Arrow Exploration Corp.
Condensed Consolidated Financial Statements
March 31, 2020
In United States Dollars
(Unaudited)

Contents

Management's Responsibility for Financial Reporting and Notice of No Auditor Review of the Interim Condensed Consolidated Financial Statements as at and for the Three Months Ended March 31, 2020

To the Shareholders:
Arrow Exploration Corp.

Management has responsibility for preparing the accompanying condensed consolidated financial statements, which have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). When alternative methods exist, management has chosen those it deems most appropriate in the circumstances. In general, financial statements are not precise since they include certain amounts based on estimates and judgement. Management has determined such amounts on a reasonable basis in order to ensure that the condensed consolidated financial statements are presented fairly, in all material respects. Management has developed and maintains appropriate accounting and systems of internal control designed to provide reasonable assurance that reliable and relevant financial information is produced. In addition, programs of proper business conduct and risk management have been implemented to protect the Company's assets and operations. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or misuse and financial records are properly maintained to provide reliable financial information for the preparation of the condensed consolidated financial statements.

The Board of Directors (the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the condensed consolidated financial statements. The Board carries out these responsibilities principally through the Audit Committee, which includes two independent directors.

The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors. The Committee reviews the condensed consolidated financial statements and the external auditors' report thereon and reports its findings to the Board for approval.

Deloitte LLP, an independent firm of Chartered Accountants is appointed by the shareholders to audit the annual consolidated financial statements and to report directly to them. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

July 13, 2020

signed "Joe McFarlane"
Joe McFarlane, CPA, CA

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

As at	Notes		March 31, 2020		December 31, 2019
Assets					
Current					
Cash		$	117,794	$	1,085,655
Trade and other receivables	4		2,966,874		3,927,724
Taxes receivable	5		2,711,293		2,349,543
Deposits and prepaid expenses			213,616		271,197
Inventory			177,755		177,770
Derivative commodity contract	15		766,424		-
			6,953,756		7,811,889
Non-current assets					
Deferred income taxes			67,000		-
Trade and other receivables	4		788,776		784,056
Restricted cash	3		421,186		449,288
Exploration and evaluation	6		7,435,018		6,961,667
Property and equipment	7		28,110,231		56,743,806
Total Assets		$	43,775,967	$	72,750,706

Liabilities					
Current					
Accounts payable and accrued liabilities		$	9,616,493	$	10,614,821
Lease obligation	9		49,019		60,709
			9,665,512		10,675,530
Non-current liabilities					
Derivative liability	10		100		100
Lease obligation	9		171,912		199,488
Other liabilities	11		1,007,849		1,007,849
Decommissioning liability	12		8,286,864		8,173,222
Promissory note	8		5,668,302		5,714,076
Deferred income taxes			-		1,824,000
Total liabilities			24,800,539		27,594,265
Shareholders' equity					
Share capital	13		50,740,292		50,740,292
Contributed surplus			1,458,761		1,603,788
Deficit			(32,704,511)		(6,646,246)
Accumulated other comprehensive loss			(519,114)		(541,393)
			18,975,428		45,156,141
Total liabilities and shareholders' equity		$	43,775,967	$	72,750,706

Nature of operations and going concern (Note1)

Commitments and contingencies (Note 14)

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

On behalf of the Board:

signed "Gage Jull" Director
Gage Jull

signed "Brian Hearst" Director
Brian Hearst

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

For the three months ended March 31,	**Notes**	**2020**	2019
Revenue			
Oil and natural gas	**21**	**$ 4,145,380**	$ 6,734,944
Other		**2,102**	1,874
Royalties		**(296,900)**	(726,304)
		3,850,582	6,010,514
Expenses			
Operating		**2,151,025**	3,371,061
Administrative		**1,359,900**	1,268,997
Share based payments	**13**	**(145,027)**	321,896
Financing costs:			
Accretion	**12**	**151,882**	94,572
Interest		**255,907**	209,933
Other		**52,348**	-
Derivative gain	**15**	**(766,424)**	-
Foreign exchange (gain) loss		**(4,863)**	(16,779)
Depletion and depreciation		**1,444,854**	2,321,250
Impairment of oil and gas properties	**7**	**27,263,110**	-
		31,762,712	6,667,546
Loss before income tax		**(27,912,130)**	(590,123)
Income tax expense (recovery)			
Current		**37,135**	126,764
Deferred		**(1,891,000)**	17,000
		(1,853,865)	143,764
Net loss for the period		**(26,058,265)**	(1,704,180)
Other comprehensive loss:			
Foreign exchange		**22,279**	15,209
Net loss and comprehensive loss for the period		**$ (26,035,986)**	$ (1,688,971)
Loss per share			
- basic and diluted		**$ (0.38)**	$ (0.02)

Weighted average shares outstanding			
- basic and diluted (1)		**68,674,602**	68,674,602

(1) 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 loss	Deficit	Total Equity
Balance January 1, 2020	$ 50,740,292	$ 1,603,788	$ (541,393)	$ (6,646,246)	$ 45,156,441
Net loss for the period	-	-	-	(26,058,265)	(26,058,265)
Comprehensive income for the period	-	-	22,279	-	22,279
Share based payments	-	(145,027)	-	-	(145,027)
Balance March 31, 2020	$ 50,740,292	$ 1,458,761	$ (519,114)	$ (32,704,511)	$ 18,975,428

	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

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,	2020	2019
Cash flows (used in) provided by operating activities		
Net loss for the period	**$ (26,058,265)**	$ (1,704,180)
Items not involving cash:		
Deferred taxes	**(1,891,000)**	17,000
Share based payment	**(145,027)**	321,896
Depletion and depreciation	**1,444,854**	2,321,250
Impairment of oil and gas properties	**27,263,110**	-
Interest on leases	**6,071**	-
Accretion	**151,882**	94,572
Foreign exchange	**(35,526)**	(69,586)
Risk management activities	**(766,424)**	-
Changes in non-cash working capital balances:		
Trade and other receivables	**956,130**	493,671
Taxes receivable	**(361,750)**	(174,930)
Deposits and prepaid expenses	**57,580**	475,322
Inventory	**15**	144,435
Accounts payable and accrued liabilities	**(1,201,522)**	(1,397,214)
Cash (used in) provided by operating activities	**(579,872)**	522,236
Cash flows provided by (used in) investing activities		
Additions to exploration and evaluation assets	**(473,351)**	(1,038,196)
Additions to property and equipment	**-**	(2,363,169)
Changes in restricted cash	**-**	(90,785)
Changes in non-cash working capital	**203,193**	2,418,693
Cash flows used in investing activities	**(270,158)**	(1,073,457)
Cash flows used in financing activities		
Lease payments	**(24,336)**	(8,364)
Cash flows used in financing activities	**(24,336)**	(8,364)
Effect of changes in the exchange rate on cash and cash equivalents	**(93,495)**	-
Decrease in cash	**(967,861)**	(559,585)
Cash, beginning of period	**1,085,655**	1,994,233
Cash, end of period	**$ 117,794**	$ 1,434,648
Supplemental information		
Interest paid	**$ 71,709**	$ -
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 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 1600, 421 – 7th Avenue SW, Calgary, Alberta, Canada, T2P 4K9.

These condensed consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company had a net loss of $26,058,986 for the three months ended March 31, 2020 and had a working capital deficit of $2,711,756 as at March 31, 2020. During 2020, oil and gas prices have been significantly depressed and the global impact of the COVID-19 pandemic has fostered a great deal of uncertainty for the future operations of the Company. The Company’s ability to continue as a going concern is dependent on management’s ability to identify additional sources of capital and to raise sufficient resources to fund ongoing operating expenses and commitments. There is no assurance these initiatives will be successful in the future. These conditions indicate the existence of material uncertainties that may cast significant doubt regarding the applicability of the going concern assumption. These condensed consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. These adjustments could be material.

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 of the Company on July 13, 2020. 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, 2019.

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, 2019.

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, 2019.

In United States Dollars

3. Restricted Cash

		March 31, 2020		December 31, 2019
Colombia *(i)*	$	**53,726**	$	53,726
Canada *(ii)*		**367,460**		395,562
	$	**421,186**	$	449,288

(i) *Current restricted cash is comprised by a deposit held as collateral to guarantee abandonment expenditures related to the Mateguafa well in the Tapir block.*

(ii) *Pursuant to Alberta government regulations, the Company was required to pay a $290,903 (CAD $412,688) 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. The remaining $76,557 pertain to lease and other deposits held in Canada.*

4. Trade and other receivables

		March 31, 2020		December 31, 2019
Trade receivables, net of advances	$	**669,355**	$	774,740
Other accounts receivable		**3,086,295**		3,937,041
		3,755,650		4,711,781
Long-term portion of trade and other receivables		**(788,776)**		(784,057)
	$	**2,966,874**	$	3,927,724

As at March 31, 2020, other accounts receivable include $2,787,797 (December 31, 2019 – $3,016,367) receivable from a partner in the Tapir block and corresponds to technical services, overhead, and reimbursable capital expenditures incurred by the Company on the Tapir block, of which $2,058,879 million will be recovered through future production. The Company estimates that $1,270,102 will be recovered in the next 12 months, therefore $788,776 were classified as non-current. The remaining $728,918 will be collected in cash within the next 12 months.

5. Taxes receivable

		March 31, 2020		December 31, 2019
Value-added tax (VAT) credits recoverable	$	**2,463,830**	$	**1,776,582**
Income tax withholdings and advances, net		**247,462**		**572,961**
	$	**2,711,292**	$	**2,349,543**

The VAT recoverable pertains to non-compensated value-added tax credits originated in Colombia as operational and capital expenditures are incurred. Most of the Company's sales are considered exports, which are not subject to VAT. The Company is entitled to claim for the reimbursement of these VAT credits.

In United States Dollars

6. Exploration and Evaluation

		March 31, 2020		December 31, 2019
Balance, beginning of the period	**$**	**6,961,667**	$	10,547,118
Additions, net		**473,351**		7,062,638
Capitalized administrative costs		**-**		423,750
Transfers to oil and gas properties		**-**		(11,071,839)
Balance, end of the period	**$**	**7,435,018**	$	6,961,667

During 2019, the Company determined the technical feasibility and commercial viability of its Tapir assets related to the Rio Cravo Este-1 discovery and transfered $11,071,839 to its property and equipment.

7. Property and Equipment

Cost		**Oil and Gas Properties**		**Right of Use and Other Assets**		**Total**
Balance, December 31, 2019	$	67,673,851	$	374,426	$	68,048,277
Balance, March 31, 2020	$	67,673,851	$	374,426	$	68,048,277

Accumulated depletion and depreciation and impairment		**Oil and Gas Properties**		**Right of Use and Other Assets**		**Total**
Balance, December 31, 2019	$	11,423,360	$	93,742	$	11,517,102
Depletion and depreciation		1,420,898		23,955		1,444,853
Impairment of oil and gas properties		27,263,110		-		27,263,110
Balance, March 31, 2020	$	40,107,368	$	117,697	$	40,225,065
Foreign exchange						
Balance December 31, 2019	$	221,322	$	(8,690)	$	212,632
Effects of movements in foreign exchange rates		96,083		(21,696)		74,387
Balance March 31, 2020	$	317,405	$	(30,386)	$	287,019
Net Book Value						
Balance December 31, 2019	$	56,471,813	$	271,994	$	56,743,806
Balance March 31, 2020		27,883,888	$	226,343	$	28,110,231

As at March 31, 2020, the Company reviewed its cash-generating unit's ("CGU") property and equipment and determined that there were indicators of impairment present related to the decrease in reserves. The company prepared estimates of both the value in use and fair value less costs of disposal of its CGUs and it was determined that carrying value of each CGU not exceeded its recoverable amount and, therefore, an impairment provisions of $27,263,110 was required. The following table outlines forecast benchmark prices and exchange rates used in the Company's impairment test as at March 31, 2020:

In United States Dollars

March 31, 2020

Year	Exchange rate $US / $Cdn	AECO Spot Gas CDN$/MCF	Brent $US/Bbl
2020	0.71	1.90	32.00
2021	0.72	2.30	42.00
2022	0.73	2.40	51.00
2023	0.75	2.49	58.00
2024	0.75	2.54	62.00
2025	0.75	2.60	63.24
Thereafter (inflation %)	0.80	2.0%/yr	2.0%/yr

These benchmark prices reflect the price forecasts, effective March 31, 2020 from Boury Global Energy Consultants.

The Company used a 15% discount rate in Canada, and 17.5% in Colombia for the March 31, 2020 impairment test, which took into account risks specific to each CGU and inherent in the oil and gas business. As at March 31, 2020, a 0.5% decrease in the discount rate applied or 2% change in the forecast benchmark prices would not have resulted in additional impairment.

8. Promissory Note

The promissory note was issued to Canacol Energy Ltd. ("Canacol") as partial consideration in the acquisition of Carrao Energy S.A. from Canacol. The promissory note bears interest at 15% per annum, was initially due on January 28, 2019 and subsequently extended to April 30, 2019, October 1, 2020 and April 1, 2021. On December 31, 2019, Arrow and Canacol entered into a Third Amended and Restated Promissory. The principal amendments are the following:

- On or before April 1, 2021, the Company shall pay in full all accrued and outstanding interest owed until July 31, 2019 of $628,767 (the "Interim Interest") plus interest on such sum at a rate of 15% from December 31, 2019 until the date of payment;
- Commencing September 1, 2019, and on the first day of each month thereafter, the Company shall make interest-only monthly payments equal to the total amount of interest on the principal sum plus interest on the interim interest sum, until paid in full; and
- Commencing April 1, 2021, and on the first day of each of the following six months thereafter, the Company shall make equal monthly payments of the balance of the principal sum outstanding as of April 1, 2021 such that all remaining obligations are paid in full on or before September 1, 2021.

On March 19, 2020, a fourth amended and restated promissory note was agreed by the parties removing a two Canacol Directors requirement and temporarily waiving the change in control provision set forth in the third amendment, leaving all other amendments unchanged.

The Company has granted a general security interest to Canacol for the obligations under the Note which will be subordinated to second position in the event the Company secures additional financing.

9. Lease Obligations

A reconciliation of the discounted lease obligation is set forth below:

	2020
Obligation, beginning of the period	$ 260,197
Additions	-
Lease payments	(24,336)
Accretion	6,071

In United States Dollars

March 31, 2020

Effects of movements in foreign exchange rates		(21,001)
Obligation, end of the period	$	220,931
Current portion	$	49,019
Long-term portion		171,912
	$	220,931

As at March 31, 2020, the Company has the following future commitments associated with its office lease obligations:

Less than one year	$	76,515
2 – 5 years		186,141
Total lease payments		262,656
Amounts representing interest over the term		(41,725)
Present value of the net obligation	$	220,931

10. Derivative liability

(a) Warrants issued and outstanding

	2020			2019		
Warrants	**Number**		**Amounts**	Number		Amounts
Balance beginning of the year	**18,322,760**	**$**	**100**	18,322,760	$	100
Balance end of the year	**18,322,760**	**$**	**100**	18,322,760	$	100

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 compensatory warrants outstanding at December 31, 2019. 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, 2020 and December 31, 2019 was estimated using the following assumptions:

	March 31, 2020	December 31, 2019
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	**0.50 years**	0.75 years
Expected volatility	**35%**	35%

The following table summarizes the warrants outstanding and exercisable at March 31, 2020:

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			

In United States Dollars

11. 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 the Colombian National Authority of Environmental Licences ("ANLA") 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, 2020 the Company had provided for $1,007,849 (December 31, 2019 - $1,007,849) for the environmental fee.

12. 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, 2020	December 31, 2019
Obligation, beginning of the period	**$ 8,173,222**	$ 5,833,563
Change in estimated cash flows	**-**	1,946,607
Obligations recognized	**-**	104,618
Liabilities disposed	**-**	(116,191)
Accretion expenses	**151,882**	382,997
Effects of movements in foreign exchange rates	**(38,240)**	21,628
Obligation, end of the period	**$ 8,286,864**	$ 8,173,222

The obligation was calculated using a risk-free discount rate range of 1.50% to 2.75% in Canada and 4.50% to 6.42% in Colombia with an inflation rate of 2.0% and 3.8%, respectively. 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 $18,154,528.

13. Share Capital

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

(b) Issued:

Common shares	Shares	Amounts
Balance as at March 31, 2020 and December 31, 2019	**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 a number of non-transferable 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 exercise price is based on the closing price of the Company's common shares on the day prior to the day of the grant. A summary of the status of the Company stock option plan as at March 31, 2020 and December 31, 2019 and changes during the respective periods ended on those dates is presented below:

In United States Dollars

Stock Options	March 31, 2020 Number of options	March 31, 2020 Weighted average exercise Price (CAD $)	December 31, 2019 Number of options	December 31, 2019 Weighted average exercise price (CAD $)
Beginning of period	**5,470,000**	**$0.99**	6,350,000	$1.15
Granted	**-**	**-**	1,665,000	$0.31
Exercised	**-**	**-**	-	-
Expired/Forfeited	**(1,801,667)**	**$0.95**	(2,545,000)	$1.15
End of period	**3,668,333**	**$1.00**	5,470,000	$0.99
Exercisable, end of period	**1,266,667**	**$1.15**	1,466,667	$1.15

Date of Grant	Number Outstanding	Exercise Price (CAD $)	Weighted Average Remaining Contractual Life	Date of Expiry	Number Exercisable March 31, 2020
October 22, 2018	3,033,333	$1.15	8.57 years	Oct. 22, 2028	1,266,667
May 3, 2019	635,000	$0.31	9.10 years	May 3, 2029	-
	3,668,333	$1.00	8.66 years		1,266,667

During the three months ended March 31, 2020 and 2019, the Company recognized an income of $145,027 and an expense of $321,896, respectively, as share based payments expense, with a corresponding decrease or increase in the contributed surplus account.

14. 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, 2020 of $23.8 million. The Company, in conjunction with its partners, have made applications to cancel a further $15.5 million ($5.79 million Arrow's share) in commitments on the Macaya and Los Picachos blocks. This request has been denied by the ANH. 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, 2020:

	Less than 1 year	1-3 years	Thereafter	Total
Exploration and production contracts	-	23,790,000	-	23,790,000
	$ -	**$ 23,790,000**	**$ -**	**$ 23,790,000**

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.

In United States Dollars

Letters of Credit

At March 31, 2020, the Company had obligations under Letters of Credit ("LC's") outstanding totaling $12.3 million to guarantee work commitments on exploration blocks and other contractual commitments. Of the total, approximately $11.3 million has been guaranteed by Canacol. Under an agreement with Canacol, Canacol will continue to provide security for Arrow's Letters of Credit providing that Arrow uses all reasonable efforts to replace the LC's. In the case of the abandonment LC's on LLA-23, if the LC's have not been replaced by December 31, 2020, then Arrow will pay a 1% per annum fee, payable monthly until the LC's have been replaced. 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 exploration and production 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.

Current Outstanding Letters of Credit

Contract	Beneficiary	Issuer	Type	Amount (US $)	Renewal Date
LLA - 23	ANH	Canacol	Abandonment	$3,489,495	June 30, 2020
	ANH	Canacol and Carrao	Abandonment	$3,176,625	June 30, 2020
	ANH	Canacol and Carrao	Compliance	$600,000	June 30, 2020
Tapir	ECP	Samaria Llanos	Abandonment	$52,898	December 26, 2020
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, 2020
CORE - 39	ANH	Canacol	Compliance	$2,400,000	June 30, 2020
OMBU	ANH	Carrao Energy SA Suc Col	Financial Capacity	$436,300	April 14, 2021
Total				**$12,309,931**	

15. Financial Instruments

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to commodity price, 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.

i) Financial Derivative Contracts

The Company has one financial derivative contract in order to manage commodity price risk. This instrument is not used for trading or speculative purposes. Arrow has not designated its financial derivative contract as effective accounting hedge, even though the Company considers the commodity contract to be an effective economic hedge. As a result, the financial derivative contract has been recorded on the statements of financial position at fair value, with the changes in fair value being recognized as an unrealized gain or loss in the statement of operations and comprehensive loss.

The estimated fair value of the derivative financial instrument in Level 2 at each measurement date have been determined based on appropriate internal valuation methodologies and/or third party indications. Level 2 fair values determined using valuation models require the use of assumptions concerning the amount and timing of future cash flows and discount rates. In determining these assumptions, the Company primarily relied on external, readily-observable quoted market inputs as applicable, including crude oil forward benchmark commodity prices and volatility, and discounted to present value as appropriate. The resulting fair value estimates may not necessarily be indicative of the amounts that could be realized or settled in a current market transaction and these differences may be material.

The gains on risk management activities for the three months ended March 31, 2020 are comprised as follows:

	For the three months ended March 31	
	2020	2019
Realized risk management gain on commodity contract settled	**$ 522,099**	-
Unrealized gain on commodity contract outstanding	**766,424**	-
	$ 1,288,523	-

(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 and balances receivables with partners in areas operated by the Company. 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 the trade accounts receivable balance is with one commodity trader, which accounts for more than 65% of such balance, under an existing sale/offtake agreement with prepayment provisions and priced using the Brent benchmark. Other accounts receivable include a significant balance with a partner with an existing agreement to use 50% of its production entitlement to repay this balance.

The Company's trade account receivables primarily relate to sales of crude oil and natural gas, which are normally collected within 25 days (in Canada) and 45 days (in Colombia) of the month of production. Other accounts receivable mainly relate to balances owed by the Company's partner in one of its blocks, and are mainly recoverable through production. The Company has historically not experienced any collection issues with its customers and partners.

(c) Market Risk

Market risk is comprised of two components: foreign currency exchange 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, 2020 and December 31, 2019.

ii) Interest Rate 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.

In United States Dollars

(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 its liquidity risk 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 objective is to maintain a capital base sufficient 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 debt, less working capital items. 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:

	March 31, 2020	December 31, 2019
Working capital (deficit)	**(2,711,755)**	(2,863,641)
Promissory note	**(5,668,302)**	(5,714,076)
	$ (8,380,057)	$ (8,577,717)

The current challenging economic climate may lead to further adverse changes in cash flows, working capital levels and debt balances, which may also have a direct impact on the Company's operating results and financial position. These and other factors may adversely affect the Company's liquidity and its ability to generate income and cash flows in the future. At March 31, 2020, the Company remains in compliance with all terms of its debt and, based on current available information, management expects to comply with all terms during the subsequent 12 months period. However, in light of the current volatility in commodity prices and uncertainty regarding the timing for recovery in such prices and the effect of the Covid-19 pandemic, the preparation of financial forecast is challenging.

In United States Dollars

16. 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. 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 months ended and as at March 31, 2020 and 2019.

Three months ended March 31, 2020	**Colombia**	**Canada**	**Total**
Revenue:			
Oil Sales	$ 4,066,830	$ -	$ 4,066,830
Natural gas and liquid sales	-	78,550	78,550
Other	570	1,532	2,102
Royalties	291,566	5,334	296,900
Expenses	3,499,501	1,000,101	4,499,602
Impairment of oil and gas properties	27,263,110	-	27,263,110
Taxes	(1,853,865)	-	(1,853,865)
Net income (loss)	$ (25,132,913)	$ (925,353)	$ (26,058,265)

As at March 31, 2020	**Colombia**	**Canada**	**Total**
Current assets	$ 6,861,913	$ 91,843	$ 6,953,756
Non-current:			
Deferred income taxes	67,000	-	67,000
Other receivables	788,776	-	788,776
Restricted cash	53,726	367,460	421,186
Exploration and evaluation	7,435,018	-	7,435,018
Property, plant and equipment	24,971,591	3,138,640	28,110,231
Total Assets	$ 40,178,024	$ 3,597,943	$ 43,775,967
Current liabilities	$ 6,801,033	$ 2,864,479	$ 9,665,512
Non-current liabilities:			
Derivative liability	-	100	100
Other liabilities	1,007,849	-	1,007,849
Lease obligation	-	171,912	171,912
Decommissioning liability	7,861,546	425,318	8,286,864
Promissory note	-	5,668,302	5,668,302
Total liabilities	$ 15,670,428	$ 9,130,111	$ 24,800,539

The Canadian segment is also considered the corporate segment.

22. Subsequent events

On May 23, 2020, the Company announced the completion of a proposed non-brokered private placement of 13,000,000 common shares of the Company at a price of CAD$0.025 per share for gross proceeds of CAD$325,000. The private placement will be subscribed for by certain insiders of the Company in an amount of $100,000 each, and a consultant to the Company in an amount of

$25,000. The Company has agreed to provide a loan of $100,000 to each of the insiders and a loan of $25,000 to the consultant, pursuant to promissory notes secured by the shares issued in this private placement. The Company has also issued an aggregate 4,875,000 stock options to a director, officers and a consultant of the Company as part of Arrow's compensation arrangements. This private placement and the options granted are currently awaiting regulatory approval.