasingly stringent laws relating to the protection of the environment. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, the development or exploration activities, or otherwise adversely affect Alvopetro's financial condition, capital expenditures, results of operations, competitive position or prospects.

Community Relations

Alvopetro has developed a series of policies and practices that complement basic community responsibilities as a development tool for communities surrounding Alvopetro's operations.

Alvopetro's corporate social responsibility strategy is based on the following main principles:

- creating local employment opportunities, both within the oil industry and within existing local industries, to contribute to maintaining a positive relationship in and around Alvopetro's operations;

- providing education and training programs to strengthen local community relationships, identify new markets for local goods and services, and reduce dependence on industry support;

- engaging communities in studies and processes related to environmental management by combining Alvopetro's expertise with local knowledge; and

- maintaining our consistent commitment to demonstrating our ethics and focus on sustainability, in all of our interactions with stakeholders.

PRINCIPAL PROPERTIES

As at December 31, 2013, Alvopetro held interests in three producing fields and 16 exploration blocks comprising 148,500 gross acres onshore Brazil in four hydrocarbon basins: the Recôncavo, Tucano, Camamu-Almada and Sergipe-Alagoas.

Recôncavo Basin

The Recôncavo Basin is a 10,200 square kilometre onshore basin, centred 85 kilometres north of the City of Salvador in northeast Brazil, in the province of Bahia. Oil production in Brazil first began in the Recôncavo Basin in 1939. To date, over 6,600 wells have been drilled in the Basin, with reported cumulative production exceeding 1.5 billion barrels of light oil from 86 fields. Current production is reported to be over 60,000 barrels of oil equivalent per day. The majority of the basin's production comes from the Sergi, Agua Grande, Candeias and Marfim Formations at measured depths from 315 to 1,975 metres. As a result, the basin has a well-developed infrastructure network with the presence of an active and established service sector.

The main source rock in the Recôncavo Basin is the Gomo member of the Candeias Formation. The main lithology of the Gomo are shales but contained within the shales are reservoir quality sandstone units that are indicated to be oil saturated. Drill depths to the target Gomo sandstones range from 2,500 to 3,500 metres measured depth. As of the date of this Annual Information Form, 14 wells have been drilled by other operators on Alvopetro's blocks in the basin that have calculated net pay in the Gomo reservoirs. The Gomo net pay calculated on these blocks have typically ranged between 10 and 118 metres, averaging 36 metres with porosities up to 12 percent. Oil quality typically ranges between 34 and 38 degrees API.

Producing Fields

Alvopetro's current producing asset in the Recôncavo Basin is the mature Bom Lugar field, consisting of 2,238 gross acres, and having an average daily production for the year ended December 31, 2013 of 33 bbls/d. The field consists of two producing wells and one active water disposal (injector) well. The field has a production battery which is equipped with testing, water separation and trucking facilities. The battery is connected to one producing well and the one injection well.

In 2013, Alvopetro completed two workovers in Bom Lugar, one in September, 2013 and the second in December, 2013. Alvopetro plans to drill up to four wells in our Bom Lugar field, the first location expected to be drilled in 2014, and with success we have identified up to three additional locations to be drilled in 2014 and 2105.

Exploration Blocks

The current exploration assets in the Recôncavo Basin consist of Blocks 131, 132, 144, 157, 182, 196, 197, 183, 170, 106, 107, 169, 198, 255 and 256.

9th Brazil Bid Round

Block 131 was awarded in the 9th Brazil Bid Round in 2007. Work completed to date includes 27.6 km^2 of 3D seismic and 70 km of 2D seismic. Management interprets this block to have Gomo potential and conventional reservoir potential. Alvopetro expects to drill one well on this block in 2015 or 2016. Management believes that shale diapirs present on this block provide additional trapping opportunities.

Block 132 was awarded in the 9th Brazil Bid Round. Work completed to date includes 48.6 km^2 of 3D seismic. Management's primary objective of this block are shallow conventional targets. One well is planned for this block in 2015 or 2016. Management believes that shale diapirs present on this block provide additional trapping opportunities.

Block 144 was awarded in the 9th Brazil Bid Round. Work completed to date includes 20.5 km^2 of 3D seismic and 100 km of 2D seismic. Management interprets this Block to have Gomo potential and one well is planned on this block 2015 or 2016. Management believes that shale diapirs present on this block provide additional trapping opportunities.

Block 157 was awarded in the 9th Brazil Bid Round. Work completed to date includes 22.7 km^2 of 3D seismic and 185 km of 2D seismic. One well is planned for this Block in 2015 or 2016. Management believes that shale diapirs present on this block provide additional trapping opportunities and interprets this block to have Gomo potential.

Block 182 was awarded in the 9th Brazil Bid Round. Work completed to date includes 20.9 km^2 of 3D seismic and 5.9 km of 2D seismic and one exploration well that was drilled to 1,400 metres depth on the boundary of Block 182 and Block 196 in November, 2012. This well qualified as an earning work commitment for Block 182. Management interprets this block to have shallow conventional oil and gas potential in addition to Gomo potential.

Block 196 was awarded in the 9th Brazil Bid Round. Work completed to date includes 23.5 km^2 of 3D and 2.9 km of 2D seismic and one exploration work commitment well which was drilled in November of 2012 on the boundary of Block 182 and Block 196, as discussed above.

Block 197 was awarded in the 9th Brazil Bid Round. Alvopetro has completed 5.9 km^2 of 3D seismic and 122.3 km of 2D seismic. Alvopetro completed drilling our first well on this block in April, 2014 and plans to complete a multi-zone testing program. One additional surface location is licensed and two additional locations are being permitted to allow for accelerated development activity, dependent on the results from our testing program. Alvopetro expects to drill up to three wells on Block 197 during 2014 and 2015.

Block 183 was awarded in the 9th Brazil Bid Round. This Block was acquired through a farm-in agreement with a third party signed in May 2013 for consideration of approximately US$0.6 million. Alvopetro plans to drill one well on this block in 2014.

Block 170 was awarded in the 9th Brazil Bid Round. We plan to drill one well on this block in 2015. Alvopetro owns a 50% working interest in this block to the base of the Caruaçu member of the Maracangalha Formation, and a 90% working interest in deeper zones (which includes the Gomo member of the Candeias Formation). Alvopetro acquired Block 170 by way of farm-in agreement, pursuant to which we: (i) purchased US$0.7 million in well equipment from the farmor; and (ii) committed to carrying the farmor for 100% of the drilling and casing costs for one exploration well that penetrates the formation below the Caruaçu member of the Maracangalha Formation. Management believes that shale diapirs present on this block provide additional trapping opportunities and interprets this block to have Gomo potential.

Alvopetro has applied to the ANP for an extension to the phase expiry deadline for our 9th Brazil Bid Round blocks with phase commitment deadlines in 2014. While we expect such extension to be granted, the Company cannot guarantee that the ANP will grant the extension requested and may be adversely affected.

11th Brazil Bid Round

Blocks 106 and 107 were acquired in the 11th Brazil Bid Round in 2013. These Blocks are adjacent to Alvopetro's Bom Lugar oil field and management interprets potential in the Gomo on these blocks. On block 106, Alvopetro has a commitment to acquire 11km^2 of 3D seismic by August, 2016. In 2014, Alvopetro plans to evaluate geological and geophysical information on these blocks to develop exploration targets, and subject to that evaluation, we expect to drill two wells on Block 107 between 2015 and 2016. In addition to resource potential of the Gomo, these blocks have the Caruaçu and Agua Grande present as secondary targets.

12th Brazil Bid Round

Blocks 169, 198, 255 and 256 were each awarded to Alvopetro in the 12th Brazil Bid Round in 2013. The applicable concession contracts are expected to be signed in May 2014. All four blocks are located in Sector SREC-T4 of the Recôncavo Basin and all four blocks have an initial three year exploratory phase. Alvopetro's first phase work commitment on each block consists of one well on Block 169, one well on Block 198, one well plus the acquisition of 20 kilometres of 2D seismic for Block 255 and the acquisition of 27 kilometres 2D seismic for Block 256.

Tucano Basin

The Tucano Basin, also in the state of Bahia, extends north and west of, and shares the same depositional history and stratigraphy as the Recôncavo Basin. The Tucano Basin is separated from the Recôncavo Basin by the Aporá high, where the sedimentary cover thins significantly or disappears entirely.

Exploration Blocks

Alvopetro's interests in this basin include Block 177, a large, 46,505 acre block located on the southern edge of the Tucano Basin.

Block 177 was acquired in the 11th Brazil Bidding Round of 2013. Block 177 is in the up dip position in the Tucano Basin adjacent to the Recôncavo Basin. Management believes that mapping indicates the presence of several large closed structures. Management believes the contact depth is the Sergi formation with drill depths expected to range from 700 metres to less than 2,000 metres. Alvopetro's first phase work commitment consists of drilling one well and the acquisition of seismic. Alvopetro plans to begin permitting this seismic program in 2014.

Camamu-Almada Basin

The 22,900 square kilometre Camamu-Almada Basin is located in the southern portion of the coast of Bahia State approximately 30 kilometres west-south-west of the city of Salvador. The basin is separated to the north from the Recôncavo Basin by the Itapoã and Barra transfer zone. The main reservoir unit are sandstones of the Morro do Barro formation which is also the mature source rock. Oil and gas has also been discovered in the Sergi and Rio de Contas formations. Management believes oil and gas are trapped structurally against these faults.

Producing Field

Alvopetro holds interests in the Camamu-Almada Basin in the Jiribatuba mature field of 563 gross acres and having an average daily production for the year ended December 31, 2013 of 2 bbls/d. The Jiribatuba mature field produces from the Sergi formation, which consists of one producing well, one shut-in well and one active water disposal (injector) well. The producing wells and injector are flow line connected to a production battery which is equipped with testing, water separation and trucking facilities. Alvopetro is reviewing its plans with respect to the Jiribatuba mature field and may pursue a field re-activation, workovers or the drilling of a well.

Sergipe-Alagoas Basin

The Sergipe-Alagoas Basin is an onshore and offshore basin located approximately 300 kilometres northeast of Salvador.

Non-Producing Field

Alvopetro's interest consist of the onshore Aracaju field, a 1,418 acre block located on the northern edge of the City of Aracaju. The assets consist of two suspended producing wells, one abandoned well, and one active water disposal (injector) well. The production battery is equipped with a testing tank, water separation and trucking facilities. Alvopetro plans to review its strategy with respect to the Aracaju mature field and may pursue a field re-activation.

STATEMENT OF RESERVES DATA

In accordance with NI 51-101, Alvopetro engaged Sproule to prepare the Sproule Report. The Sproule Report evaluated the oil, NGL and natural gas reserves attributable to Alvopetro's Bom Lugar, Jiribatuba and Aracaju mature fields as at December 31, 2013. The Sproule Report is dated March 31, 2014. Our recently drilled 1ALV5BA well on Block 197 was not evaluated as part of our year-end 2013 independent reserves evaluation.

The tables below are a summary of the oil, NGL and natural gas reserves attributable to the properties of the Corporation and the net present value of future net revenue attributable to such reserves as evaluated in the Sproule Report based on forecast price and cost assumptions. The tables summarize the data contained in the Sproule Report and, as a result, may contain slightly different numbers than such report due to rounding. Also due to rounding, certain columns may not add exactly.

The net present value of future net revenue attributable to reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures and well abandonment costs for only those wells assigned reserves by Sproule. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to reserves estimated by Sproule represent the fair market value of those reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. The recovery and reserve estimates of oil, NGL and natural gas reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein.

The Sproule Report is based on certain factual data supplied by the Corporation and Sproule's opinion of reasonable practice in the industry. The extent and character of ownership and all factual data pertaining to petroleum properties and contracts (except for certain information residing in the public domain) were supplied by the Corporation to Sproule. Sproule accepted this data as presented and neither title searches nor field inspections were conducted.

Disclosure of Reserves Data

Summary of Oil and Gas Reserves – Forecast Prices and Costs

	Gross Reserves Light and Medium Crude Oil (bbls)	Net Reserves Light and Medium Crude Oils (bbls)
Proved		
Proved Developed Producing	45,515	42,815
Total Proved	**45,515**	**42,815**
Probable	713,454	670,930
Total Proved plus Probable	**758,969**	**713,745**

Net Present Value of Future Net Revenue – Forecast Prices and Costs (US$) (1)(2)

	Before Future Income Tax Expenses and Discounted at				
	Undiscounted	**5%**	**10%**	**15%**	**20%**
Proved					
Proved Developed Producing	1,465,857	1,383,550	1,310,980	1,246,766	1,189,717
Total Proved	**1,465,857**	**1,383,550**	**1,310,980**	**1,246,766**	**1,189,717**
Probable	37,500,514	27,925,309	21,514,675	17,004,559	13,700,567
Total Proved plus Probable	**38,966,371**	**29,308,860**	**22,825,655**	**18,251,325**	**14,890,284**

	After Future Income Tax Expenses and Discounted at				
	Undiscounted	**5%**	**10%**	**15%**	**20%**
Proved					
Proved Developed Producing	1,369,565	1,297,964	1,234,168	1,177,238	1,126,305
Total Proved	**1,369,565**	**1,297,964**	**1,234,168**	**1,177,238**	**1,126,305**
Probable	35,814,062	26,663,115	20,521,916	16,194,983	13,022,393
Total Proved plus Probable	**37,183,627**	**27,961,080**	**21,756,084**	**17,372,221**	**14,148,699**

Notes:

(1) Gross reserves means the total working interest share of remaining recoverable reserves owned by Alvopetro before deductions of royalties payable to others and without including any royalty interests owned by Alvopetro.

(2) Based on Sproule's December 31, 2013 escalated price forecast.

	Unit Value Before Income Tax Discounted at 10%(1) (US$/BOE)
Proved	
Proved Developed Producing	30.60
Total Proved	**30.60**
Total Probable	**32.10**
Total Proved Plus Probable	**32.00**

Notes:

(1) Unit values are based on net reserve numbers.

Additional Information Concerning Future Net Revenue (Undiscounted) – Forecast Prices and Costs

(Undiscounted)	**Revenue (US$)**	**Royalties And Other Burdens (US$)**	**Operating Costs (US$)**	**Develop-ment Costs (US$)**	**Well Abandon-ment and Other Costs (US$)**	**Future Net Revenue Before Income Taxes (US$)**	**Future Income Taxes (US$)**	**Future Net Revenue After Income Taxes (US$)**
Total Proved	4,499,892	430,704	2,491,800	-	111,531	1,465,857	96,292	1,369,565
Total Proved plus Probable	78,408,666	7,524,300	22,133,131	9,345,000	439,864	38,966,371	1,782,744	37,183,627

Future Net Revenue by Production Group – Forecast Prices and Costs

	Future Net Revenue Before Income Taxes Discounted at 10%(2) (US$)	**Per Unit Future Net Revenue Before Income Taxes Discounted at 10%(2)** (US$/BOE)
Proved		
Light and Medium Crude Oil(1)	1,310,980	30.6
Proved plus Probable		
Light and Medium Crude Oil(1)	22,825,655	32.0

Notes:
(1) Including solution gas and associated by-products.
(2) Based on net reserves volumes.

Pricing Assumptions – Forecast Prices and Costs

Sproule employed the following pricing, exchange rate and inflation rate assumptions as of December 31, 2013 in the Sproule Report in estimating reserves data using forecast prices and costs.

Year	**Sproule Forecast Brent Oil @ 38° API (US$/Bbl)**	**Inflation (%/Yr)**	**Exchange rate ($US/$)**
2013 Actual	108.52	0.8	0.97
2014	108.06	1.5	0.94
2015	102.73	1.5	0.94
2016	97.42	1.5	0.94
2017	106.14	1.5	0.94
2018	107.73	1.5	0.94
2019	109.34	1.5	0.94

**Escalated at a rate of 1.5% per year thereafter.*

Sproule's oil price forecast in effect on December 31, 2013 for Brent crude formed the basis for the prices used in its evaluation of the Corporation's reserves. For 2013, for the Bom Lugar Field, a negative price offset of US$14.97 per barrel was applied to the Brent crude oil price forecast based on the oil sales contract that is in place. Additionally, a downward quality adjustment of US$ 0.12 per barrel was applied, with the discount reduced by a gross up for certain taxes of approximately 9.25 percent of the sales price. For both the Jiribatuba and Aracaju fields, a five percent discount from the Brent crude price forecast was applied based on the oil sales contract in place.

Weighted Average Historical Price (Brent) of US$108.52/Bbl was used for the year December 31, 2013. The exchange rate of 2.3624 R$/US$ and 0.94 US$/CAD$ was used in the reserves evaluation.

Reconciliation of Changes in Reserves

The following table summarized the changes in Gross Reserves from September 30, 2013 to December 31, 2013.

Factors	**Gross Proved** Light and Medium Crude Oil (bbls)	**Gross Probable** Light and Medium Crude Oil (bbls)	**Gross Proved plus Probable** Light and Medium Crude Oil (bbls)
September 30, 2013	**39,890**	**698,478**	**738,368**
Extensions	-	-	-
Improved Recovery	-	-	-
Technical Revisions	9,908	14,976	24,884
Discovers	-	-	-
Acquisitions	-	-	-
Dispositions	-	-	-
Economic Factors	-	-	-
Production	(4,283)	-	(4,283)
December 31, 2013	45,515	713,454	758,969

Additional Information Relating to Reserves Data

Undeveloped Reserves

The following table sets forth the proved undeveloped reserves and the probable undeveloped reserves, each by product type, attributed to our assets:

	Light and Medium Oil, Bbls	
	First Attributed Gross	Booked Gross
Proved Undeveloped		
September 30, 2013	-	-
December 31, 2013	-	-
Probable Undeveloped		
September 30, 2013	639,880	639,880
December 31, 2013	-	649,450

Significant Factors or Uncertainties Affecting Reserves Data

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions.

As circumstances change or additional data becomes available, reserve estimates can change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential process. As a result, subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and natural gas prices and reservoir performance. Such revisions can be either positive or negative.

Future Development Costs

The table below sets out the total development costs deducted in the estimation in the Sproule Report of future net revenue attributable to proved reserves and proved plus probable reserves (using forecast prices and costs).

	Forecast Prices and Costs	
US$	**Proved Reserves**	**Proved Plus Probable Reserves**
2014	-	6,300,000
2015	-	3,045,000
2016	-	-
2017	-	-
2018	-	-
Remaining Years	-	-
Total Undiscounted	**-**	**9,345,000**

Alvopetro will have numerous sources of funding available to finance future development costs, including significant cash on hand, internally generated cash flow from operations, debt financing and equity financing. Alvopetro expects to fund short and medium term development primarily through the initial capital received in connection with the Arrangement, but may rely, to some extent, on debt financing or equity financing by issuing additional Common Shares depending on prevailing commodity prices, market conditions, the desirability of accelerating Alvopetro's capital expenditure program and the availability of financing on favourable terms. The cost of the potential debt component for funding future development costs is expected to be minimal and to not materially impact the disclosed reserves or future net revenue.

Other Oil and Gas Information

Oil and Gas Properties and Wells

The following table summarizes Alvopetro's wells as at December 31, 2013, which are shut-in or are producing, or which Alvopetro considers to be capable of production:

	Producing	**Shut-in**
Brazil (onshore)		
Oil	3	3
Total	**3**	**3**

Properties with no Attributed Reserves

Effective December 31, 2013, Alvopetro has the 144,280 gross and 143,590 net acres of unproved properties (exploration blocks) in Brazil in which Alvopetro has an interest. None of Alvopetro's rights to explore, develop or exploit will, absent further action, expire within one year, as of December 31, 2013, provided that our application for extensions for certain phase commitments are approved by the ANP.

The chart below sets forth Alvopetro's work commitments with respect to its exploration blocks (unproved properties) in Brazil.

Block	Gross Acres	Exploration Term	Current Phase	Phase Expiry[(1)]	Phase Commitments
131	5,016	3 years + 2 years	2	18-Oct-14	1 exploration well
132	6,301	3 years + 2 years	2	18-Oct-14	1 exploration well
144	4,843	3 years + 2 years	2	18-Oct-14	1 exploration well
157	4,670	3 years + 2 years	2	18-Oct-14	1 exploration well
182	5,239	3 years + 2 years	2	25-Jul-14	1 exploration well
196	5,906	3 years + 2 years	2	25-Jul-14	1 exploration well
197	7,339	3 years + 2 years	2	29-Apr-14	1 exploration well
183	7,740	3 years + 2 years	1	See Note 2	1 exploration well
170	6,914	3 years + 2 years	1	See Note 3	1 exploration well
106	7,759	3 years + 2 years	1	29-Aug-16	11 km^2 of 3D seismic
107	7,561	3 years + 2 years	1	29-Aug-16	2 exploration wells
T-177	46,505	3 years + 2 years	1	29-Aug-16	1 well and 31 km^2 of 3D seismic
169	5,280	3 years + 2 years	1	28-Nov-16	1 exploration well
198	7,739	3 years + 2 years	1	28-Nov-16	1 exploration well
255	7,734	3 years + 2 years	1	28-Nov-16	1 exploration well and 20 km 2D
256	7,734	3 years + 2 years	1	28-Nov-16	27km 2D seismic

Notes:

(1) Alvopetro has applied to the ANP for an extension to the phase deadline for our blocks with commitments in 2014. While we expect such extension to be granted, the Company cannot guarantee that the ANP will grant the extension requested and may be adversely affected.

(2) Block 183 was acquired by Alvopetro pursuant to a farm-in agreement. The phase commitment deadline date for the first phase commitment is expected to be August 1, 2015, however, as this deadline is adjusted by the ANP to provide Alvopetro additional time to complete the commitment to account for regulatory approval of the transfer of the interest from the farmor to the farmee, this phase commitment deadline date is an estimate.

(3) The time for completion of the first phase of commitments on Block 170 will be approximately 18 months after the contract is operative. The contract is currently in suspension, meaning additional time is granted to the Company to complete commitments, pending transfer of environmental permits.

Additional Information Concerning Abandonment and Reclamation Costs

The expected total reserve well abandonment costs, net of reclamation and estimated salvage value, included in the Sproule Report for two net wells under the proved reserves category is US$111,531 undiscounted, of which nil is estimated to be incurred in 2014, 2015 and 2016. Well abandonment costs have been estimated by the Company at US$51,765 per well.

Costs Incurred

The following table summarizes capital expenditures and including capitalized general and administrative expenses related to Alvopetro's activities for the year ended December 31, 2013:

	Year ended December 31, 2013 (US$)
Property Acquisition Costs	
Proved Properties	-
Unproved Properties	-
Exploration Costs	6,491,629
Development Costs	1,217,490
Total	7,709,119

Exploration and Development Activities

During the year ended December 31, 2013, the Corporation completed two workovers, but did not drill any wells during 2013.

Production Estimates

The following table discloses, for each product type, the total volume of production estimated by Sproule in the Sproule Report in the estimates of future net revenue from gross proved and gross proved plus probable reserves disclosed above for 2014.

	Light and Medium Crude Oil (Bbls/d)	**%**
Bom Lugar	36	40%
Jiribatuba	-	-
Aracaju	-	-
Total Proved	**36**	**40%**
Bom Lugar	40	46%
Jiribatuba	10	11%
Aracaju	3	3%
Total Proved Plus Probable	**89**	**100%**

Production History

The following tables disclose, on a quarterly basis for the year ended December 31, 2013, information in respect of production, product prices received, royalties paid, operating expenses and resulting netback.

Average Daily Production Volume, Prices Received, Royalties Paid, Production Costs and Netback – Crude Oil

	Three Months Ended			
	Mar. 31, 2013	Jun. 30, 2013	Sept. 30, 2013	Dec.31, 2013
Light and Medium Crude Oil (Bbls/d)	35	37	25	43
Sales price (US$ per Bbl)	94.72	119.03	76.75	91.88
Transportation (US$ per Bbl)	0.62	(6.43)	(2.94)	(2.75)
Net realized price (US$ per Bbl)	95.34	112.60	73.81	89.13
Royalties and Production Taxes (US$ per Bbl)	(4.64)	(5.56)	(6.54)	(18.71)
Production Expense (US$ per Bbl)	(72.99)	(127.53)	(178.55)	(49.81)
Operating Netback (US$ per Bbl)[(1)]	**17.71**	**(20.49)**	**(111.28)**	**20.61**

Notes:

(1) Netback is calculated by deducting royalties paid and production costs, including transportation costs, from prices received, excluding the effects of hedging.

(2) The 2013 third and fourth quarter production expenses include well maintenance and workover costs that are not representative of normal operating conditions.

INDUSTRY CONDITIONS

Brazil

Brazil, located on the east coast of South America, is a federal republic characterized by its large and growing domestic market, diversified economy and world class oil industry. Brazil has a population of 200 million people, and is the world's seventh largest economy with a history of political, and regulatory stability. Brazil has proven oil reserves of approximately

15.3 billion Bbls and proven gas reserves of approximately 459.3 billion m^3 (as of 2012 as reported by the ANP in July 2013) as a result of world-class exploration success and a regulatory framework that allows for private investment. In 2011, Brazil was a net importer of oil as a result of increased energy consumption in recent years. As a result, increasing domestic oil production has been a long-term goal of the Brazilian government.

Exploration in Brazil began in the 1930s and the first commercial discovery was made in 1939 in the Recôncavo Basin in the Province of Bahia. However, production output did not experience substantial growth until the late 1970s when the state oil company, Petróleo Brasileiro SA ("**Petrobras**") extended its operations offshore. In the Campos Basin, offshore Brazil, a series of giant deep-water discoveries were made in the 1980s and 1990s. The discovery of the "pre-salt" reserves (a group of reservoirs older than the salt layer) in the Santos Basin followed those in the Campos Basin, and have become the focal point of current hydrocarbon development in Brazil. The pre-salt discoveries are credited with being the potential catalyst for making Brazil an increasingly important oil exporter. However, there are also other opportunities that extend beyond the shallow and deep waters' conventional potential, including the mature coastal basins that have yet to undergo next generation exploration and development methodologies. The onshore basin opportunities include new exploration models for additional trapping opportunities, unconventional or tight oil plays and enhanced recovery methods in existing oil pools.

Brazil - Hydrocarbon Law & Concessions Regime

Until 1995, Brazilian oil and gas activities were monopolized by state-owned Petrobras. Constitutional Amendment No. 09 (1995) adjusted this monopoly by allowing that the Brazilian government could contract with state-owned and private companies to conduct many oil and gas activities. Today, state-owned or private company participation in these oil activities is regulated in large part by Federal Law No. 9,478 (1997) (the "**Petroleum Law**"). Under the "concession" regime regulated by the Petroleum Law, the ANP has conducted 12 bidding rounds to grant concession contracts ("**Concession Contract**") for onshore and offshore petroleum exploration and production blocks to concessionaries, and to grant production contracts.

In addition to the existing concession regime, newer Brazilian laws have confirmed a "production sharing contract" to be applied for future licensing of the defined pre-salt area and certain other areas to be deemed strategic by the government.

The primary regulatory agencies charged with regulating oil and gas activities in Brazil are:

(a) the Conselho Nacional de Política Energética, or National Council of Energy Policy, an agency of the Brazilian government, having the main purposes of fostering rational use of Brazil's energy resources, ensuring proper functioning of the national fuels inventories system, reviewing energy matrixes for different regions of Brazil, and establishing guidelines; and

(b) the ANP, being the national regulator of the oil, gas and biofuels industries, is generally charged with regulating, contracting and supervising activities related to oil and natural gas, and establishing technical standards for various related activities.

In addition to this regulatory framework, environmental regulations are applicable and some licences are required for the performance of oil and gas activities. Government environmental agencies are responsible for issuing such licences and federal or state rules may apply depending on the activity to be carried out. As mentioned above, there are two different regulatory frameworks for the granting of exploration and production rights in Brazil: the concession regime and the production sharing contract regime. The exploration and production rights to be held by Alvopetro fall under the concession regime.

Under the concession regime, oil and gas blocks are awarded by means of bidding rounds carried out by the ANP. The ANP has the authority to define which oil and gas blocks shall be tendered and to release general terms and conditions comprised in the tender documents. Such tender documents establish all technical, financial and legal documents and requirements that the would be concessionaire must present or satisfy in order to be qualified to participate in the bidding round under various categories of participation. The ANP's bid evaluation criteria are signature bonus, minimum exploration program, and local content. Federal, state and local governments are recompensed through "government takes", which are defined as all payments to be made by a concessionaire as a result of the activities of exploration and production of oil and natural gas. Government takes consist of:

- Signature Bonus: a lump-sum payable in a single instalment upon execution of the concession agreement;
- Royalties: financial compensation to be paid monthly by the concessionaries;
- Special Participation: extraordinary financial compensation payable in the event that high volumes of oil or natural gas are produced or a certain field otherwise enjoys high profitability; and
- Payment for area occupation or retention: consists of a yearly sum to be paid for the occupation or retention of oil prospecting areas. ANP sets the amounts to be paid in the bidding documents and concession agreements, but there are minimum and maximum standards established by law.

There is no restriction on direct or indirect foreign participation in exploration and production rights, provided that the foreign investor incorporates a company under the Brazilian law with head office and management in Brazil and complies with all technical, legal and financial requirements established by the ANP. No preference rule is established.

Operations are generally divided into two phases: exploration and production. The exploration phase can be 5 years for mature blocks or 8 years for frontier blocks. The exploration terms are outlined in each bid round instruction and for Alvopetro's blocks are 5 years, consisting of two phases of three and two years. The minimum exploration program of the first exploration phase is the work program bid to win the block, and for the second phase the minimum work program is one exploration well.

In the case of a discovery in the exploration phase, the company must notify ANP and, to assess the discovery, submit a "Discovery Assessment" that includes a specific request for a long-term production test, if required. Once the assessment is complete, the company submits a "Final Discovery Assessment Report" and then can declare "Commerciality". A Development Plan would then need to be submitted to the ANP within 6 months following commercial declaration. Once the ANP has accepted and approved the development plan (within 6 months of submission by the operator), the operator is granted the area for production purposes with the remaining land returned to the ANP. The development and production phase is for 27 years after the declaration of commerciality.

Local Content

All Concession Contracts have local content requirements, which are determined during the bidding process for each block and assessed at end of the expiry phase of each bock. If the committed level of local content is not met, the operator will be fined. Fines can be levied at the category or subcategory level. Companies have to submit local content details as part of a regular quarterly report to the ANP. For the Concession Contracts held by Alvopetro, the local content requirement ranges between 70% to 85%, depending on the phase and the contract.

Brazil – Royalties and Production Taxes

Royalties are chargeable on oil and gas production. The basic royalty payable under the Petroleum Law is 10%. This rate can be varied to a lower rate at the discretion of the ANP, but cannot be reduced below 5%. Reduced rates have occasionally been set during the initial licensing process. All of the Concession Contracts held by Alvopetro are subject to a base 10% royalty and all of the producing fields held by Alvopetro are subject to a base 5% royalty.

In addition, royalties payable by the Company are expected to include Brazil's Social Assistance Contribution ("COFINS") and Social Integration Program ("PIS") paid on revenues. COFINS and PIS represent social contribution taxes.

In addition, landowners are entitled to a percentage of the production from their lands, which may vary from 0.5% to 1%, to be defined by the ANP according to the Petroleum Law. All of the Concession Contracts held by Alvopetro are subject to a 1% land royalty and all the producing fields held by Alvopetro are subject to a 0.5% land royalty.

Certain previous shareholders of Alvopetro are entitled to a gross-overriding royalty on Block 131, Block 132, Block 144, Block 157, Block 182, Block 196 and Block 197. This gross-overriding royalty is 2.5% on gross revenues for these blocks, less Government royalties and taxes on revenue.

Special Participation

The special participation, set forth in Item III, Article 45 of Brazil's Law 9,478, of 1997, constitutes an extraordinary financial compensation owed by concessionaires of exploration and production of crude oil and natural gas, like Alvopetro, in the case of a large volume of production or high earnings, in accordance with the criteria established in this decree, and shall be paid in regard to each field of a determined concession area, from the quarter-year in which the respective start-up production date occurs.

The thresholds and rates set out below apply to the blocks. Production up to these thresholds is exempt from the special participation.

	M^3/Quarter	**Bbls/D**	**Special Participation**
Year 1	450,000	31,450	(RLP – RLP*450/VPF)*SP%
Year 2	350,000	24,461	(RLP – RLP*350/VPF)*SP%
Year 3	250,000	17,472	(RLP – RLP*250/VPF)*SP%
Year 4 and thereafter	150,000	10,483	(RLP – RLP*150/VPF)*SP%

Where:
(1) RLP is Net profit per quarter
(2) VPF is production per quarter, measured in thousands of cubic metres of equivalent oil for each field
(3) SP% is the applicable special participation rate between 10% and 40% depending on the quarterly production volume, increasing at higher levels of production.

The net profit corresponding to each field of a given concession area equals the gross revenue of the production deducting the corresponding amount of the royalties, exploration investments, operational costs, depreciation and taxes directly related to the field operations, that have been actually disbursed during the concession agreement term, until it is assessed, and which have been determined according to the ANP rules, all divided by the volume of production produced. For the purposes of the calculations described under this "Special Participation" section, all amounts are computed in Brazilian reals.

When the net profit of a determined field is negative, it may be offset against the calculation of the special participation owed for that same field, for the following quarters.

In case of fields which extend over two or more concession areas, the assessment of the special participation shall be based on the net profit and the total production volume of the fields.

Brazil - Taxes

The statutory tax rate applicable to corporate income is 34%. This is comprised of a basic 15% corporate income tax, plus 10% surtax and 9% social contribution on net profit tax. Corporate income tax is payable on the total upstream profits of a company. Brazilian companies may elect to compute corporate taxes under the presumed profit system provided total revenues from the immediately preceding year were less than R$48 million (increasing to R$72 million in 2014) and certain other conditions have been met. Presumed profit is computed by applying a certain predetermined percentage to gross revenues. The applicable percentage varies by activity. In general, the combined inherent rate applicable to Alvopetro's anticipated Brazil activities is expected to be approximately 2.28% on gross revenues.

For the 2013 taxation year, Alvopetro has elected to compute Brazil corporate income tax under the presumed profit regime. Although the Company is in an overall loss position, the presumed profit regime is anticipated to provide lower indirect and other tax costs to the Company compared to the actual profit system and therefore higher overall tax savings within Brazil.

There are also a number of other taxes and social contributions that are levied by federal, state and municipal authorities in Brazil on tangible and intangible investments made in connection with oil and gas projects. The two main forms of such levies are value-added (sales) taxes and import duties. The actual application of these levies is project and location specific.

RISK FACTORS

An investment in Alvopetro should be considered highly speculative due to the nature of its activities and the stage of its development. Investors should carefully consider the following risk factors:

Early Stage of Exploration and Development Activities

The business of Alvopetro should be considered speculative due to its present stage of development. There can be no assurance that Alvopetro will be able to generate and sustain revenue or net income in the future. The long-term commercial success of Alvopetro depends on its ability to find, acquire, develop and commercially produce petroleum reserves.

To date, the activities relating to the majority of Alvopetro's assets have been exploratory only, which increases the degree of risk substantially as compared to projects in the production stage. The value of Alvopetro's assets will be dependent on discovering hydrocarbon deposits with commercial potential, and Alvopetro will have nominal earnings to support it should its properties prove not to be commercially viable.

The exploration and development of hydrocarbons involve a number of uncertainties that even thorough evaluation, experience and knowledge of the industry cannot eliminate. Alvopetro's exploration and possible development activities in Alvopetro's properties will depend in part on the evaluation of data obtained through geophysical testing and geological analysis. The results of such studies and tests are often subject to varying interpretations and no assurance can be given that such activities will produce hydrocarbons in commercial quantities. The exploration, evaluation and development activities that will be undertaken by Alvopetro are subject to greater risks than those normally associated with the acquisition and ownership of producing properties. Alvopetro's properties may fail to produce hydrocarbons in commercial quantities.

It is impossible to guarantee that the exploration programs on Alvopetro's properties will generate economically recoverable reserves. The commercial viability of a new hydrocarbon pool is dependent upon a number of factors which are inherent to reserves, such as hydrocarbon composition, associated non-hydrocarbon fluids and proximity of infrastructure, as well as crude oil prices which are subject to considerable volatility, regulatory issues such as price regulation, taxes, royalties, land tax, import and export of crude oil, and environmental protection issues. The individual impact generated by these factors cannot be predicted with any certainty but, when combined, may result in non-economical reserves. Alvopetro will remain subject to normal risks inherent to the crude oil industry such as unusual and unexpected geological changes in the parameters and variables of the petroleum system and operations.

Future exploration for hydrocarbons may involve unprofitable efforts. Environmental damage could greatly increase the cost of operations and various field operating conditions may adversely affect production. These conditions include delays in obtaining governmental approvals or consents, insufficient storage, transportation or processing capacity or other geological and mechanical conditions.

Alvopetro will be vulnerable to market prices and fixed costs, including costs associated with project development, exploration and delineation activities, operations, leases, labour costs and depreciation. If actual operating expenses are higher than estimated, Alvopetro's profit margin will be lower than expected and Alvopetro's business and results of operations may be adversely affected.

Hydraulic Fracturing

The expanded use of hydraulic fracturing as a recovery technique employed in oil and natural gas drilling has given rise to increased public scrutiny of its environmental aspects, particularly with respect to its potential impact on local aquifers. Alvopetro may utilize hydraulic fracturing in the wells it drills and completes. Alvopetro believes that the hydraulic fracturing that we may conduct, given the depth and location of the wells and our consistent utilization of good oilfield practices, will be environmentally sound in general and would not give rise to concerns raised respecting local aquifers. Alvopetro anticipates that there will be a trend towards changing and increased regulatory requirements concerning hydraulic fracturing in the future, in Brazil and internationally. Changes to, and the increase of, regulatory requirements may impact our business.

Commodity Price Fluctuations

Crude oil prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of Alvopetro's net production revenue and overall value and could result in impairment. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of Alvopetro's reserves. Alvopetro might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Alvopetro's net production revenue causing a reduction in its acquisition and development activities. A substantial material decline in prices from historical average prices could reduce Alvopetro's ability to borrow funds.

Substantial Capital Requirements; Liquidity; Financing

Prior to commercial production from Alvopetro's properties, which is subject to the risks described in this section, Alvopetro anticipates making substantial capital expenditures for the acquisition, exploration, evaluation, delineation, development of and production from any potential project related to its properties. There can be no assurance that debt or equity financing, a bank loan facility or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Alvopetro. The inability of Alvopetro to access sufficient capital for its operations could have a material adverse effect on Alvopetro's business, financial condition, results of operations and prospects, could result in the delay or indefinite postponement of further exploration, evaluation and development of Alvopetro's properties or the possible loss of its properties and could put at risk Alvopetro's ability to operate as a going concern.

Capital requirements are subject to normal capital market risks, primarily the availability and cost of capital. The extent to which Alvopetro will need to access additional funding will be subject to normal capital market risks, primarily the availability and cost of capital. Continuing improvement and sustainability of the global financial markets will be critical in determining the availability and cost of the debt and equity financing that may be required for development of Alvopetro's properties.

Expectations for the future price of oil and gas will be an important factor in determining Alvopetro's ability to access debt financing at the time that this may become necessary.

Neither Alvopetro's articles nor its by-laws limit the amount of indebtedness that Alvopetro may incur. Depending on the level of Alvopetro's indebtedness, this could from time to time could impair Alvopetro's ability to obtain additional financing on a timely basis or take advantage of business opportunities as they arise.

From time to time, Alvopetro may enter into transactions to acquire assets or the shares of other companies. These transactions along with Alvopetro's ongoing operations may be financed partially or wholly with debt, which may increase Alvopetro's debt levels above industry standards.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in Canada and the United States have experienced a high level of price and volume volatility. The market price of securities of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It is likely that the market price for the Common Shares will be subject to market trends generally, notwithstanding the financial and operational performance of Alvopetro.

Failure to Maintain Listing of the Common Shares

The Common Shares are currently listed for trading on the facilities of the TSXV. The failure of Alvopetro to meet the applicable listing or other requirements of the TSXV in the future may result in the Common Shares ceasing to be listed for trading on the TSXV, which would have a material adverse effect on the value of the Common Shares. There can be no assurance that the Common Shares will continue to be listed for trading on the TSXV.

Reliance on Management

Shareholders will be dependent on the management of Alvopetro in respect of the administration and management of all matters relating to Alvopetro and its properties and operations. Investors who are not willing to rely on the management of Alvopetro should not invest in Common Shares.

Competition

The oil and gas industry is intensely competitive. Competition is particularly intense in the acquisition of prospective oil properties and oil and gas reserves. Alvopetro's competitive position depends on its geological, geophysical and engineering expertise, its financial resources, its ability to develop its properties and its ability to select, acquire and develop proved reserves. Alvopetro will compete with a substantial number of other companies having larger technical staff and greater financial and operational resources. Many such companies not only engage in the acquisition, exploration, development and production of petroleum reserves, but also carry on refining operations and market refined products.

In Brazil particularly, Petrobras dominates the majority of the industry, including all aspects of oil and gas exploration, development, transportation and sales. Petrobras, and many other companies in Brazil, not only engage in the acquisition, exploration, development and production of oil and gas reserves, but also carry on refining operations and market refined products. Alvopetro competes with Petrobras and other major and independent oil companies and other industries supplying energy and fuel in the marketing and sale of oil and gas to transporters, distributors and end users, including industrial, commercial and individual consumers. Due to Petrobras' position in all aspects of Brazil's energy market, Alvopetro may encounter challenges with respect to transporting, marketing and monetizing crude oil and natural gas. Access to pipelines and other transportation infrastructure may limited or the terms or which such access is provided may not be favourable.

Alvopetro will also compete with other oil companies in attempting to secure drilling rigs and other equipment necessary for drilling and completion of wells. Such equipment may be in short supply from time to time. In addition, equipment and other materials necessary to construct production and transmission facilities may be in short supply from time to time. Finally, companies not previously invested in oil may choose to acquire reserves to establish a firm supply or simply as an investment. Such companies may also provide competition for Alvopetro.

Marketability of Production

The marketability and ultimate commerciality of oil acquired or discovered is affected by numerous factors beyond the control of Alvopetro. These factors include reservoir characteristics, market fluctuations, the proximity, capacity and price of oil pipelines and processing equipment and government regulation. Oil operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. Alvopetro's operations may also be subject to compliance with laws and regulations controlling the discharge of materials into the environment or otherwise relating to the protection of the environment. Although Alvopetro believes that its assets have been operated in material compliance with current applicable environmental regulations, changes to such regulations may have a material adverse effect on Alvopetro.

Availability of Drilling Equipment and Access Restrictions

Oil exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Alvopetro and may delay exploration and development activities. There can be no assurance that sufficient drilling and completion equipment, services and supplies will be available when needed. Shortages could: (i) delay Alvopetro's exploration, development, and sales activities; (ii) have a material adverse effect on Alvopetro's financial condition; and (iii) cause Alvopetro to not meet the local content requirements of its Concession Contracts. If the demand for qualified rig crews rise in the drilling industry then the oil industry may experience shortages of qualified personnel to operate drilling rigs. This could delay Alvopetro's drilling operations and adversely affect Alvopetro's financial condition and results of operations. To the extent Alvopetro is not the operator of its oil properties, Alvopetro will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

Reserve Acquisition and Replacement

Alvopetro's future petroleum reserves, production, and funds flow to be derived therefrom are highly dependent on Alvopetro successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves Alvopetro may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Alvopetro's reserves will depend not only on Alvopetro's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that Alvopetro's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil. Competition may also be presented by alternate fuel sources.

Oil Production Could Vary Significantly from Reported Reserves

The Sproule Report was, and all of Alvopetro's future reserve evaluations are expected to be, prepared in accordance with NI 51-101. There are numerous uncertainties inherent in estimating quantities of reserves and funds flow to be derived therefrom, including many factors that are beyond the control of Alvopetro. The reserves information set forth in this Annual Information Form represents estimates only. The reserves from Alvopetro's properties have been independently evaluated by Sproule in the Sproule Report. The Sproule Report includes a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil, operating costs and royalties and other government levies that may be imposed over the producing life of the reserves. These assumptions were based on price forecasts in use at the date the relevant evaluations were prepared and many of these assumptions are subject to change and are beyond the control of Alvopetro. Actual production and funds flow derived therefrom will vary from these evaluations, and such variations could be material. These evaluations are based, in part, on the assumed success of exploitation activities intended to be undertaken in future years. The reserves and estimated funds flow to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluations.

Under IFRS, impairment testing is performed at the cash generating unit level ("CGU"), with asset carrying values being compared to the recoverable amount which is the higher of the value-in-use and fair value less costs to sell. Value in use is defined as the amount equal to the present value of future cash flows expected to be derived from the asset. When the asset carrying value (including goodwill) is less than the recoverable amount an impairment loss is recorded. A decline in the proved and probable reserve values of the oil and natural gas properties could result in the carrying value of the assets exceeding the recoverable amount, resulting in an impairment loss. Impairment losses that were previously recognized may be reversed where circumstances change such that the impairment is reduced, provided; however any impairment losses associated with goodwill are permanent and not reversible.

Minimum Work Commitments on Exploration Blocks

Alvopetro must fulfill certain minimum work commitments on projects in Brazil as outlined herein. There are no assurances that all of these commitments will be fulfilled within the time frames allowed. As such, Alvopetro may lose certain exploration rights on the blocks affected and may be subject to certain financial penalties that would be levied by the applicable governmental authority. Alvopetro has applied to the ANP for extensions to certain of its work commitments on its blocks. There is no assurance that such extensions will be granted.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

Alvopetro will make acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as Alvopetro's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of Alvopetro. The integration of acquired businesses, properties and operations may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management of Alvopetro will continually assess the value and contribution of services provided and assets required to provide such services. In this regard, management expects that non-core assets will be periodically disposed of, so that Alvopetro can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of Alvopetro, if disposed of, could realize less than their carrying value on the financial statements of Alvopetro.

Alvopetro Might Encounter Operating Hazards

Oil exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts and oil spills, each of which could result in substantial damage to oil wells, production facilities, other property and the environment or in personal injury. In accordance with industry practice, Alvopetro is not fully insured against all of these risks, nor are all such risks insurable. Although Alvopetro maintains liability insurance in an amount that it considers adequate and consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event Alvopetro could incur significant costs that could have a materially adverse effect upon its financial condition. Oil production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and the invasion of water into producing formations.

Environmental

All phases of the oil business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities.

Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require Alvopetro to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Alvopetro’s financial condition, results of operations or prospects. In addition, new regulations relating to greenhouse gas emissions in Brazil or elsewhere in the world may have an effect on Alvopetro’s costs or on levels of future demand for hydrocarbon-based products.

Delay in Cash Receipts and Credit Worthiness of Counterparties

In addition to the usual delays in payment by purchasers of oil and natural gas to the operators of Alvopetro’s properties, and by an operator to Alvopetro, payments between any of such parties may also be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, blowouts or other accidents, recovery by the operator of expenses incurred in the operation of Alvopetro’s properties or the establishment by the operator of reserves for such expenses. In addition, the insolvency or financial impairment of any counterparty owing money to Alvopetro, including industry partners and marketing agents, could prevent Alvopetro from collecting such debts.

Transportation Costs

Disruption in or increased costs of transportation services could make oil and gas a less competitive source of energy or could make Alvopetro’s oil and gas less competitive than other sources. The industry depends on rail, trucking, ocean-going vessel, pipeline facilities, and barge transportation to deliver shipments, and transportation costs are a significant component of the total cost of supplying crude oil. Disruptions of these transportation services because of weather-related problems, strikes, lockouts, delays, mechanical problems or other events could temporarily impair the ability to supply crude oil to customers and may result in lost sales. In addition, increases in transportation costs, or changes in transportation costs for crude oil produced by competitors, could adversely affect profitability. To the extent such increases are sustained, Alvopetro could experience losses and may decide to discontinue certain operations forcing Alvopetro to incur closure and/or care and maintenance costs, as the case may be. Additionally, lack of access to transportation may hinder production from Alvopetro's business and Alvopetro may be required to use more expensive transportation alternatives.

Disruptions in Production

Other factors affecting the production and sale of crude oil that could result in decreases in profitability include: (i) expiration or termination of leases, permits or licences, or sales price redeterminations or suspension of deliveries; (ii) future litigation; (iii) the timing and amount of insurance recoveries; (iv) work stoppages or other labour difficulties; (v) worker vacation schedules and related maintenance activities; (vi) limitations on access to pipeline capacity; and (vii) changes in the market and general economic conditions. Weather conditions, equipment replacement or repair, fires, amounts of rock and other natural materials and other geological conditions can have a significant impact on operating results. There can be no assurance that union issues or similar issues will not affect Alvopetro's ability to produce or sell oil and gas in the future.

Permits, Licenses and Leases

Alvopetro's properties are held in the form of permits, licenses and leases and working interests in permits, licenses and leases. If Alvopetro or the holder of the permit, license or lease fails to meet the specific requirement of a permit, license or lease, the permit, license or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each permit, license or lease will be met. The termination or expiration of Alvopetro's permits, licenses or leases or the working interests relating to a permit, license or lease may have a material adverse effect on Alvopetro's results of operations and business.

Furthermore the development of Alvopetro's properties will require additional permits, licenses and regulatory approvals. If such permits, licenses or regulatory approvals are not obtained or if the conditions provided for in such permits, licenses and regulatory approvals are substantially different from the expectations of Alvopetro, it may have a material adverse effect on Alvopetro's results of operations and business.

Changes in Legislation

It is possible that the Brazil or Canadian federal and provincial government or regulatory authorities could choose to change Brazil or Canadian federal income tax laws, royalty regimes, environmental laws or other laws applicable to oil and gas companies and that any such changes could materially adversely affect Alvopetro, its shareholders and the market value of the Common Shares.

Foreign Currency and Fiscal Matters

A significant portion of Alvopetro's operations and expenditures will be paid in foreign currencies. As a result, Alvopetro may be exposed to market risks resulting from fluctuations in foreign currency exchange rates. A material drop in the value of any such foreign currency could result in a material adverse effect on Alvopetro's funds flow and revenues. Currently, there are no significant restrictions on the repatriation of capital and distribution of earnings from Brazil to foreign entities. There can be no assurance, however, that restrictions on repatriation of capital or distributions of earnings from Brazil will not be imposed in the future. Amendments to current taxation laws and regulations that alter tax rates and/or capital allowances could have a material adverse impact on Alvopetro. Alvopetro will also have subsidiaries that operate in different tax jurisdictions.

To the extent that revenues and expenditures denominated in or strongly linked to the U.S. dollar are not equivalent, Alvopetro is exposed to exchange rate risk. In addition, the majority of expenditures in Brazil are denominated in Brazilian Reais, which are difficult to hedge.

Hedging Activities

Alvopetro will evaluate the use of and may employ exchange-traded or over-the-counter derivative structures to hedge commodity, interest rate and foreign exchange risk. Risks associated with such products include, but are not limited to, counterparty risk, settlement risk, basis risk, liquidity risk and market risk which could impair or negate Alvopetro's hedging strategy and result in a negative impact on its earnings and funds flow.

Additionally, if oil and gas interest rates or exchange rates increase above or decrease below those levels specified in any future hedging agreements, such hedging arrangements may prevent Alvopetro from realizing the full benefit of such increases or decreases.

Due to the uncertain worldwide economic environment, there can be no assurance that Alvopetro will be able to engage credit worthy counterparties in hedging activities.

Political and Regulatory

The oil and gas industry is subject to extensive government policies and regulations, which result in additional cost and risk for industry participants. Environmental concerns relating to the oil and gas industry's operating practices are expected to increasingly influence government regulation and consumption patterns, which favour cleaner burning fuels such as natural gas. Alvopetro is uncertain as to the amount of operating and capital expenses that will be required to comply with enhanced environmental regulation in the future.

Alvopetro's projects are located in Brazil and consequently Alvopetro will be subject to certain risks, including currency fluctuations and possible political or economic instability. Alvopetro believes that the state and federal governments in Brazil support the exploration and development of its oil properties by foreign companies. Nevertheless, there is no assurance that future political conditions will not result in the state or federal government adopting different policies respecting foreign development and ownership of oil and gas, environmental protection and labour relations. Exploration and production activities may be affected in varying degrees by political stability and government regulations relating to the industry.

Alvopetro's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with Alvopetro's foreign operations, Alvopetro may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. Alvopetro may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, Alvopetro's exploration, development and production activities in the foreign jurisdictions in which it operates could be substantially affected by factors beyond Alvopetro's control, any of which could have a material adverse effect on Alvopetro.

International Operations

International operations are subject to political, economic and other uncertainties, including but not limited to, risk of terrorist activities, revolution, border disputes, expropriation, renegotiations or modification of existing contracts, import, export and transportation regulations and tariffs, taxation policies, including royalty and tax increases and retroactive tax claims, exchange controls, limits on allowable levels of production, currency fluctuations, labour disputes and other uncertainties arising out of foreign government sovereignty over Alvopetro's international operations. Alvopetro's operations may also be adversely affected by changes in applicable laws and policies of Brazil, which could have a negative impact on Alvopetro.

Legal Systems

Brazil may have less of a developed legal system than jurisdictions with more established economies, which may result in risks such as: (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters. In certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

Repatriation of Earnings

Currently there are no restrictions on the repatriation from Brazil of earnings to foreign entities. However, there can be no assurance that restrictions on repatriation of earnings from Brazil will not be imposed in the future.

Title Matters

The acquisition of title to oil and gas properties in Brazil is a detailed and time-consuming process. Alvopetro's properties may be subject to unforeseen title claims. While Alvopetro will diligently investigate title to all property and will follow usual industry practice in obtaining satisfactory title and, to the best of Alvopetro's knowledge, title to all of Alvopetro's properties are in good standing, this should not be construed as a guarantee of title. Title to Alvopetro's properties may be affected by undisclosed and undetected defects.

Structure of Alvopetro

From time to time, Alvopetro may take steps to organize its affairs in a manner that minimizes taxes and other expenses payable with respect to the operation of Alvopetro and its subsidiaries. If the manner in which Alvopetro structures its affairs is successfully challenged by a taxation or other authority, Alvopetro and Shareholders may be adversely affected.

Uninsurable Risks

In the course of exploration, development and production of oil and gas properties, certain risks, and in particular, blow-outs, pollution, craterings, fires and oil spills and premature decline of reservoirs and invasion of water into producing formations may occur all of which could result in personal injuries, loss of life and damage to property of Alvopetro and others. Hazards such as unusual or unexpected geological formations, pressures or other conditions may be encountered in drilling and operating wells as Alvopetro will initially have interests in a limited number of properties, such risk is more significant than if spread over a number of properties. It is not always possible to fully insure against such risks and Alvopetro may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of Alvopetro.

Net Asset Value

Alvopetro's net asset value will vary depending upon a number of factors beyond the control of Alvopetro's management, including oil and natural gas prices. The trading price of the Common Shares is also determined by a number of factors which are beyond the control of management and such trading price may be greater than or less than the net asset value of Alvopetro.

Reliance on Third Party Operators and Key Personnel

To the extent that Alvopetro is not the operator of its properties, it will be dependent upon third party operators for the timing of activities and will be largely unable to control the activities of such operators. In addition, Alvopetro's success depends, to a significant extent, upon management and key employees. The loss of any key employee could have a negative effect on Alvopetro. Attracting and retaining additional key personnel will assist in the expansion of Alvopetro's business. Alvopetro faces significant competition for skilled personnel. Should other oil projects or expansions proceed in the same time frame as Alvopetro's projects, Alvopetro may compete with these other projects for experienced employees and contractors and such competition may result in increases to compensation paid to such personnel or to a lack of qualified personnel. There is no assurance that Alvopetro will successfully attract and retain personnel required to continue to expand its business and to successfully execute its business strategy.

Management of Growth

Alvopetro may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Alvopetro to manage growth effectively will require it to implement and improve its operations and financial systems and to expand, train and manage its employee base. The inability of Alvopetro to deal with this growth could have a material adverse impact on its business, operations and prospects.

Corruption

Alvopetro is governed by the laws of many jurisdictions, which prohibit bribery and other forms of corruption. It is possible that Alvopetro, or some of its employees or contractors, could be charged with bribery or corruption. Alvopetro has policies and procedures in place that prohibit activities such as these and will require all employees and contractors to read these policies and procedures and acknowledge their understanding and compliance on an annual basis. However, if Alvopetro is found guilty of such a violation, which could include a failure to take effective steps to prevent or address corruption by its employees or contractors, Alvopetro could be subject to onerous penalties. A mere investigation itself could lead to significant corporate disruption, high legal costs and forced settlements (such as the imposition of an internal monitor). In addition, bribery allegations or bribery or corruption convictions could impair Alvopetro's ability to work with governments or nongovernmental organizations. Such convictions or allegations could result in the formal exclusion of Alvopetro from a country or area, national or international lawsuits, government sanctions or fines, project suspension or delays, reduced market capitalization and increased investor concern.

Dilution and Further Sales

Alvopetro may issue additional Common Shares or other securities to finance its capital expenditures with respect to its properties, certain of Alvopetro's other capital expenditures, or for other reasons. The constating documents of Alvopetro permit it to issue an unlimited number of additional Common Shares and an unlimited number of Preferred Shares (as defined below). The Board has discretion to determine the issue price and the terms of issue of Common Shares and Preferred Shares. Such future issuances may be dilutive to investors. Shareholders of Alvopetro have no pre-emptive rights under Alvopetro's constating documents to participate in any future offerings of securities.

Forward-Looking Information May Prove Inaccurate

Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this Annual Information Form under the heading "Forward Looking Statements".

DIVIDENDS

Alvopetro has not declared or paid any dividends on the Common Shares since its incorporation. Any decision to pay dividends on the Common Shares will be made by the Board on the basis of Alvopetro's earnings, financial requirements and other conditions existing at such future time.

DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares. Holders of Common Shares are entitled to one vote for each Common Share held on all votes taken at meetings of holders of Common Shares. The holders of Common Shares are entitled to receive such dividends as Alvopetro's directors may from time to time declare. Subject to certain terms and conditions, Alvopetro may issue Common Shares as payment of all or any portion of dividends declared on the Common Shares for those Shareholders who elect to receive share dividends instead of cash dividends. In the event of the winding up or dissolution of Alvopetro, whether voluntary or involuntary or for the purpose of a reorganization or otherwise or upon any distribution of capital, the holders of Common Shares are entitled to the surplus assets of Alvopetro and generally will be entitled to enjoy all of the rights attaching to shares of Alvopetro.

As at December 31, 2013, Alvopetro had 85,166,871 common shares outstanding.

Preferred Shares

The Corporation is authorized to issue preferred shares ("**Preferred Shares**") in one or more series. The Board of Directors is authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. Preferred Shares are entitled to a priority over the Common Shares with respect to the payment of dividends and the distribution of assets upon the liquidation, dissolution or winding-up of the Corporation. Alvopetro has nil Preferred Shares outstanding.

Market for Securities

The Common Shares are listed and posted for trading on the TSXV under the trading symbol "ALV" and have traded on such stock exchange since December 5, 2013. The following table sets forth the reported market price ranges and the trading volumes for the Common Shares for the periods indicated, as reported by the TSXV for the year ended December 31, 2013.

Period	Price Range ($) High	Low	Trading Volume
December 5-31, 2013	1.33	0.90	19,294,896

DIRECTORS AND OFFICERS

Name, Address and Occupation

The names, municipalities of residence, positions with Alvopetro and its subsidiaries and the principal occupations of the persons who serve as directors and executive officers of Alvopetro are set out below.

Name and Municipality of Residence	Position Held(1)	Position Since	Principal Occupation During the Preceding Five Years
John D. Wright(3)(4) Calgary, Alberta	Chairman	September 25, 2013	Between May 2010 to November 2013, Chairman of the Board of Petrominerales Ltd. and from inception to May 2010, President, Chief Executive Officer and a Director of Petrominerales. Since January 2013, Chairman of the Board and Chief Executive Officer of Petrobank Energy and Resources Ltd. ("**Petrobank**"). From March 2000 to December 2012, President, Chief Executive Officer and a director of Petrobank. Since May 2011, President, Chief Executive Officer and a director of Lightstream Resources Ltd. (formerly PetroBakken Energy Ltd.) ("**Lightstream**"). From October 2009 to May 2011, Chairman of the Board and Chief Executive Officer of Lightstream.
Corey C. Ruttan(3) Calgary, Alberta	Director, President and Chief Executive Officer	September 25, 2013	From May 2010 to November 2013, President and Chief Executive Officer of Petrominerales. From May 2006 to May 2010, Vice President Finance and Chief Financial Officer of Petrominerales. From November 2008 to May 2010, Senior Vice President Finance and Chief Financial Officer of Petrobank. From May 2007 to November 2008, Vice President Finance and Chief Financial Officer of Petrobank. From July 2009 to May 2010, Executive Vice President and Chief Financial Officer of Lightstream.
Kenneth R. McKinnon(2)(4) Calgary, Alberta	Director	November 19, 2013	Mr. McKinnon holds the position of Vice President Legal and General Counsel of Critical Mass Inc., a website design company. Mr. McKinnon has served on the Board of Governors of the University of Calgary since September 2008 as Vice-Chair of its

			Governance and Human Resources Committee from June 2010 – August 2012, Vice-Chair of its Finance and Property Committee since August 2013 and Chair of its Budget Committee since August 2012, and as a director and Chairman of the Governance and Compensation Committee of Alberta Innovates – Technology Futures since January 2010. Mr. McKinnon holds an ICD.D designation as a certified corporate director.
Geir Ytreland(3) Farnham, United Kingdom	Director	November 19, 2013	Principal advisor with Gaffney, Cline & Associates, United Kingdom. Since January 2004, Project Manager for development of the East Timor petroleum industry. Since April 2000, Self-employed consultant. From 2007 to 2011, assisted the Government of Afghanistan in establishing petroleum administration. From March 1993 to March 2000, Country Manager (Venezuela) of Norsk Hydro.
Firoz Talakshi(2) Calgary, Alberta	Director	November 19, 2013	Since October 2012, Senior Advisor, KPMG International Corporate Tax, Calgary. From 1977 to September 2012, various positions with KPMG Canada, including Partner.
Roderick L. Fraser(2)(4) *New York City, NY and Salvador, Brazil*	Director	December 16, 2013	Mr. Fraser is currently an independent consultant acting as strategic advisor for large financial institutions (investment banks and private equity / hedge funds). From 2009 to 2012, Mr. Fraser was the Managing Director and Global Head of Oil and Gas, Standard Bank of South Africa.
John Koch Calgary, Alberta	Chief Operating Officer	November 28, 2013	From January 2013 to November 2013, Chief Operating Officer of Petrominerales. From March 2012 to October 2012, President and Chief Executive Officer of SFN Biosystems Inc. From January 2007 to March 2012, Chief Operating Officer of Central Montana Resources LLC.
Alison Howard Calgary, Alberta	Chief Financial Officer	November 28, 2013	From March 2013 to November 2013, Tax Director of Petrominerales. From July 2011 to March 2013, Tax Manager at Petrominerales. From May 2008 to July 2011, Tax Manager at Petrobank. Prior thereto, professional at Deloitte LLP in Calgary.
Andrea Hatzinikolas Calgary, Alberta	Vice President, Legal and Corporate	November 28, 2013	From July 2013 to November 2013, Vice President, Business Development, General Counsel and Corporate Secretary of Petrominerales. From June 2011 to July 2013, General Counsel and Corporate Secretary of Petrominerales. From August 2010 to February 2011 General Counsel and Corporate Secretary of Petrobank. From February 2007 to August 2010, General Counsel of Petrobank. Since August 2009, Corporate Secretary of Lightstream. From August 2009 to February 2011, General Counsel and Corporate Secretary of Lightstream.

Notes:
(1) Each Director will hold office until the next annual meeting of the shareholders of Alvopetro.
(2) Member of the Audit Committee of the Board of Directors.
(3) Member of the Reserves Committee of the Board of Directors.
(4) Member of the Compensation Committee of the Board of Directors.

The directors and executive officers of Alvopetro, as a group, beneficially own, directly or indirectly, or exercise control or direction over 5,651,090 Common Shares or approximately 6.6% of the number of Common Shares issued and outstanding.

Corporate Cease Trade Orders

Until September 2011, Mr. John D. Wright was a director of Canadian Energy Exploration Inc. ("**CEE**") (formerly TALON International Energy, Ltd.), a reporting issuer listed on the TSXV. A cease trade order (the "**ASC Order**") was issued on May 7, 2008 against CEE by the Alberta Securities Commission (the "**ASC**") for the delayed filing of CEE's audited annual financial statements and management's discussion and analysis for the year ended December 31, 2007 ("**Annual Filings**"). The Annual Filings were filed by CEE on SEDAR on May 8, 2008. As a result of the Order, the TSXV suspended trading in CEE's shares on May 7, 2008. In addition, on June 4, 2009 the British Columbia Securities Commission ("**BCSC**") issued a cease trade order (the "**BCSC Order**") against CEE for the failure of CEE to file its audited annual financial statements and management's discussion and analysis for the year ended December 31, 2008 and its unaudited interim financial statements and management's discussion and analysis for the three months ended March 31, 2009. CEE made application to the ASC and BCSC for revocation of the ASC Order and BCSC Order. The ASC and BCSC have issued revocation orders dated October 14, 2009 and November 30, 2009, respectively, granting full revocation of compliance-related cease trade orders issued by the ASC and the BCSC in respect of CEE.

Except as otherwise disclosed herein, to the knowledge of the management of Alvopetro, no director or officer of Alvopetro is, or within the ten years before the date of this Annual Information Form has been, a director, chief executive officer or chief financial officer of any other issuer that:

(a) was subject to an order that was issued while the director or officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to an order that was issued after the director or officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the director was acting in the capacity as director, chief executive officer or chief financial officer.

Personal Bankruptcies

To the knowledge of the management of Alvopetro, no director or officer of Alvopetro:

(a) is, at the date of this Annual Information Form or has been within the ten years before the date of this Annual Information Form, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the ten years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

Penalties or Sanctions

Mr. Corey C. Ruttan entered into a settlement agreement with the ASC on May 3, 2002 in respect of an insider trading violation relating to trade made on May 17, 2000. Mr. Ruttan cooperated completely in resolving the matter with the regulators. The settlement resulted in Mr. Ruttan paying an administrative penalty of $10,000, representing a return of profits, and the costs of the proceeding in the amount of $3,925. For a period of one year, Mr. Ruttan agreed to cease trading in securities and to not act as a director or officer of a public company. These restrictions expired on May 3, 2003. Mr. Ruttan is a Chartered Accountant in good standing.

Except as otherwise disclosed herein, to the knowledge of management of Alvopetro, no director or officer of Alvopetro has been subject to:

(a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with the Canadian securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in making an investment decision.

AUDIT FEES

Deloitte LLP was appointed auditors of the Corporation on September 29, 2013. For the year ending December 2013, the following external audit fees were paid.

Year ended	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
2013	Nil $	Nil $	Nil $	Nil $

CONFLICTS OF INTEREST

Certain directors and officers of Alvopetro are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with corporate laws, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with Alvopetro are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of Alvopetro. From time to time, Alvopetro may jointly participate in exploration and development activities with one or more corporations with which a director or officer of Alvopetro may be involved. Some of Alvopetro's directors and officers are engaged and will continue to be engaged in the search of oil and gas interests on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with Alvopetro. Some of the directors of Alvopetro have either other employment or other business or time restrictions placed on them and accordingly, these directors of Alvopetro will only be able to devote part of their time to the affairs of Alvopetro. In particular, certain of the directors and officers are involved in managerial and/or director positions with other oil and gas companies whose operations may, from time to time, provide financing to, or make equity investments in, competitors of Alvopetro. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

As of the date of this Annual Information Form, there are no material legal proceedings to which Alvopetro is a party or in respect of which any of the assets of Alvopetro are subject, which is or will be material to Alvopetro, and Alvopetro is not aware of any such proceedings that are contemplated.

As of the date of this Annual Information Form, there have been: (i) no penalties or sanctions imposed against Alvopetro by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority; (ii) no other penalties or sanctions imposed by a court or regulatory body against Alvopetro; and (iii) no settlement agreements Alvopetro entered into before a court relating to Canadian securities legislation or with a Canadian securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in this Annual Information Form, none of the directors or executive officers of Alvopetro or any person or company that owns directly or indirectly, or exercises control or direction over, more than ten percent of the Common Shares, or any associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any past transaction or any proposed transaction that has materially affected or is reasonably expected to materially affect Alvopetro.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Auditors

The independent auditor of Alvopetro is Deloitte LLP, 700, 850 - 2nd Street S.W., Calgary, Alberta, T2P 0R8. Deloitte LLP was appointed as the auditor of Alvopetro on September 30, 2013.

Transfer Agent and Registrar

Equity Financial Trust Company, at its principal offices in Calgary, Alberta, is the registrar and transfer agent for the Common Shares.

INTERESTS OF EXPERTS

Sproule prepared the Sproule Report, the results of which are summarized in this Annual Information Form. As at the dates of the Sproule Report, the principals of Sproule owned beneficially, directly or indirectly, less than 1% of the outstanding Common Shares. Sproule neither received nor will receive any interest, direct or indirect, in any securities or other property of Alvopetro or its affiliates in connection with the preparation of the Sproule Report.

Deloitte LLP is the independent auditor of Alvopetro and has confirmed that it is independent with respect to Alvopetro within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

Certain legal matters relating to the Annual Information Form are to be passed upon by McCarthy Tétrault LLP on behalf of Alvopetro. Based on security holdings as of the date of this Annual Information Form, the partners and associates of McCarthy Tétrault LLP own beneficially, directly or indirectly, less than 1% of the outstanding Common Shares.

ADDITIONAL INFORMATION

Additional information concerning Alvopetro may be found under Alvopetro’s profile on SEDAR at www.sedar.com. Additional information, including information concerning directors' and officers' remuneration, principal holders of Alvopetro securities and securities authorized for issuance under equity compensation plans, will be contained in the information circular of Alvopetro in respect of the annual general and special meeting of holders of Common Shares which will be held later this year. Additional financial information is provided in Alvopetro’s comparative financial statements and management's discussion and analysis for the year ended December 31, 2013.

SCHEDULE A – FORM 51-101F2

REPORT ON RESERVES DATA BY
INDEPENDENT QUALIFIED RESERVES EVALUATOR

To the Board of Directors of Alvopetro Energy Ltd. (the "**Company**"):

1. We have evaluated the Company's reserves data as at December 31, 2013. The reserves data are estimates of proved, probable and possible reserves and related future net revenue as at December 31, 2013, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us as of December 31, 2013, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's management and Board of Directors:

Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves (County)	Net Present Value of Future Net Revenue Before Income Taxes (10% Discount Rate)			
			Audited (M$)	Evaluated (M$)	Reviewed (M$)	Total (M$)
Sproule International Limited	Evaluation of the P&NG Reserves of Alvopetro Energy Ltd., as of December 31, 2013, prepared in March 2014	Brazil				
Total			**Nil**	**22,826**	**Nil**	**22,826**

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

6. We have no responsibility to update our report referred to in paragraph 4 for events and circumstances occurring after its preparation date.

7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Sproule International Limited
Calgary, Alberta
March 31, 2014

Signed "***Magued Wilson Bastawross***"
Magued Wilson Bastawross, P.Eng.
Supervisor, Engineering and Partner

Signed "***Linda Echikh***"
Linda Echikh, P.Geol.
Senior Petroleum Geologist

Signed "***Alec Kovaltchouk***"
Alec Kovaltchouk, P.Geo.
Manager, Geoscience and Partner

Signed "***Greg D. Robinson***"
Greg D. Robinson, P.Eng.
Vice-President, International and Director

SCHEDULE B – FORM 51-101F3

REPORT OF MANAGEMENT AND DIRECTORS
ON OIL AND GAS DISCLOSURE

Terms to which a meaning is ascribed in National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities have the same meaning herein.

Management of Alvopetro Energy Ltd. (the "**Corporation**") is responsible for the preparation and disclosure of information with respect to the Corporation's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2013, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated and reviewed the Corporation's reserves data. The report of the independent qualified reserves evaluator is presented in Schedule "A" to the Annual Information Form of the Corporation for the year ended December 31, 2013 (the "**AIF**").

The Reserves Committee of the Board of Directors of the Corporation has:

(a) reviewed the Corporation's procedures for providing information to the independent qualified reserves evaluator, Sproule Associates Limited ("**Sproule**");

(b) met with Sproule to determine whether any restrictions affected the ability of Sproule to report without reservation; and

(c) reviewed the reserves data with management and with Sproule.

The Reserves Committee of the Board of Directors has reviewed the Corporation's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Reserves Committee, approved:

(a) the content and filing with securities regulatory authorities of Form 51-101F1, incorporated into the AIF, containing reserves data and other oil and gas information;

(b) the filing of Form 51-101F2, which is the report of Sproule on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

(signed) "Corey C. Ruttan"
Corey C. Ruttan, President & Chief Executive Officer

(signed) "Alison Howard"
Alison Howard, Chief Financial Officer

(signed) "John D. Wright"
John D. Wright, Chairman and Director

(signed) "Geir Ytreland"
Geir Ytreland, Director & Chairman of the Reserves Committee

April 22, 2014.