Arrow Exploration Corp.
Interim Condensed Consolidated Financial Statements
September 30, 2018
In United States Dollars
(Unaudited)

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Notice for National Instrument 51-102

The interim condensed consolidated financial statements and notes thereto for the three and nine months ended September 30, 2018 are prepared by management and have not been independently audited or reviewed by the Company's auditors.

Arrow Exploration Corp.
Condensed Consolidated Statements of Financial Position
In United States Dollars
(Unaudited)

As at	Notes		September 30, 2018		December 31, 2017
Assets					(Note 15)
Current					
Cash		$	3,032,735	$	7,966
Accounts receivable and other receivables			2,933,404		-
Deposits and prepaid expenses			737,829		-
Inventory			135,143		
			6,839,111		7,966
Non-current assets					
Restricted cash	5		3,522,097		-
Investment	6		3,476,000		
Exploration and evaluation	7		16,807,078		-
Property, Plant and equipment	8		45,803,904		-
		$	76,448,190	$	7,966
Liabilities					
Current					
Accounts payable and accrued liabilities		$	6,385,989	$	4,368
Promissory note	9		5,000,000		-
			11,385,989		4,368
Non-current liabilities					
Deferred income taxes			4,547,080		-
Derivative liability	10		1,612,900		-
Other liabilities			1,093,713		-
Decommissioning liability	11		8,359,961		-
Total liabilities			26,999,643		4,368
Shareholders' equity					
Share capital	12		50,740,292		7,585
Contributed surplus			543,800		-
Deficit			(1,837,287)		(4,228)
Accumulated other comprehensive income			1,742		241
			49,448,547		3,598
Total liabilities and shareholders' equity		$	76,448,190	$	7,966

The accompanying notes are an integral part of these condensed consolidated financial statements.

Arrow Exploration Corp.
Condensed Consolidated Statements of Operations and Comprehensive Loss
In United States Dollars
(Unaudited)

	Notes	For the three month period ended September 30, 2018	2017	For the nine month period ended September 30, 2018	2017
Oil and natural gas		**$ 174,855**	$ -	**$ 174,855**	$ -
Other		**7,741**	-	**7,741**	-
Royalties		**(16,598)**	-	**(16,598)**	-
		165,998	-	**165,998**	-
Expenses					
Operating		**70,326**	-	**70,326**	-
Administrative		**268,685**	50	**836,072**	1,150
Transaction costs		**1,073,656**	-	**1,073,656**	-
Financing costs:					
Accretion		**1,100**	-	**1,100**	-
Interest		**4,110**	-	**4,110**	-
Depletion and depreciation		**13,793**	-	**13,793**	-
		1,431,670	50	**1,999,057**	1,150
Net loss for the period		**(1,265,672)**	(50)	**(1,833,059)**	(1,150)
Other comprehensive (loss) income					
Foreign exchange		**(12,103)**	-	**1,501**	50
Net loss and comprehensive loss for the period		**(1,277,775)**	$ (50)	**$ (1,831,558)**	(1,100)
Loss per share					
- basic and diluted		**$ (0.12)**	$ (0.00)	**$ (0.19)**	$ (0.00)
Weighted average shares outstanding					
- basic and diluted *(1)*		**61,822,050**	61,591,065	**61,668,906**	61,591,065

(1) The options and warrants have been excluded from the diluted loss per share computation as they are anti-dilutive.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Arrow Exploration Corp.
Condensed Consolidated Statements of Changes in Shareholders' Equity
In United States Dollars
(Unaudited)

	Share Capital	Contributed Surplus	Accumulated other comprehensive income	Deficit	Total Equity
Balance January 1, 2018	$ 7,585	$ -	$ 241	$ (4,228)	$ 3,598
Net income (loss) for the period	-	-	1,501	(1,833,059)	(1,831,558)
Issuance of common shares net of issue costs	14,393,277	171,800	-	-	14,915,077
Shares issued in the acquisition of Front Range	6,268,930	-	-	-	6,268,930
Shares issued in the acquisition of Carrao	20,000,000	-	-	-	20,000,000
Samaria acquisition	10,442,500	-	-	-	10,442,500
Cancellation of common shares	(372,000)	372,000	-	-	-
Balance September 30, 2018	$ 50,740,292	$ 543,800	$ 1,742	$ (1,837,287)	$ 49,448,547

	Share Capital	Contributed Surplus	Accumulated other comprehensive income	Deficit	Total Equity
Balance December 12, 2016	$ -	$ -	$ -	$ -	$ -
Net income (loss) for the period	-	-	50	(1,150)	(1,100)
Issuance of common shares	7,585	-	-	-	7,585
Balance September 30, 2017	$ 7,585	$ -	$ 50	$ (1,150)	$ 6,485

The accompanying notes are an integral part of these condensed consolidated financial statements.

Arrow Exploration Corp.
Condensed Consolidated Statements of Cash Flows
In United States Dollars
(Unaudited)

For the nine month periods ended September 30,	2018	2017
Cash flows from (used in) operating activities		
Net loss for the period	$ (1,833,059)	$ (1,150)
Items not involving cash:		
Depletion and depreciation	13,793	-
Accretion	1,100	-
Foreign exchange	1,501	50
Changes in non-cash working capital balances:		
Accounts receivable and other receivables	(241,197)	-
Accounts payable and accrued liabilities	2,152,805	(1,100)
Cash flow from operating activities	94,943	-
Cash flows from (used in) Investing activities		
Acquisition of Front Range (Note 4(a))	1,979,296	-
Acquisition of Carrao (Note 4(b))	(11,970,015)	-
Acquisition of Samaria (Note 4(c))	14,968	-
Restricted cash	(3,200,000)	-
Cash flow used in investing activities	(13,175,751)	-
Cash flows from financing activities		
Issue of common shares and warrants	17,692,760	7,585
Share issue costs	(1,587,183)	
Cash flow from financing activities	16,105,577	7,585
Increase in cash	3,024,769	7,585
Cash, beginning of period	7,966	-
Cash, end of period	$ 3,032,735	$ 7,585
Supplemental information		
Interest paid	$ -	$ -
Taxes paid	$ -	$ -

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. Corporate Information

Arrow Exploration Corp. (formerly Front Range Resources Ltd.) (“Arrow” or “the Company”) is a public junior oil and gas company engaged in the acquisition, exploration and development of oil and gas properties in Colombia and in Western Canada. The Company’s shares trade on the TSX Venture Exchange under the symbol AXL.

The Company and Arrow Exploration Ltd. entered into an arrangement agreement dated June 1, 2018, as amended, whereby the parties completed a business combination pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta) on September 28, 2018. Arrow Exploration Ltd. was incorporated under the *Business Corporations Act* (Alberta) on December 12, 2016 as 2010461 Alberta Ltd. and on January 24, 2018 changed its name to Arrow Exploration Ltd. by way of articles and a certificate of amendment. Arrow Exploration Ltd. and Front Range Resources Ltd.’s (Note 4(a)) then wholly owned subsidiary, 2118295 Alberta Ltd., were amalgamated on September 28, 2018 in accordance with the arrangement agreement to form Arrow Holdings Ltd. (“AHL”) a wholly owned subsidiary of the Company.

For accounting and presentation purposes, the condensed consolidated financial statements reflect the results of operations of Arrow Exploration Ltd., the accounting acquirer, with the exception of the number of shares which were retroactively adjusted to reflect the legal capital of the Company.

The head office of Arrow is located at 2400, 635 – 8th Avenue SW, Calgary, Alberta, Canada, T2P 3M3 and the registered office is located at Suite 3400, 350 – 7th Avenue SW, Calgary, Alberta, Canada, T2P 3N9.

2. Basis of Presentation

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting. These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on November 27, 2018. They do not contain all disclosures required by International Financial Reporting Standards (“IFRS”) for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017.

The interim condensed consolidated financial statements have been prepared using the same accounting policies and methods as the consolidated financial statements for the year ended December 31, 2017, except for the adoption of new accounting policies as discussed in Note 3.

Measurement basis

These condensed consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value and specifically noted within the notes to these condensed consolidated financial statements.

Functional and presentation currency

These condensed consolidated financial statements are presented in United States Dollars. The Canadian Dollar is the functional currency of the Company and its wholly own subsidiary AHL. The functional currency of the Company’s subsidiaries operating in Colombia is the United States Dollar. The Company changed its reporting currency to United States Dollars with an effect from January 1,

2017. This change was triggered by the completion of the acquisitions in Note 4(b) and (c) and the completion of the $17,692,760 United States Dollar equity financing.

In making this change to the United States dollar presentation currency, the Company followed the guidance in IAS 21 *The Effects of Changes in Foreign Exchange Rates* and have applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency. In accordance with IAS 21, the financial statements for all years and periods presented have been translated to the new United States dollar presentation currency. For the 2017 comparative balances, assets and liabilities have been translated into the presentation currency of United States dollars at the rate of exchange prevailing at the reporting date (Note 15). The statements of comprehensive income (loss) were translated at the average exchange rates for the reporting period, or at the exchange rates prevailing at the date of transactions. Exchange differences arising on translation were taken to the foreign currency translation reserve in shareholders' equity.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the period-end exchange rate. Non-monetary assets, liabilities, revenues and expenses are translated at exchange rates at the transaction date. Exchange gains or losses are included in the determination of profit or loss in the consolidated statements of operations and other comprehensive income (loss).

For reporting purposes, the assets and liabilities of Arrow and AHL are translated into United Sates Dollars at the closing rate at the date of the balance sheets, and revenue and expenses are translated at the average rate for the period. Cumulative foreign currency translation adjustments are recognized in other comprehensive income (loss).

Use of estimates and judgments

The preparation of condensed consolidated financial statements requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Significant estimates and judgments made by management in the preparation of these financial statements are as follows:

Exploration and evaluation assets
Exploration and evaluation assets require judgment as to whether future economic benefits exist, including the existence of proven or probable reserves and the ability to finance exploration and evaluation projects, where technical feasibility and commercial viability has not yet been determined.

Depletion and depreciation
The amounts recorded for depletion and depreciation are based on estimates of proved and probable reserves. Assumptions that are valid at the time of reserve estimation may change materially as new information becomes available. Changes in forward price estimates, production and future development costs, recovery rates or decommissioning costs may change the economic status of reserves and may ultimately result in reserves used for measurement purposes being removed from similar calculations in future reporting periods.

Cash Generating Unit ("CGU")
IFRS requires that the Company's oil and natural gas properties be aggregated into CGUs, based on their ability to generate largely independent cash flows, which are used to assess the properties

for impairment. The determination of the Company's CGUs is subject to management's judgment. The Company's property and equipment is currently held in four CGU's.

Decommissioning obligations
Measurement of the Company's decommissioning liability involves estimates as to the cost and timing of incurrence of future decommissioning programs. It also involves assessment of appropriate discount rates, rates of inflation applicable to future costs and the rate used to measure the accretion charge for each reporting period. Measurement of the liability also reflects current engineering methodologies as well as current and expected future environmental legislation and standards.

Share-based compensation and warrants
Grants of stock options and warrants require an estimate of the fair value of those instruments at time of issue. The estimate involves assumptions regarding the life of the option or warrant, dividend yields, interest rates, and volatility of the Company's common shares. The charge is measured using the Black-Scholes option pricing model, which could be replaced by another pricing model producing different results.

Business combinations
Judgement is required when assessing whether or not the acquisition of assets meets the criteria of a business combination. Further, the value of the consideration transferred and the net identifiable assets acquired and liabilities assumed in connection with business combinations and determining goodwill

Income taxes
The Company recognises deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and that sufficient taxable income will be generated in the future to recover such deferred tax assets. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

Stock-based compensation, warrants and derivative liability
The amounts recorded in respect of share purchase warrants granted and the derivative liability for warrants issued are based on the Company's estimation of their fair value, calculated using assumptions regarding the life of the option or warrant, interest rates and volatility. By their nature, these estimates and assumptions are subject to uncertainty, and the actual fair value of options or warrants may differ at any time.

Functional currency
Management judgement is required in determining the functional currency that represents the economic effect of underlying transactions, events and conditions.

3. Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of these condensed consolidated financial statements are described below.

Interests in joint arrangements:

Certain of the Company's exploration and production activities are regarded as joint operations and

are conducted under joint operating agreements, whereby two or more parties jointly control the assets. These consolidated financial statements reflect only the Company's share of these jointly controlled operations and, once production commences, the Company's proportionate share of the relevant revenue and related costs.

Business combinations:

Business combinations are accounted for at fair value using the acquisition method of accounting. The fair value of the net assets acquired and the consideration transferred is measured at the acquisition date. Transaction costs are expensed when incurred. Any excess of the cost of an acquisition over the net fair value of the net identifiable assets acquired is recognized as goodwill. If the consideration is less than the fair value of the net identifiable assets acquired, the difference is recognized as a gain in the statement of operations.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed annually for impairment. Impairment losses on goodwill are not reversed.

Financial instruments:

The Company considers whether a contract contains an embedded derivative when it first becomes a party to it. Embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets
Financial assets are classified as financial assets at fair value through profit or loss or amortized cost, as appropriate.

The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date. The Company's financial assets are comprised of cash, restricted cash, accounts receivable and deposits. Cash and restricted cash are classified as financial assets at fair value through profit or loss. Accounts receivable and deposits are classified at amortized cost.

Financial liabilities
Financial liabilities are classified as financial liabilities at fair value through profit or loss or amortized cost. The Company's financial liabilities are comprised of accounts payable and accrued liabilities, derivative liability and promissory note. Accounts payable and accrued liabilities and promissory note are classified and measured at amortized cost using the effective interest method.

Derivative liability - Warrants
The non-compensation based warrants entitle the holder to acquire a fixed number of common shares for a fixed United States Dollar price per share. An obligation to issue shares for a price that is not fixed in the Company's functional currency of Canadian Dollars, and that does not qualify as a share-based payment, must be classified as a derivative liability and measured at fair value with changes recognized in the statements of operations and comprehensive loss as they arise. The Company has recorded these changes as financing income and expenses. The transaction costs associated with the issuance of the warrants are expensed when incurred.

Fair value hierarchy
The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and restricted cash have been classified as Level 1. The Company's investment has been classified as a Level 3.

Share capital
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from share capital, net of any tax effects.

Exploration and evaluation assets:

Pre-license costs are recognized in the statement of operations and comprehensive loss as incurred. Exploration and evaluation costs include the costs of acquiring undeveloped land and drilling costs are initially capitalized until the drilling of the well is complete and the results have been evaluated. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proved or probable reserves are determined to exist. If proved and/or probable reserves are found, the drilling costs and associated undeveloped land are transferred to property and equipment.

The cost of undeveloped land that expires is charged as pre-license expense when occurs.

Property, Plant and equipment:

Items of property and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion, depreciation and accumulated impairment losses. The cost of development and production assets includes; transfers from exploration and evaluation assets, which generally include the cost to drill the well and the cost of the associated land upon determination of technical feasibility and commercial viability; the cost to complete and tie-in the wells; facility costs; the cost of recognizing provisions for future restoration and decommissioning; geological and geophysical costs; and directly attributable overheads.

Development and production assets are grouped into CGU's for impairment testing. The Company has grouped its assets into four CGU's as at September 30, 2018.

Gains and losses on disposal of an item of property and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in the statement of operations and comprehensive loss.

Subsequent costs:
Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in operating expenses as incurred.

Depletion and depreciation:
The net carrying value of development and production assets is depleted using the unit of production method by reference to the ratio of production in the period to the related proved plus probable reserves, taking into account estimated future development costs necessary to bring those reserves into production and the estimated salvage value of the assets at the end of their useful lives. Future development costs are estimated taking into account the level of development required to produce the reserves.

Proved plus probable reserves are estimated annually by independent qualified reserve evaluators and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Impairment:

Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the statement of operations.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the statement of operations.

Non-financial assets
The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Exploration and evaluation assets are also assessed for impairment prior to being transferred to property and equipment.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (CGU). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal.

Fair value less cost to dispose is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. The fair value less cost to dispose of oil and gas assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted by an appropriate discount rate which would be applied by such a market participant to arrive at a net present value of the CGU.

Value in use is determined as the net present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and can only take into account approved future development costs. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of commodity prices and expected production volumes. The latter takes into account assessments of field reservoir performance and includes expectations about proved and unproved volumes, which are risk-weighted utilizing geological, production, recovery and economic projections.

An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of operations and comprehensive loss. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date to determine if facts and circumstances indicate that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

Share based compensation:

The Company has a share based compensation plan for which the compensation cost attributed to stock options granted is measured at the fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options or units that vest. Upon the settlement of the stock options the previously recognized value in contributed surplus is recorded as an increase to share capital.

Share based compensation granted to non-employees is measured based on the fair value of the goods or services received, except in cases where this is not reliably measurable, and then the intrinsic value of the equity instruments granted is used (i.e. the average value of the Company's shares over the service period). Share based compensation subject to performance vesting conditions is recognized based on the Company's estimated probability of achieving those performance vesting conditions determined at each reporting date.

Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

Decommissioning obligations
The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of abandonment and site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation as at the reporting date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion (within finance expense) whereas increases/decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

Revenue:

The Company's revenues are primarily derived from the production of petroleum and natural gas. Revenue from contracts with customers is recognized when the Company satisfies a performance obligation by physically transferring the product and control to a customer. The Company satisfies its performance obligations at the point of delivery of the product and not over a period of time. Revenue is measured based on the consideration specified in contracts with customers.

Finance expenses:

Finance expense comprises interest expense on borrowings and accretion of the discount on decommissioning obligations.

Income tax:

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in the statement of operations and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings (loss) per share:

Basic earnings (loss) per share is calculated by dividing the net earnings or loss attributable to

common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the net earnings or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options and warrants granted. The number of shares included with respect to options is computed using the treasury stock method.

Leases:

Leases are classified as either finance or operating. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date of the contract. Finance leases are those that transfer to the Company substantially all the risks and benefits of ownership. Assets acquired under finance leases are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments, and are depleted on a unit-of-production basis over the proved plus probable developed reserves, or if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, over the shorter of the useful life of the asset or the lease term. All other leases are classified as operating leases and the payments are amortized on a straight-line basis over the lease term.

Future Accounting Changes:

IFRS 16 – Leases
IFRS 16 effectively removes the classification of leases as either finance or operating and treats all leases as finance leases for lessees with exemptions for short-term leases where the lease term is twelve months or less and for leases of low value items. The standard supersedes IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company has not yet begun to assess the impact of adoption of IFRS 16 on its consolidated financial statements.

4. Acquisitions

(a) On September 28, 2018, Arrow Exploration Ltd. completed the reverse takeover acquisition of all outstanding shares of the Company, then called Front Range Resources Ltd. ("Front Range"), by way of a Plan of Arrangement for a purchase price of $6,268,930. Front Range was an oil and gas company engaged in the evaluation, acquisition, exploration and development of oil and gas properties in Western Canada. The preliminary fair values of the identifiable assets acquired and liabilities assumed as well as the purchase consideration transferred are presented below.

Net assets acquired:	
Cash	$ 1,979,296
Working capital deficiency	(630,071)
Restricted cash	322,096
Property and equipment	5,154,587
Derivative liability	(72,400)
Decommissioning obligations	(484,578)
Fair value of the net assets acquired	$ 6,268,930
Consideration:	
10,630,000 Common Shares issued	$ 6,268,930

The transaction is accounted for using the acquisition method. Allocation of the purchase price is based on a provisional assessment of the fair values of the identifiable assets acquired and liabilities assumed at the acquisition date and is subject to change. Management is continuing to review and assess information to accurately determine the acquisition date fair value of the assets

and liabilities acquired. During the measurement period, the Company will continue to obtain information to assist in finalizing the fair value of net assets acquired, which may differ materially from the above preliminary estimates.

(b) On September 27, 2018, Arrow Exploration Ltd. completed the acquisition of all outstanding shares of Carrao Energy S.A. ("Carrao") for a preliminary purchase price of $38,000,000, plus working capital closing adjustments. Carrao is an oil and gas company engaged in the evaluation, acquisition, exploration and development of oil and gas properties in Colombia. The preliminary fair values of the identifiable assets acquired and liabilities assumed as well as the purchase consideration transferred are presented below. Arrow expects to finalize these amounts no later than one year from the acquisition date.

Net assets acquired:		
Cash	$	1,029,985
Working capital		(29,147)
Investment		3,476,000
Exploration and evaluation assets		1,828,048
Property and equipment		37,241,009
Other liabilities		(1,093,713)
Decommissioning obligations		(4,452,182)
Fair value of the net assets acquired	$	38,000,000
Consideration:		
22,598,870 Common Shares issued	$	20,000,000
Cash		13,000,000
Promissory Note		5,000,000
	$	38,000,000

In the event the Company doubles the proved plus probable reserves on the assets acquired within five years, a further $5,000,000 payment will have to be made to the vendor. The contingent consideration has not been recognized in the financial statements as Management does not have the information to make the assessment of whether the payment will be made.

The transaction is accounted for using the acquisition method. Allocation of the purchase price is based on a provisional assessment of the fair values of the identifiable assets acquired and liabilities assumed at the acquisition date and is subject to change. Management is continuing to review and assess information to accurately determine the acquisition date fair value of the assets and liabilities acquired. During the measurement period, the Company will continue to obtain information to assist in finalizing the fair value of net assets acquired, which may differ materially from the above preliminary estimates

(c) On September 27, 2018, pursuant to the purchase and sale agreement between Arrow Exploration Ltd. and Samaria Exploration and Production S.A. ("Samaria") dated May 31, 2018, Arrow Exploration Ltd. closed on its purchase of a fifty percent working interest in the Tapir Association Contract by the purchase from Samaria of subsidiary Samaria Llanos Exploration S.A. in exchange for 11,799,435 Common Shares. The assets acquired are non-producing therefore the acquisition is not considered a business acquisition. The Company allocated $14,979,029 to the exploration and evaluation assets and recorded a deferred tax liability of $4,547,080.

5. Restricted Cash

As part of the purchase and sale agreement, Arrow Exploration Ltd. agreed to reimburse Samaria for funds historically contributed by Samaria and held in trust in respect of certain obligations. The funds, totaling $3,200,000, receive interest at 4.0276% and held in trust for the purpose of funding Ecopetrol (the Colombian National Oil Company) approved expenditures on the Tapir Block. Disbursements from the trust can only be made upon approval of Ecopetrol. Arrow anticipates funding part of the cost of drilling an upcoming well from the trust by the end of the first quarter of 2019 at which point the trust account will be closed.

At September 30, 2018, pursuant to Alberta government regulations, the Company was required to pay a $322,097 (CAD $416,053) deposit with respect to the Company's Liability Rating Management ("LMR"). The deposit is held by a Canadian Chartered Bank with interest paid to the Company on a monthly basis based on the bank's deposit rate.

6. Investment

The Company acquired via the acquisition of Carrao (Note 4(b)) a 0.5% interest in Oleoducto Bicentenario de Colombia ("OBC"), which owns a pipeline system that links Llanos basin oil production to the Caño Limón oil pipeline system. The Company is eligible to receive any proportional share of dividends distributed by OBC. Additionally, under the terms of the OBC agreement, the Company may be required to provide financial support or guarantees for its proportionate equity interest in any future debt financings undertaken by OBC.

7. Exploration and Evaluation

	September 30, 2018	December 31, 2017
Balance, beginning of period	**$ -**	$ -
Acquisition of Samaria assets (Note 4c)	**14,979,029**	-
Acquisition of Carrao assets (Note 4b)	**1,828,049**	-
Balance, end of period	**$ 16,807,078**	$ -

8. Property and Equipment

Cost	Oil and Gas Properties
Balance, December 31, 2017	$ -
Acquisition of Front Range (Note 4(a))	5,154,587
Acquisition of Carrao (Note 4(b))	37,241,009
Adjustment to decommissioning obligations (Note 11)	3,422,101
Balance, September 30, 2018	$ 45,817,697
Accumulated Depletion and Amortization	
Balance, December 31, 2017	$ -
Depletion	(13,793)
Balance, September 30, 2018	$ (13,793)

Net Book Value		
Balance December 31, 2017	$	-
Balance September 30, 2018	$	45,803,904

Arrow performed an impairment assessment of its oil and gas properties on a CGU basis and determined there were no impairment indicators identified at the end of the reporting period. As a result, no impairment test was required as at September 30, 2018.

9. Promissory Note

The promissory note was issued as partial consideration in the Carrao acquisition (Note 4(b)). The promissory note is unsecured, bears interest at 15% per annum and is due on January 28, 2019.

10. Derivative liability

(a) Warrants issued and outstanding

	September 30, 2018		December 31, 2017	
Warrants *(i)*	**Number**	**Amounts**	Number	Amounts
Balance beginning of period	**-**	**$ -**	-	$ -
Issued in financing (Note 12(b)(i))	**17,692,760**	**1,540,500**	-	-
Issued in the Front Range acquisition (Note 4(a))	**630,000**	**72,400**	-	-
Fair value adjustment	**-**	**-**	-	-
Balance end of period	**18,322,760**	**$ 1,612,900**	-	$ -

(i) Only values related to non-compensatory warrants have been included in this table and do not include compensatory warrants included in equity.

There were no non-compensatory warrants outstanding at December 31, 2017.

(b) Each non-compensatory warrant is measured at fair value quarterly using the Black-Scholes options pricing model. The fair value of the warrants was initially estimated at $1,540,500 with the following assumptions:

	September 28, 2018	**September 30, 2018**
Number outstanding re-valued warrants, end of period	**18,322,760**	**18,322,760**
Fair value of warrants outstanding	**CAD$0.088**	**CAD$0.088**
Risk free interest rate	**1.73%**	**1.73%**
Expected life	**2.00 years**	**1.99 years**
Expected volatility	**35%**	**35%**

(c) The following table summarizes the warrants outstanding and exercisable at September 30, 2018:

Number of warrants	Warrant Type	Exercise price (USD $)	Expiry date
17,692,760	Non-compensatory	$1.30	September 28, 2020
630,000	Non-compensatory	$1.30	September 24, 2020
18,322,760			

11. Decommissioning Liability

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the decommissioning of oil and gas properties.

	September 30, 2018	December 31, 2017
Obligation, beginning of period	$ -	$ -
Additions as a result of corporate acquisitions (Note 4)	4,936,760	-
Change in estimated cash flows	3,422,101	-
Accretion expenses	1,100	-
Obligation, end of period	$ 8,359,961	$ -

Subsequent to the reverse takeover transaction (Note 4(a)) and acquisition of Carrao (Note 4(b)), the obligation was calculated using a risk free discount rate of 2.41% in Canada and 6.06% in Colombia with an inflation rate of 2.2% to 3.0%. The result was a $3,422,101 increase in decommissioning obligations and property plant and equipment.

It is expected that the majority of costs are expected to occur between 2025 and 2038. The undiscounted amount of cash flows, required over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated at $22,058,000.

12. Share Capital

(a) Authorized
Unlimited number of:
Common shares without par value

(b) Issued

	September 30, 2018		December 31, 2017	
Common shares	**Shares**	**Amounts**	Shares	Amounts
Balance beginning of period *(i)*	6,453,537	$ 7,585	6,453,537	$ 7,585
Private placement *(ii)*	17,692,760	16,152,260	-	-
Shares issued in the reverse takeover transaction of Front Range (Note 4(a)) *(iii)*	10,630,000	6,268,930	-	-
Shares issued in the acquisition of Carrao (Note 4(b))	22,598,870	20,000,000	-	-
Shares issued in the Samaria acquisition (Note 4(c))	11,799,435	10,442,500	-	-
Shares returned to treasury *(iv)*	(500,000)	(372,000)		
Share issue costs *(v)*	-	(1,758,983)	-	-
	68,674,602	$ 50,740,292	6,453,537	$ 7,585

(i) *Pursuant to the arrangement agreement with Arrow Exploration Ltd. and Front Range the opening number of shares are reflective of the Front Range capital and have been consolidated on a 8.5-to-1 basis retroactively.*

(ii) *On September 17, 2018, Arrow Exploration Ltd. closed a private placement of 17,692,760 subscription receipts at $1.00 per subscription receipt. On September 27, 2018 each subscription receipt converted into a unit of Arrow Exploration Ltd. which consisted of one common share and one share purchase warrant with each warrant being exercisable at $1.30, expiring two years from the date of issuance. These warrants are considered non-compensatory warrants and are required to be fair valued at each quarter (Note 10).*

(iii) *This includes 630,000 shares (on a post-consolidation basis) that were issued as part of the Company's private placement unit financing completed on September 24, 2018 following the private placement*

financing in Arrow Exploration Ltd. referred to in note (ii) and in advance of closing the RTO. Each unit placed in Front Range consisted of, on a subsequent and post-consolidation basis, one common share and one share purchase warrant with each warrant being exercisable at $1.30, expiring two years from the date of issuance.

(iv) *In order to consummate the acquisitions as disclosed in Note 4, certain Arrow Exploration Ltd. founders returned an aggregate of 500,000 shares to treasury. The value assigned to the shares returned was based on the Company's post transaction equity value.*

(v) *Included in share issue costs is the value of $171,800 assigned to the 634,638 agents options Arrow Exploration Ltd. Granted in conjunction with the private placement financing referred to in note (ii). Each agents option is exercisable for a period of 12 months at $1.00 into one common share and one share purchase warrant with each warrant exercisable at $1.30 for two years from the date of issuance. The fair value of the agents options was determined using the Black-Scholes option pricing model with the following assumptions dividend yield – Nil, expected volatility 35%, risk free rate of return 1.73%, weighted average life – 1.0 to 2.0 years.*

(c) Stock options

The Company has a stock option plan that provides for the issuance to its directors, officers, employees and consultants options to purchase from treasury a number of common shares not exceeding 10% of the common shares that are outstanding from time to time which is the number of shares reserved for issuance under the plan. The options are non-transferable if not exercised. The exercise price is based on the closing price of the Company's common shares on the day prior to the day of the grant, which may be different from the closing price of such shares on the day of grant. At September 30, 2018, the Company has 480,659 stock options outstanding, expiring on December 27, 2018 and an exercise price of CAD $8.42.

13. Commitments and Contingencies

Presented below are the Corporation's contractual commitments at September 30, 2018:

	Less than 1 year	1-3 years	Thereafter	Total
Exploration and production contracts	$ 8,800,000	38,000,000	$ -	$ 46,800,000
Office leases	133,546	34,761	-	168,307
Total Commitments	**$ 8,933,546**	**38,034,761**	**$ -**	**$ 46,968,307**

Exploration and Production Contracts

Following the acquisitions of the oil properties in Colombia, the Company has assumed a number of exploration contracts in Colombia which require the Company to fulfill work program commitments and issue financial guarantees related thereto. Of the $46.8 million of exploration and production contracts, $38.0 million is currently suspended due to community or environmental issues.

Contingencies

From time to time, the Company may be involved in litigation or has claims sought against it in the normal course of business operations. Management of the Company is not currently aware of any claims or actions that would materially affect the Company's reported financial position or results from operations.

Under the terms of certain agreements and the Company's by-laws the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service.

14. Financial Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to, credit and foreign exchange risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

(a) Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Lower commodity prices can also impact the Company's ability to raise capital. Commodity prices for crude oil are impacted by world economic events that dictate the levels of supply and demand. From time to time the Company may attempt to mitigate commodity price risk through the use of financial derivatives. The Company currently has no commodity contracts in place.

(b) Credit Risk

Credit risk reflects the risk of loss if counterparties do not fulfill their contractual obligations. The majority of the Company's account receivable balances relate to petroleum and natural gas sales. The Company's policy is to enter into agreements with customers that are well established and well financed entities in the oil and gas industry such that the level of risk is mitigated. In Colombia, a significant portion of crude oil and natural gas sales are with customers that are directly or indirectly controlled by the government. The Company has also entered into sales agreements with certain Colombian private sector companies.

The Company's account receivables primarily relate to sales of petroleum and natural gas, which are normally collected within 25 days (in Canada) and 45 days (in Colombia) of the month of production. The Company has historically not experienced any collection issues with its customers.

(c) Market Risk

Market risk is comprised of two components: currency risk and interest rate risk.

i. Foreign Currency Exchange Risk

The Company operates on an international basis and therefore foreign exchange risk exposures arise from transactions denominated in currencies other than the United States Dollar. The Company is exposed to foreign currency fluctuations as it holds cash and incurs expenditures in exploration and evaluation and administrative costs in foreign currencies. The Company incurs expenditures in Canadian Dollars, United States Dollars and the Colombian Peso and is exposed to fluctuations in exchange rates in these currencies. There are no exchange rate contracts in place at September 30, 2018 and December 31, 2017.

ii) Interest Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not currently exposed to interest rate risk as it borrows funds at a fixed coupon rate of 15% on the promissory notes.

(d) Liquidity Risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset.

The Company's approach to managing liquidity is to ensure, within reasonable means, sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions, without incurring unacceptable losses or jeopardizing the Company's business objectives. The Company prepares annual capital expenditure budgets which are monitored regularly and updated as considered necessary. Petroleum and natural gas production is monitored daily to provide current cash flow estimates and the Company utilizes authorizations for expenditures on projects to manage capital expenditures. Any funding shortfall may be met in a number of ways, including, but not limited to, the issuance of new debt or equity instruments, further expenditure reductions and/or the introduction of joint venture partners.

(e) Capital Management

The Company's policy is to maintain a strong capital base in order to provide flexibility in the future development of the business and maintain investor, creditor and market confidence. The Company manages its capital structure and makes adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include share capital, bank debt (when available), promissory notes and working capital, defined as current assets less current liabilities. In order to maintain or adjust the capital structure, from time to time the Company may issue common shares or other securities, sell assets or adjust its capital spending to manage current and projected debt levels. The Company monitors leverage and adjusts its capital structure based on its net debt level. Net debt is defined as the principal amount of its outstanding bank debt (when available), promissory notes and working capital, as defined above. In order to facilitate the management of its net debt, the Company prepares annual budgets, which are updated as necessary depending on varying factors including current and forecast crude oil prices, changes in capital structure, execution of the Company's business plan and general industry conditions. The annual budget is approved by the Board of Directors and updates are prepared and reviewed as required.

The Company's capital includes the following:

	September 30, 2018	December 31, 2017
Working capital	**$ 453,122**	$ 3,598
Promissory notes	**(5,000,000)**	-
	$ (4,546,878)	$ 3,598

15. Adjustment of previously reported financial information due to change in presentation currency

For comparative purposes, the statement of financial position as at December 31 2017 includes adjustments to reflect the change in the reporting currency to United States dollars. The amounts previously reported in Canadian Dollars as shown below have been translated into United States dollars at the December 31, 2017 of 0.7966 CAD:USD.

As at December 31, 2017	**As previously reported CAD**	As translated at a rate of 0.7966
Current assets	$ 10,000	$ 7,966
Non-current	-	-
Total Assets	$ 10,000	$ 7,966
Current liabilities	$ 5,483	$ 4,368
Non-current liabilities	-	-
Total liabilities	$ 5,483	$ 4,368

For comparative purposes, the Consolidated Statements of Operations and Comprehensive Loss for the nine month period ended September 30, 2017 includes adjustments reflect the change in the reporting currency to United States dollars. The amounts previously reported in Canadian Dollars of $1,500 have been translated into US dollars at the average 2017 exchange rate of 0.7657 CAD:USD.

16. Segmented Information

The Company has two reportable operating segments for the three and nine months ended September 30, 2018: Colombia and Canada. The Company, through its operating segments, is engaged primarily in oil exploration, development and production, and the acquisition of oil and gas properties. Previous to the Acquisitions described in Note 4, the Company had no active operations other than incurred costs to consummate the transactions and complete the equity financing. Arrow management will regularly review funds flow from operations generated by each of Arrow's operating segments. Funds flow from operations is a non-GAAP measure of profit or loss that provides Arrow's management with the ability to assess the operating segments' profitability and, correspondingly, the ability of each operating segment to sustain capital, enable future growth through capital investment and to repay debt.

The carrying amounts of reportable segment assets and liabilities are as follows:

As at September 30, 2018		**Colombia**		**Canada**		**Total**
Current assets	$	4,696,511	$	2,142,600	$	6,839,111
Non-current		-				-
Restricted cash		3,200,000		322,097		3,522,097
Investments		3,476,000		-		3,476,000
Exploration and evaluation		16,807,078		-		16,807,078
Property, plant and equipment		40,664,559		5,139,345		45,803,904
Total Assets	$	68,844,148	$	7,604,042	$	76,448,190
Current liabilities	$	8,609,420	$	2,776,569	$	11,385,989
Non-current liabilities						
Deferred income taxes		4,547,080		-		4,547,080
Derivative liability		-		1,612,900		1,612,900
Other liabilities		1,093,713		-		1,093,713
Decommissioning liability		7,887,783		472,178		8,359,961
Total liabilities	$	22,137,996	$	4,861,647	$	26,999,643

17. Subsequent Events

Except as disclosed elsewhere in these financial statements the Company has the following subsequent events:

In October 2018, the Company issued 6,350,000 options exercisable at CAD $1.15. The options, vest in thirds, with one-third vesting upon each of the first, second and third anniversaries of issuance, and expire on October 22, 2028.