Arrow Exploration Corp.
Condensed Consolidated Financial Statements
March 31, 2019
In United States Dollars
(Unaudited)

Contents

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

As at	Notes		March 31, 2019		December 31, 2018
Assets					
Current					
Cash		$	1,434,648	$	1,994,233
Accounts receivable and other receivables			3,448,324		3,941,995
Taxes receivable			398,528		223,598
Deposits and prepaid expenses			1,409,009		1,884,331
Inventory			410,568		555,003
Assets held for sale	6		3,452,600		-
			10,553,677		8,599,160
Non-current assets					
Restricted cash	4		3,245,624		3,154,839
Exploration and evaluation	5		11,620,187		10,547,118
Property and equipment	6		51,647,094		54,661,198
		$	77,066,582	$	76,962,315
Liabilities					
Current					
Accounts payable and accrued liabilities		$	13,179,421	$	12,157,942
Promissory note	7		5,000,000		5,000,000
Lease obligation	9		59,896		-
Liabilities held for sale	6 & 11		114,208		-
			18,353,525		17,157,942
Non-current liabilities					
Deferred income taxes			2,343,000		2,326,000
Derivative liability	8		100		100
Lease obligation	9		234,602		-
Other liabilities	10		1,096,559		1,096,559
Decommissioning liability	11		5,857,720		5,833,563
Total liabilities			27,885,506		26,414,164
Shareholders' equity					
Share capital	12		50,740,292		50,740,292
Contributed surplus			1,122,683		800,787
Deficit			(2,373,531)		(669,351)
Accumulated other comprehensive loss			(308,368)		(323,577)
			49,181,076		50,548,151
Total liabilities and shareholders' equity		$	77,066,582	$	76,962,315

Commitments and contingencies (Note 13)
Subsequent events (Note 16)

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)

For the three months ended March 31,	Notes	2019	2018
Revenue			
Oil and natural gas		$ 6,734,944	$ -
Other		1,874	-
Royalties		(726,304)	-
		6,010,514	-
Expenses			
Operating		3,371,061	-
Administrative		1,268,997	312,020
Share based payments	12	321,896	-
Financing costs:			
Accretion	11	94,572	-
Interest		209,933	-
Foreign exchange gain		(16,779)	-
Depletion and depreciation	6	2,321,250	-
		7,570,930	312,020
Loss before income taxes		(1,560,416)	(312,020)
Income taxes			
Current		126,764	-
Deferred		17,000	-
		143,764	-
Net loss for the period		(1,704,180)	(312,020)
Other comprehensive income			
Foreign exchange		15,209	6,137
Comprehensive loss for the year		$ (1,688,971)	(305,883)
Net loss per share - basic and diluted		$ (0.02)	$ (0.00)
Weighted average shares outstanding - basic and diluted ***(1)***		68,674,602	61,591,065

(1) As of March 31, 2019, the options and warrants have been excluded from the diluted net income 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 (loss)	Deficit	Total Equity
Balance January 1, 2019	$ 50,740,292	$ 800,787	$ (323,577)	$ (669,351)	$ 50,548,151
Net loss for the period	-	-		(1,704,180)	(1,704,180)
Comprehensive income for the period	-	-	15,209	-	15,209
Share based payments	-	321,896	-	-	321,896
Balance March 31, 2019	$ 50,740,292	$ 1,122,683	$ (308,368)	$ (2,373,531)	$ 49,181,076

	Share Capital	Contributed Surplus	Accumulated other comprehensive income	Deficit	Total Equity (Deficit)
Balance January 1, 2018	$ 7,585	$ -	$ 241	$ (4,228)	$ 3,598
Net loss for the period	-	-	-	(312,020)	(312,020)
Comprehensive income for the period	-	-	6,137	-	6,137
Balance March 31, 2018	$ 7,585	$ -	$ 6,378	$ (316,248)	$ (302,285)

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 three months ended March 31,	**2019**	2018
Cash flows from (used in) operating activities		
Net loss for the period	**$ (1,704,180)**	$ (312,020)
Items not involving cash:		
Deferred taxes	**17,000**	-
Share based payment	**321,896**	-
Depletion and depreciation	**2,321,250**	-
Accretion	**94,572**	-
Foreign exchange	**(69,586)**	
Changes in non-cash working capital balances:		
Accounts receivable and other receivables	**493,671**	(13,470)
Taxes receivable	**(174,930)**	-
Prepaid expenses	**475,322**	-
Inventory	**144,435**	-
Accounts payable and accrued liabilities	**(1,397,214)**	325,273
Cash flows from operating activities	**522,236**	(217)
Cash flows used in financing activities		
Lease payments	**(8,364)**	-
Cash flows used in financing activities	**(8,364)**	-
Cash flows used in investing activities		
Additions to exploration and evaluation assets	**(1,038,196)**	-
Additions to property and equipment	**(2,363,169)**	-
Restricted cash	**(90,785)**	-
Changes in non-cash working capital	**2,418,693**	-
Cash flows used in investing activities	**(1,073,457)**	-
Increase (decrease) in cash	**(559,585)**	(217)
Cash, beginning of period	**1,994,233**	7,966
Cash, end of period	**$ 1,434,648**	$ 7,749
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 (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 920, 150 – 9th Avenue SW, Calgary, Alberta, Canada, T2P 3H9 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 condensed consolidated financial statements (the "Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. These Financial Statements were authorised for issue by the Board of Directors on May 29, 2019. 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, 2018.

These Financial Statements have been prepared on the historical cost basis, except for financial assets and liabilities recorded in accordance with IFRS 9. The Financial Statements have been prepared using the same accounting policies and methods as the consolidated financial statements for the year ended December 31, 2018, except for the adoption of new accounting pronouncements as discussed below.

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 and Panama is the United States Dollar. The Company changed its reporting currency to United States Dollars with an effect from January 1, 2017.

Use of management estimates, judgments and measurement uncertainty
The timely preparation of the condensed consolidated financial statements requires that management make estimates and use judgment regarding the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the

period. Such estimates primarily relate to unsettled transactions and events as at the date of the condensed interim consolidated financial statements. Accordingly, actual results could differ from estimated amounts as future confirming events occur.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2018.

3. Change in Accounting Policies

Accounting Pronouncements Adopted

On January 1, 2019, Arrow adopted IFRS 16: Leases ("IFRS 16") to replace IAS 17: Leases and IFRIC 4: Determining whether an Arrangement contains a Lease. IFRS 16 requires the recognition of a right-of-use asset and lease liability on the statements of financial position for all leases, where Arrow is acting as a lessee. For lessees applying IFRS 16, the dual classification model of leases as either operating leases or finance leases no longer exists, effectively treating all leases as finance leases. IFRS 16 allows lessors to continue with the dual classification model for recognized leases as either a finance or an operating lease. Arrow is the lessee in all of its lease arrangements effective January 1, 2019. The Company adopted IFRS 16 using the modified retrospective approach, which does not require restatement of prior period financial information and applies the standard prospectively.

The impact of applying IFRS 16 on the financial statements in the period was affected by multiple factors and conditions, including, but not limited to, the Company's incremental borrowing rate at January 1, 2019, the composition of the Company's lease portfolio at that date, the Company's latest assessment of whether it will exercise any lease renewal options, and the extent to which the Company chose to use practical expedients and recognition exemptions.

On initial adoption, Arrow had the following optional practical expedients available under IFRS 16: Certain short-term leases and leases of low value assets that have been identified as a lease under IFRS 16 at January 1, 2019 have been excluded from recognition on the statements of financial position. Arrow has excluded certain low value leases such as information technology, office equipment and other minor operating and capital assets used in its operations. Short-term and low value leases are expensed in profit or loss in the period incurred. Certain classes of lease arrangements that transfer a separate good or service under the same contract that have been identified for recognition at January 1, 2019 can be recognized as a single lease component rather than separating between their lease and non-lease components. Arrow did not apply this practical expedient on initial adoption of IFRS 16. Non-lease components such as operating costs and payment for services were separated from their lease component under the same contract and expensed in profit or loss in the period incurred. For leases having similar characteristics, a portfolio approach can be used by applying a single discount rate. Arrow has applied this practical expedient for leases having similar characteristic on recognition.

On initial adoption of IFRS 16, Arrow recognized a lease liability, herein referred to as a "lease obligation", and corresponding right-of-use asset, herein referred to as a "lease asset", for each identified lease effective January 1, 2019. The effect of initially applying the standard was recognized as a $45,377 increase to right-of-use assets (included in "Property and Equipment") with a corresponding increase to lease obligations (the non-current portion of $15,885 is recorded in "Lease Obligation" and the current portion of the lease obligation is $29,492. The lease obligation was determined by discounting the remaining lease term payments using the interest rate implicit in the lease, or the Company's incremental borrowing rate. The lease obligation is reduced by actual cash lease payments made during the period. Lease obligations are presented on the statements of financial position. The lease assets are included in property and equipment on the statements of financial position. Lease assets are depreciated over the remaining term of the lease and included in depreciation expense the statement of operations and comprehensive income.. The unwinding of the present value of the lease obligation is recorded as accretion (interest) and included in finance expense in the statement of operations. Cash lease payments are classified as a financing activity and accretion expense classified as an operating activity in the statements of cash flows. Any remeasurements based on changes in lease term, payment, or discount rate will increase or decrease the present value of the lease obligation and corresponding lease asset. Such changes will be accounted for through statement of operations. See Notes 6 and 9 to these Financial Statements for further details on the financial effects of IFRS 16 on initial adoption.

In United States Dollars

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16 and the application incremental borrowing rate. Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement. In determining the lease term to be recognized, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Lease obligations that are recognized have been estimated using a discount rate equal to Arrow's incremental borrowing rate. This rate represents the rate that Arrow would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

The following reconciliation of the Company's commitments as at December 31, 2018 to the Company's opening lease liability as at January 1, 2019:

Commitments disclosed on December 31, 2018	$	549,996
Relief for short term and low value lease		(151,943)
Lease obligation that commenced in 2019		(326,385)
Other		(22,614)
Gross lease liabilities as at January 1, 2019		49,054
Discounting		(3,677)
Present value of lease liabilities	$	45,377

4. Restricted Cash

		March 31, 2019		December 31, 2018
Colombia *(i)*	**$**	**2,931,418**	$	2,848,514
Canada *(ii)*		**314,206**		306,325
	$	**3,245,624**	$	3,154,839

(i) *As part of the purchase and sale agreement, Arrow agreed to reimburse the vendors of Samaria $3,200,000 for funds historically contributed by Samaria and held in trust in respect of certain obligations. The funds advanced totaling $3,200,000 less $351,486 expended and adjusted for foreign exchange, 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 half of 2019 at which point the trust account will be closed.*

(ii) *At March 31, 2019, pursuant to Alberta government regulations, the Company was required to pay a $314,ye216 (CAD $417,905) 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.*

In United States Dollars

5. Exploration and Evaluation

		March 31, 2019		December 31, 2018
Balance, beginning of the period	**$**	**10,547,118**	$	-
Acquisition of Samaria assets		**-**		10,547,118
Additions		**921,819**		-
Capitalized administrative costs		**151,250**		-
Balance, end of the period	**$**	**11,620,187**	$	10,547,118

In 2019, the Company capitalized $151,250 of general and administrative costs inclusive of costs related to technical personal directly related to exploration and evaluation activities on the Tapir block in the Llanos basin of Colombia.

6. Property and Equipment

Cost		Oil and Gas Properties		Right of Use and Other Assets *(i)*		Total
Balance, December 31, 2018	$	56,622,566	$	30,443	$	56,653,009
Right of use assets (Note 3)		-		45,377		45,377
Additions		2,323,090		293,769		2,616,859
Oil and gas properties held for sale		(4,012,600)		-		(4,012,600)
Balance, March 31, 2019	$	54,933,056		369,589	$	55,302,645
Accumulated depletion and depreciation						
Balance, December 31, 2018	$	2,041,962	$	2,158	$	2,044,120
Depletion and depreciation		2,301,260		19,990		2,321,250
Accumulated depletion associated with oil and gas properties held for sale		(560,000)		-		(560,000)
Balance, March 31, 2019	$	3,783,222	$	22,148	$	3,805,370
Foreign exchange						
Balance December 31, 2018	$	52,998	$	(689)	$	52,309
Effects of movements in foreign exchange rates		98,515		(1,005)		97,510
Balance March 31, 2019	$	151,513	$	(1,694)	$	149,819
Net Book Value						
Balance December 31, 2018	$	54,633,602	$	27,596	$	54,661,198
Balance March 31, 2019	$	51,301,347	$	345,747	$	51,647,094

(i) Included leased and other assets is $45,377 related to lease asset additions on initial adoption of IFRS 16 as at January 1, 2019 and $252,648 in current period additions (see Notes 3 and 9). The carrying amount of lease assets at March 31, 2019 was $287,820 after giving effect to depreciation.

At March 31, 2019, the Company did not identify any indicator of impairment.

In March 2019, the Company decided to dispose of two non-core properties (VMM-2 and Coati) and on April 26, 2019, the Company announced that it had entered into Definitive Agreements to sell two non-core interests in Colombia for an aggregate sale price of $5.0 million US, subject to adjustments. The first sale, for $3.5 million US, subject to adjustments, closed on April 29, 2019, with the formal legal transfer of ownership of working interests subject to ultimate approval by the Agencia Nacional de Hidrocarburos (ANH). The second transaction, for $1.5 million US, subject to adjustments, closed on May 22, 2019. These transactions eliminated approximately $6.95 million US from Arrow's future commitments (see Note 13). As a result, the cost net of the accumulated depletion was classified as a current asset held for sale. The purchaser will assume the decommissioning obligations (Note 11).

In United States Dollars

7. Promissory Note

The promissory note was issued as partial consideration in the Carrao acquisition. The promissory note is unsecured, bears interest at 15% per annum and was due on January 28, 2019 and subsequently extended to April 30, 2019. On April 29, 2019, Arrow and Canacol entered into an Amended and Restated Promissory Note (the "Amended Note") to revise the terms of the original $5 million promissory note issued upon Arrow's acquisition of Carrao Energy S.A. from Canacol in September 2018. The amendments provide for repayment of the obligation commencing on July 1, 2019 at $500,000 per month until payout. The Amended Note, which still bears interest at 15%, also contains an accelerated payment feature whereby Canacol will receive 50% of Arrow's working interest cash flow from the Rio Cravo Este well, calculated on a two-month trailing basis with immediate effect, up to a maximum of $500,000, such that the monthly payment to Canacol will not exceed $1 million. The balance of the obligation is also accelerated under the Amended Note in the event Arrow closes a credit facility or other financing structure, or closes a sale of assets pursuant to a definitive agreement entered into after April 29, 2019, in either case for net proceeds to Arrow in a minimum amount of $5 million.

8. Derivative liability

(a) Warrants issued and outstanding

	March 31, 2019			December 31, 2018		
Warrants *(i)*	**Number**		**Amounts**	Number		Amounts
Balance beginning of the period	**18,322,760**	**$**	**100**	-	$	-
Issued in financing	**-**		**-**	17,692,760		1,540,500
Issued in the Front Range acquisition	**-**			630,000		72,400
Fair value adjustment	**-**			-		(1,612,800)
Balance end of the period	**18,322,760**	**$**	**100**	18,322,760	$	100

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

(b) Each non-compensatory warrant is measured at fair value quarterly using the Black-Scholes options pricing model. The fair value of warrants at March 31, 2019 and December 31, 2018 was estimated using the following assumptions:

	March 31, 2019	December 31, 2018
Number outstanding re-valued warrants, end of period	**18,322,760**	18,322,760
Fair value of warrants outstanding	**CAD$0.00**	CAD$0.00
Risk free interest rate	**1.73%**	1.73%
Expected life	**1.49 years**	1.74 years
Expected volatility	**35%**	35%

In United States Dollars

(c) The following table summarizes the warrants outstanding and exercisable at March 31, 2019:

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			

9. Lease Obligations

Effective January 1, 2019, Arrow recognized a discounted lease obligation of $45,377 on initial adoption of IFRS 16. The Corporation's total undiscounted (inflated) amount of cash flow required to settle its lease obligations is approximately $409,400 at March 31, 2019. A reconciliation of the discounted lease obligation is set forth below:

		March 31, 2019
Obligation, beginning of the period *(1)(2)*	$	45,377
Additions		252,648
Lease payments		(8,364)
Accretion		5,328
Effects of movements in foreign exchange rates		(491)
Obligation, end of the period	$	294,498
Current portion	$	234,602
Long-term portion		59,896
	$	294,498

(1) Arrow recognized a lease obligation primarily related to its office premises on initial adoption of IFRS 16.
(2) Arrow applied a discount rate of 10% to calculate the discounted value of the lease obligation on initial adoption of IFRS 16 and at March 31, 2019.

The Company has the following future commitments associated with its office lease obligations:

Less than one year	$	73,555
2 – 5 years		286,654
Total lease payments		360,209
Amounts representing interest over the term		(65,711)
Present value of the net obligation	$	294,498

The Corporation utilized certain IFRS 16 exemptions to exclude low-value right-of-use assets and short-term lease arrangements as leases. There were no lease arrangements subject to variable lease payments. These types of lease arrangements were recognized operating leases payments totalled $32,520 and were recognized in the administrative expenses in the condensed consolidated statements of operations on a straight-line basis during the three months ended March 31, 2019.

In United States Dollars

10. Other Liabilities

The other liabilities of the Company relate to an environmental fee in Colombia that is levied on capital projects such as the costs associated with wellsite preparation and drilling of a well. The fee is calculated as 1% of the project cost. The program is administered by ANLA, the Colombian National Authority of Environmental Licences and is levied on projects that utilize surface water or deep water wells that may have an impact on the environment. The funds are generally used in the affected communities for purposes of land purchases, biomechanic works (e.g. containment walls in rivers), reforestation, research projects and others.

At March 31, 2019 the Company had provided for $1,096,559 (December 31, 2018 - $1,096,559) for the environmental fee.

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.

	March 31, 2019	December 31, 2018
Obligation, beginning of the period	**$ 5,833,563**	$ -
Additions as a result of corporate acquisitions	**-**	4,030,456
Change in estimated cash flows	**-**	1,203,980
Obligations recognized	**34,873**	729,995
Liabilities disposed	**-**	(194,657)
Accretion expenses	**94,572**	86,621
Classified as held for sale	**(114,208)**	-
Effects of movements in foreign exchange rates	**8,920**	(22,832)
Obligation, end of the period	**$ 5,857,720**	$ 5,833,563

The obligation was calculated using a risk free discount rate of 2.25% in Canada and 5.87% to 7.13% in Colombia with an inflation rate of 2.0% to 3.3%.

It is expected that the majority of costs are expected to occur between 2021 and 2033. 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 $14,414,000.

In United States Dollars

12. Share Capital

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

(b) Issued

	March 31, 2019			December 31, 2018		
Common shares	**Shares**		**Amounts**	Shares		Amounts
Balance beginning of the period	**68,674,602**	**$**	**50,740,292**	6,453,537	$	7,585
Private placement	**-**		**-**	17,692,760		16,152,260
Shares issued in the reverse takeover transaction of Front Range	**-**		**-**	10,630,000		6,268,930
Shares issued in the acquisition of Carrao	**-**		**-**	22,598,870		20,000,000
Shares issued in the Samaria acquisition	**-**		**-**	11,799,435		10,442,500
Shares returned to treasury	**-**		**-**	(500,000)		(372,000)
Share issue costs	**-**		**-**	-		(1,758,983)
	68,674,602	**$**	**50,740,292**	68,674,602	$	50,740,292

(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. A summary of the status of the Company stock option plan as at March 31, 2019 and December 31, 2018 and changes during the respective periods ended on those dates is presented below:

	March 31, 2019		December 31, 2018	
Stock Options	**Number of options**	**Weighted average Exercise Price (CAD $)**	Number of options	Weighted average exercise price (CAD $)
Beginning of period	**6,050,000**	**$1.15**	480,659	$8.42
Granted	**-**	**-**	6,350,000	1.15
Exercised	**-**	**-**	-	-
Expired/Forfeited	**-**	**-**	(480,659)	(8.42)
End of period	**6,050,000**	**$1.15**	6,350,000	$1.15
Exercisable, end of period	**-**	**$ -**	-	$-

Date of Grant	**Number Outstanding**	**Exercise Price (CAD $)**	**Weighted Average Remaining Contractual Life**	**Date of Expiry**	**Number Exercisable March 31, 2019**
October 22, 2018	6,050,000	$1.15	9.57 years	October 22, 2028	6,050,000

In United States Dollars

The weighted average fair market value per option granted in 2018 was approximately $0.45 (CAD) was estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield – nil, expected volatility 65%, risk free rate – 2.0%, expected life - 10 years, an estimated forfeiture rate – 5% and utilizing the graded option method.

Subsequent to March 31, 2019, 1,000,000 options exercisable at $1.15 were forfeited.

13. Commitments and Contingencies

Exploration and Production Contracts

The Company has entered into a number of exploration contracts in Colombia which require the Company to fulfill work program commitments and issue financial guarantees related thereto. In aggregate, the Company has outstanding exploration commitments at March 31, 2019 of $41.7 million. Commitments less than one year relate to the commitment to earn a 50% interest in the Tapir Block. This commitment is expected to be fulfilled by May 2019 with the drilling of the Rio Cravo Este well. Additionally, with the sale of non-core assets (Note 6), the Company expects to transfer to the purchaser another $6.95 million in commitments on the Coati block that were scheduled for 2020. Upon satisfaction of the Rio Crave Este commitment and the transfer of the Coati commitment, remaining work commitments will total $33.2 million. Additionally, the company, in conjunction with its partners has made application to cancel a further $15.5 million in commitments on the Macaya and Los Picachos blocks. If this application is successful, total commitments would be reduced to $18.0 million. The remaining commitments are expected to be satisfied by means of seismic work, exploration drilling and farm-outs.

Presented below are the Company's exploration and production contractual commitments at March 31, 2019:

	Less than 1 year	1-3 years	Thereafter	Total
Exploration and production contracts	$ 1,564,293	40,200,000	$ -	$ 41,764,293

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.

Letters of Credit

At March 31, 2019, the Company had obligations under Letters of Credit ("LC's") outstanding totaling $18,474,700 to guarantee work commitments on exploration blocks and other contractual commitments. Of the total, approximately $17,500,000 has been guaranteed by Canacol Energy Ltd. ("Canacol"). There is no guarantee that Canacol will continue to agree to provide security for Arrow's Letters of Credit. In the event the Company fails to secure the renewal of the letters of credit underlying the ANH guarantees, or any of them, the ANH could decide to cancel the underlying E&P contract for a particular block, as applicable. In this instance, the Company could risk losing its entire interest in the applicable block, including all capital expended to date, and could possibly also incur additional abandonment and reclamation costs if applied by the ANH.

In United States Dollars

Current Outstanding Letters of Credit

Contract	Beneficiary	Issuer	Type	Amount (US $)	Due Date
LLA - 23	ANH	Canacol	Abandonment	$6,076,812	June 30, 2019
	ANH	Canacol and Carrao	Abandonment	$5,424,125	June 30, 2019
	ANH	Canacol and Carrao	Compliance	$1,495,000	Sept 30, 2019
Tapir	ECP	Samaria Llanos	Abandonment	$53,000	Dec 26, 2019
VMM - 2	ANH	Canacol	Compliance	$434,850	June 30, 2019
SANTA ISABEL	ANH	Carrao Energy SA Suc Col	Abandonment	$482,451	April 14, 2020
	ANH	Canacol and Carrao	Financial Capacity	$1,672,162	June 30, 2019
CORE - 39	ANH	Canacol	Compliance	$2,400,000	Sept 20, 2019
OMBU	ANH	Carrao Energy SA Suc Col	Financial Capacity	$436,300	April 14, 2020
Total				**$18,474,700**	

These letters of credit are in the process of being transitioned to Arrow from Canacol and management continues to monitor and make efforts to reduce the Company's exposure to the LC's. During the quarter the Company was able to reduce its compliance commitment on the LLA-23 block from $4,250,000 to $1,495,000. Subsequent to quarter-end, the Company sold its remaining interest in the VMM2 block. This has resulted in a reduction in outstanding LC's of $285,431 with the remaining compliance LC totaling $434,850 in process of being cancelled or transferred to the purchaser. As a result, total LC's outstanding post cancellation of the VMM2 LC will be $18,039,850.

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 March 31, 2019 and December 31, 2018.

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.

In United States Dollars

The Company's capital includes the following:

	March 31, 2019	December 31, 2018
Working capital (deficiency)	**$ (2,799,848)**	$ (3,558,782)
Promissory notes	**(5,000,000)**	(5,000,000)
	$ (7,799,848)	$ (8,558,782)

15. Segmented Information

The Company has two reportable operating segments: 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 September 27, 2018 acquisition of assets in Colombia, 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 funds flow from operations is computed prior to any changes in working capital balances. The Canadian segment is also considered the corporate segment.

The following tables show information regarding the Company's segments for the three month period ended and as at March 31, 2019.

	Colombia	Canada	Total
Revenues			
Oil Sales	$ 6,580,739	$ -	$ 6,580,739
Natural gas and liquid sales	-	154,205	154,205
Other	-	1,874	1,874
Royalties	715,827	10,477	726,304
Expenses	6,125,933	1,444,997	7,570,930
Taxes	143,764	-	143,764
Net loss	$ (404,785)	$ (1,299,395)	$ (1,704,180)
Funds flow from (used in) operations	$ 2,089,664	$ (909,676)	$ 1,179,988

As at March 31, 2019	Colombia	Canada	Total
Current assets	$ 9,733,381	$ 820,296	$ 10,553,677
Non-current			
Restricted cash	2,931,418	314,206	3,245,624
Exploration and evaluation	11,620,187	-	11,620,187
Property, plant and equipment	46,555,027	5,092,067	51,647,094
Total Assets	$ 70,840,013	$ 6,226,569	$ 77,066,582
Current liabilities	$ 15,755,743	$ 2,597,782	$ 18,353,525
Non-current liabilities			
Deferred income taxes	2,343,000	-	2,343,000
Derivative liability	-	100	100
Other liabilities	1,096,559	-	1,096,559
Lease liability	-	234,602	234,602
Decommissioning liability	5,404,280	453,440	5,857,720
Total liabilities	$ 24,599,582	$ 3,285,924	$ 27,885,506

16. Subsequent Events

Except as disclosed elsewhere in these Financial Statements the Company has the following subsequent events:

On May 3, 2019, 1,665,000 options were granted with an exercise price of $0.31 (CAD). The options were issued pursuant to the plan, vest in one-thirds, with one-third vesting upon each of the first, second and third anniversaries of issuance, and expire on May 3, 2029.

On May 10, 2019, Arrow entered into a costless collar structure to hedge approximately 600 barrels per day of Brent oil for the period June 1, 2019 to December 31, 2019. The costless collar has a floor price of $65 per barrel and a ceiling price of $71 per barrel.