

FORM 51-102F3
Material Change Report

Item 1 Name and Address of Company

Alvopetro Energy Ltd. (“**Alvopetro**”)
Suite 1700, 525 - 8th Avenue SW
Calgary, AB
T2P 1G1

Item 2 Date of Material Change

September 20, 2019

Item 3 News Release

On September 23, 2019, Alvopetro issued a news release which disclosed the material change described below.

Item 4 Summary of Material Change¹

Alvopetro entered into a US\$15 million credit agreement (the “**Facility**”) with Cordiant Capital Inc. and its affiliates (“**Cordiant**”), to be used to fund Alvopetro’s recently drilled well on Block 57; the construction of the 11-kilometre Caburé transfer pipeline; Alvopetro’s share of costs associated with the construction of the gas treatment facility; Caburé unit development costs; Gomo development costs, including stimulation of Alvopetro’s 183(1) well, Alvopetro’s 8-kilometre Gomo pipeline extension and future drilling and completion activities and for general corporate purposes. The first funding date (the “**First Funding Date**”) is expected to occur in the first week of October and is subject to final registrations of security and normal funding conditions. Alvopetro will have access to up to US\$13 million of the Facility and the final US\$2 million will become available upon the first sale of gas under the gas sales agreement dated April 30, 2018 between Companhia de Gás da Bahia – Bahiagás and Alvopetro S.A (the “**Offtake Agreement**”). The Facility matures three years from the First Funding Date and bears cash interest at a rate of 9.5% per annum.

Item 5 Full Description of Material Change

Alvopetro entered into a credit and guarantee agreement (the “**Credit and Guarantee Agreement**”) with Alvopetro S.A. Extração de Petróleo e Gás Natural, as borrowers, Alvopetro Oil and Gas Investments Inc., Alvopetro Investimentos e Participações Ltda. and Alvopetro Participações em Petróleo e Gás Ltda., as guarantors, Cordiant Emerging Loan Fund IV, a sub-fund of Cordiant Capital Funds, acting through its

¹ **Note:** To discuss referring to the warrants issuance.

manager Cordiant Luxembourg S.A. and Allianz EM Loans S.C.S., acting through its manager Cordiant Luxembourg S.A., as lenders (the “**Lenders**”) and Cordiant Luxembourg S.A. as Administrative Agent and Collateral Agent (the “**Administrative and Collateral Agent**”), and collectively with the Lenders, the “**Credit Parties**”) for a term loan facility in an amount not to exceed US\$15,000,000. The Facility will be used to fund Alvopetro’s recently drilled well on Block 57; the construction of the 11-kilometre Caburé transfer pipeline; Alvopetro’s share of costs associated with the construction of the gas treatment facility; Caburé unit development costs; Gomo development costs, including stimulation of Alvopetro’s 183(1) well, Alvopetro’s 8-kilometre Gomo pipeline extension and future drilling and completion activities and for general corporate purposes.

The following description of certain material provisions of the Credit and Guarantee Agreement is a summary only, is not comprehensive and is qualified in its entirety by reference to the full text of the Credit and Guarantee Agreement, a copy of which is filed on SEDAR at www.sedar.com.

The term of the Facility commences on the First Funding Date and ends on the third anniversary of that date, at which time the outstanding balance of the Facility and all unpaid accrued interest shall become due and payable. Alvopetro will pay interest on the unpaid principal amount of each advance from the date of the advance until the principal amount of the advance is repaid in full, at the rate of 9.50% per annum, payable monthly. Upon repayment of any Facility amounts, Alvopetro will also make a payment of interest in kind (“**PIK interest**”) at a rate of 3.0% per annum.

Availability

Prior to the first sale of gas pursuant to the Offtake Agreement, US\$13 million shall be available for advance with an aggregate minimum advancement of US\$1 million and in integral multiples of US\$100,000. The remaining US\$2 million will become available upon the first sale of gas occurring under and pursuant to the Offtake Agreement, subject to similar advancement terms.

Repayment

Alvopetro shall repay the loan and accrued and unpaid interest and PIK interest in whole on the maturity date. Alvopetro shall be required to make certain early repayments of outstanding principal and unpaid interest and PIK interest if it receives proceeds from a disposition of assets other than a permitted disposition, declares a dividend or receives a payment under an insurance policy. At any time following the first anniversary of the First Funding Date, Alvopetro may prepay any or all of the advances outstanding under the Facility.

In connection with any Change of Control, the outstanding principal and accrued interest under the loan will become due and payable. A “**Change of Control**” means the (i) any person (or any successor to it continuing from any amalgamation, merger or other reorganization) or group of persons becoming the owner, directly or

indirectly, beneficially or of record, of equity securities representing more than 35% of the aggregate ordinary voting power represented by the outstanding share capital of Alvopetro; (ii) any sale, lease, exchange or other transfer (in one transaction or series of related transactions) of all or substantially all of Alvopetro's property and assets; or (iii) Alvopetro's shareholders approve any plan or proposal for the liquidation or dissolution of Alvopetro.

Board Observer Rights

Alvopetro shall grant board observer rights to an employee of Cordiant Capital Inc.

Security

The repayment of the loan and the payment of other amounts under the loan agreement are secured by security interests over all assets of Alvopetro and its subsidiaries in in favour of the Lenders, the Administrative Agent and the Collateral Agent.

Warrants

In connection with the First Funding Date, Alvopetro is required to issue an aggregate of 8,057,868 warrants (the "**Warrants**") to the Lender. Each Warrant is exercisable for one common share of Alvopetro, subject to customary anti-dilution provisions, has an exercise price of US\$0.60 and expire on September 20, 2022.

Item 6 Reliance on subsection 7.1(2) or (3) of National Instrument 51-102

N/A

Item 7 Omitted Information

N/A

Item 8 Executive Officer

For further information, please contact Alison Howard, Chief Financial Officer of Alvopetro at 587-794-4224

Item 9 Date of Report

September 30, 2019