

Trickle Research

Every raging river, every great lake, every
deep blue sea starts ... with a trickle



Fiscal 2025 Earnings Update & Price Target Increase



Alvopetro Energy Ltd.

(TSXV:ALV.V; OTC:ALVOF)

<http://alvopetro.com/>

Report Date: 03/24/26

12- 24 month Price Target: USD *\$9.00

Allocation: 8

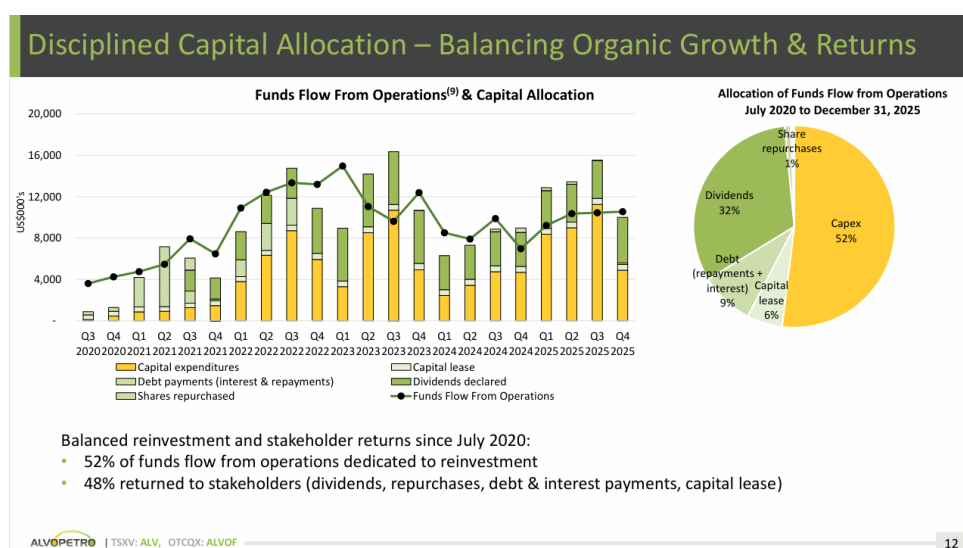
Closing Stock Price at Initiation (Closing Px: 11/07/18): USD \$1.14 (Post Split)
Closing Stock Price at Allocation Upgrade (Closing Px: 05/17/19): USD \$1.26 (Post Split)
Closing Stock Price at Target Upgrade (Closing Px: 05/26/20): USD \$1.56 (Post Split)
Closing Stock Price at Price Target and Allocation Upgrade (Closing Px: 02/11/21): USD \$1.87 (Post Split)
Closing Stock Price at Target Upgrade (Closing Px: 09/29/21): USD \$3.57
Closing Stock Price at Allocation Upgrade (Closing Px: 03/15/22): USD \$3.75
Closing Stock Price at Price Target Increase (Closing Px: 03/27/23): USD \$5.30
Closing Stock Price at Target Increase & Allocation Decrease (Closing Px: 08/15/23): USD \$7.90
Closing Stock Price at Allocation Upgrade (Closing Px: 02/01/24): USD \$4.33
Closing Stock Price at Target Decrease (Closing Px: 03/22/24): USD \$2.97
Closing Stock Price at Target Increase (Intraday Px: 04/05/24): USD \$3.77
Closing Stock Price at Allocation Increase (Closing Px: 03/19/25): USD \$3.39
Closing Stock Price at This Update (Closing Px: 08/12/25): USD \$4.22
Closing Stock Price at This Target Upgrade (Closing Px: 12/02/25): USD \$4.38
Closing Stock Price at This Target Upgrade (Closing Px: 03/23/26): USD \$6.50

Prepared By:
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Senior Analyst, Managing Partner
Trickle Research

Disclosure: Portions of this report are excerpted from Alvopetro's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

For Q4F25, Alvo Petro reported revenue of \$15.8 million and fully diluted eps of \$.15. Those results compare to our estimates of \$15.2 million and \$.18. Obviously, the 3¢ per share miss was related to higher than expected expenses (since they outperformed on revenues), and those were spread out across some of major expense line items. For instance, SG&A was about \$500,000 higher than our estimate, which is actually typical for the quarter because (as they noted on the call), Q4 often includes some year-end adjustments. Production costs were a bit higher as well, although some of that was related to higher production than anticipated (thus the upside revenue surprise) which was augmented by a bit lower realized prices (\$9.97 per Mcf versus our estimate of \$10.02), which means they produced more than our estimate so production costs were higher. In short, the quarter was largely in line, and once again reflected strong performance across the business. As **Table 1** below from their current presentation (which they provided on the call) Q4F25 included further robust flow of funds results (\$10 million+) in-line with much of the rest of fiscal 2025.

Table 1.



Along with strong financial results, the Company also reported new reserve figures, which we noted in the prior update were coming. Those results were equally robust. Here are those highlights:

- *1P production replacement ratio of 485%: 79% increase in 1P reserves to 8.1 Mmboe after 2025 production of 0.9MM boe*
- *2P production replacement ratio of 530%: 43% increase in 2P volumes to 13.1 MMboe.*
- *1P NPV10 before tax increased to \$245.6 million (+38% from 2024) and 2P NPV10 before tax increased to \$393.6 million (+20% from 2024).*
- *2P reserves life index of 12.5 years.*
- *2P F&D costs of \$15.42/boe and 2P recycle ratio of 3.4 times.*
- *Risked best estimate contingent resources decreased by 0.8 MMboe to 3.8 MMboe at December 31, 2025 with a NPV10 before tax of \$88.0 million, with the migration of contingent resources to Reserves for the Caruaçu Formation at Murucututu.*
- *Risked best estimate prospective resources +19% to 12.1 MMboe & NPV10 before tax +27% to \$264.3 million, with additional prospective resource in the Caruaçu Formation at Murucututu adjacent to the assigned reserves area*

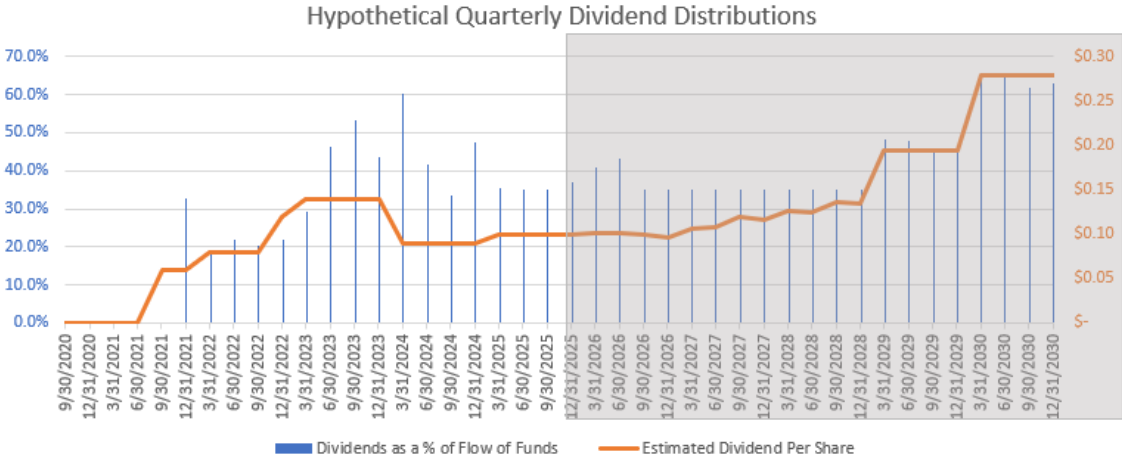
For perspective, both the 1P and the 2P reserves increased markedly (+38% and +20%) from the prior year, much of which came from new assessments at Murucututu. The NPV10 numbers are \$245.6 million and \$393.6 million. The current market cap of Alvopetro is \$239 million.

From the 10,000 foot view, it is clear the Company is positioning to markedly increase its capacity to deliver larger volumes of gas in Brazil, and that process includes upgrades to both pipelines and gas processing facilities. As they noted, the intent is to increase Murucututu pipeline and field production facility capacity to 600 e3m3/d (**21.2 MMcfpd**). Again, for reference in Q4F25 they produced, **5.4 MMcfpd**. Moreover, we believe they are also poised to increase Canadian production as well. As of January, they currently have 7 wells online (3.5 net), which is in line with our estimates of the same, but again, the current presentation notes an inventory of “over 100 (50 net) Tier 1 drilling locations”. Given that they have also been adding acreage, we assume that number will grow going forward as well. However, again for reference, we are assuming 36 gross wells by the end of calendar 2030, which we think is a reasonable assessment. Obviously, commodity prices could impact the cadence of those additions. That brings us to capital.

The Company recently established a \$20 million CAPEX line to essentially provide flexibility around its expanding development plans. To that end, they have guided to 2026 CAPEX of \$21 million, which is in line (actually a bit less) than we are modeling. At the same time, they recently raised the dividend to \$.12 from \$.10, (we will revisit that momentarily). The line should allow them to pursue appropriate CAPEX outlays while still providing shareholder distributions in line with their stated goals.

As for the dividend, recall in our last update from 12/02/25, we provide a hypothetical dividend path based on our modeled cashflow assessment in the context of their stated distribution goals. For reference, here is that table again:

Table 2.



To edify, the recent dividend increase from \$.10 to \$.12 reflects a faster pace than we assessed in our last update, however, we think the flexibility provided by the CAPEX line may have something to do with that. We addressed some of that in our last update as well:

“...we believe the Company has provided some valuable guidance around coming development plans both at Murucututu and Canada, that provide us with a sense of the CAPEX cadence going forward. If we are reading that correctly, those requirements may keep the dividend where it is at for the next few quarters, however, our expectation is that as new production bolsters the ongoing flow of funds, we are likely to see commensurate increases in the dividend as well”.

More specifically, we think management recognizes the opportunity they have to bring on new production, which of course requires CAPEX that might otherwise be earmarked for shareholder returns. In short, we think the credit facility allows them to do both. The recent advance in the share price may have something to do with that, that is, improving visibility around higher sustainable dividends.

Lastly, we just raised our price target in our last update, and that was based in part on what at that point looked like improving visibility to growing production. Certainly, the Company's narrative from the call underscores that point, and we think the new reserve profile provides further objective data to that end. To revisit something we have noted in past research, our approach to valuation typically includes straightforward DCF/NPV analysis, and we often use accelerated discount rates to "handicap" the lack of visibility to those future cash flows. In the context of our model the improved reserve profile extends the runway on projected future cash flows, which all other things remaining equal, increases the DCF/NPV values ("price targets"). Moreover, the improved visibility suggests lower discount rates as well. To translate, our models are suggesting that a new (higher) price target is likely appropriate. In that regard, we submit, the pace of new development, including the commissioning of new pipelines and gas facilities to increase delivery capacity, as well as the cadence of new wells at both Murucututu and Canada are still difficult to nail down, which means we could miss some numbers over the next few quarter depending on the timing of those new assets. In addition, we think it is fair to say that the 183-D4 well has outperformed most expectations, so we would like to have more data from Murucututu (perhaps the recent rework of 183-1?) to determine if 183-D4 production will be an anomaly or the "new normal". That said, we would add, our new model currently reflects slightly less YoY growth for 2026 over 2025 and more so for 2027 over 2026. We think that suggests that we are assuming a bit slower roll out of some of these new assets than the Company may be assuming. Given the above, we reiterate our allocation of 8, and we are raising our 12-24 month price modestly to *\$9.00.

Projected Operating Model

| Alvopetro Energy Ltd. | | | | | | |
|---|------------|------------|------------|------------|-------------|-------------|
| Projected Operating Model (in USD - '000s) | | | | | | |
| By Trickle Research LLC | | | | | | |
| | Estimate | Estimate | Estimate | Estimate | Estimate | Estimate |
| | 3/31/26 | 6/30/26 | 9/30/26 | 12/31/26 | Fiscal 2026 | Fiscal 2027 |
| Oil & Gas Sales | \$ 17,486 | \$ 16,565 | \$ 18,823 | \$ 18,589 | \$ 71,462 | \$ 81,911 |
| Royalties and Production Taxes | \$ (929) | \$ (958) | \$ (1,087) | \$ (1,103) | \$ (4,078) | \$ (5,076) |
| | | | | | \$ - | \$ - |
| Net Oil & Gas Revenue | \$ 16,557 | \$ 15,607 | \$ 17,735 | \$ 17,486 | \$ 67,385 | \$ 76,835 |
| Other Income | \$ 400 | \$ 400 | \$ 400 | \$ 400 | \$ 1,600 | \$ 1,600 |
| Total Revenue and Other Income | \$ 16,957 | \$ 16,007 | \$ 18,135 | \$ 17,886 | \$ 68,985 | \$ 78,435 |
| | | | | | \$ - | \$ - |
| Production | \$ 2,121 | \$ 2,368 | \$ 2,445 | \$ 2,633 | \$ 9,567 | \$ 10,829 |
| General & Administrative | \$ 1,700 | \$ 1,681 | \$ 1,726 | \$ 2,122 | \$ 7,229 | \$ 7,438 |
| Depletion and Depreciation | \$ 3,149 | \$ 3,280 | \$ 3,558 | \$ 3,544 | \$ 13,531 | \$ 15,504 |
| Impairment | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Exploration and Evaluation | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Finance Expenses and Interest | \$ 375 | \$ 375 | \$ 375 | \$ 375 | \$ 1,500 | \$ 1,500 |
| Accretion of Decommissioning Liabilities | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Share Based Compensation | \$ 250 | \$ 250 | \$ 250 | \$ 250 | \$ 1,000 | \$ 1,000 |
| Foreign Exchange Loss | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Loss on Disposition of Assets | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Risk Management Expenses | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | | | | | |
| Total Operating Expenses | \$ 7,595 | \$ 7,954 | \$ 8,354 | \$ 8,924 | \$ 32,827 | \$ 36,114 |
| | | | | | | |
| Interest Expenses | \$ - | \$ (35) | \$ (70) | \$ (105) | \$ (210) | \$ (770) |
| Other Non-Operating Expenses | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total non-operating Expenses | \$ - | \$ (35) | \$ (70) | \$ (105) | \$ (210) | \$ (770) |
| | | | | | | |
| Gain (Loss) Before Taxes | \$ 9,362 | \$ 8,088 | \$ 9,852 | \$ 9,067 | \$ 36,368 | \$ 43,091 |
| | | | | | | |
| Income Tax Charge (Recovery) | \$ 1,428 | \$ 1,233 | \$ 1,502 | \$ 1,383 | \$ 5,546 | \$ 6,571 |
| | | | | | | |
| Net Income | \$ 7,934 | \$ 6,855 | \$ 8,349 | \$ 7,684 | \$ 30,822 | \$ 36,520 |
| | | | | | | |
| Exchange (loss) gain on translation of foreign operations | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | | | | | | |
| Comprehensive (loss) gain | \$ 7,934 | \$ 6,855 | \$ 8,349 | \$ 7,684 | \$ 30,822 | \$ 36,520 |
| | | | | | | |
| Net Gain (Loss) per share | | | | | | |
| | | | | | | |
| Basic | \$ 0.21 | \$ 0.18 | \$ 0.23 | \$ 0.21 | \$ 0.83 | \$ 0.99 |
| Diluted | \$ 0.21 | \$ 0.18 | \$ 0.22 | \$ 0.20 | \$ 0.81 | \$ 0.96 |
| | | | | | | |
| Shares O/S - Basic | 37,211,009 | 37,145,666 | 37,091,233 | 37,033,302 | 37,120,303 | 36,911,313 |
| Shares O/S - Diluted | 38,063,147 | 38,043,710 | 38,031,010 | 38,011,019 | 38,037,221 | 37,967,766 |

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Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals \$250) and 10 representing 10 investment units or \$2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit \$25,000 to buying micro-cap stocks, that would assume an investment of \$1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at \$1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same \$250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting \$1000 into the position ($\$250 * 4$). If we later raise the allocation to 6, you might consider adding two additional units or \$500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.