



## **Arrow Exploration Announces Sale of LLA 23 Block**

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**Calgary, Alberta – August 24, 2020** – ARROW Exploration Corp. (“Arrow” or the “Company”) (TSXV: AXL) is pleased to announce the sale (the “Transaction”) of its LLA 23 Block (“LLA-23”), located in the Llanos Basin, Colombia, to COG Energy Ltd. (“COG” or the “Purchaser”).

### **Highlights of the Transaction**

- Arrow will sell LLA-23 to COG, subject to the approval of the license transfer by the ANH, for gross cash consideration of up to US\$12 million (the “Sale Price”).
- The Transaction marks a significant step forward in Arrow’s strategic alternatives process (“Strategic Process”). The Strategic Process was originally announced by the Company on November 28<sup>th</sup>, 2019 and has been steadfastly pursued by the Company’s new senior management team since their appointment in April 2020.
- The Sale Price represents attractive metrics to Arrow, in particular when factoring into account the significant decline in oil prices globally since (i) Arrow commenced the Strategic Process, and (ii) the out-break of the Covid-19 pandemic (calculations are approximate):
  - US\$18,300 per flowing barrel, based on Arrow’s average daily production from LLA-23 for Q1 2020 (prior to the shut in of LLA-23 in early-Q3 2020 due to low prices and operational challenges); and
  - US\$9.20 per barrel of Proved Reserves; US\$4.10 per barrel of Proved plus Probable Reserves (metrics calculated based on 2019 year-end reserves report prepared for Arrow by Boury Global Energy Consultants in compliance with National Instrument 51-101 and filed on SEDAR).
- Upon ANH approval (see details below) and the subsequent receipt of the proceeds from the Transaction, the Transaction will allow Arrow to de-leverage and significantly strengthen its balance sheet, including the anticipated re-payment of its secured debt and the settlement of a significant portion of its accounts payable.
- In addition to receiving the Sale Price, Arrow will transfer to COG its work obligations under various letters of credit in place to guarantee work commitments on LLA-23. As of March 31, 2020, such letters of credit totaled approximately US\$7.3 million. COG will replace the letters of credit supporting these work commitment(s) as part of the Transaction. Accordingly, Arrow’s decommissioning and environmental liabilities with respect to LLA-23 will be reduced.
- The Transaction will allow Arrow to focus its corporate efforts on the balance of its assets in Colombia, including the Tapir Block (Arrow 50%, contingent on the assignment by Ecopetrol SA of such interest to Arrow), the Santa Isabel Block (Arrow 100%) and the Ombu Block (Arrow 10%).



## **CEO's Comments**

Marshall Abbott, CEO of Arrow commented, "The sale of Arrow's LLA-23 Block marks a significant step forward for the Company. Working with our financial advisors, Stifel FirstEnergy, Arrow's management has engaged in a comprehensive process with a broad and deep pool of potential purchasers for this asset. We ultimately chose to sell LLA-23 to COG based on the strength of their offer, their proven track record as oil & gas operators in Colombia, and their desire to transact quickly and efficiently, all of which are to the benefit of Arrow and its stakeholders."

Mr. Abbott continued, "The Company wishes to extend its gratitude to all of our stakeholders for their continued support of Arrow during these challenging times in our industry, and for their patience throughout the Strategic Process. We also wish to thank Arrow's staff, some of whom will be joining COG upon closing of the Transaction, for their dedication to the Company. As I've stated previously, Arrow's management and Board, including myself, remain committed to creating value from the Company's remaining asset base."

## **Details of the Transaction**

The Transaction will be affected by way of an assignment agreement (the "Assignment Agreement"), which has been entered into between COG and Carrao Energy S.A. Sucursal Colombia, an indirect wholly-owned subsidiary of Arrow. The Transaction is an arm's-length transaction between the parties thereto.

COG is an established, privately-held oil & gas exploration & production company, with its principal operations being in the Republic of Colombia. COG is controlled by its majority shareholder, The Carlyle Group.

The Sale Price consists of a firm amount of US\$11.75 million, and a contingent payment amount of up to US\$0.25 million ("Contingent Payment"). The Contingent Payment shall be made to Arrow, in whole or in part, depending on the outcome of specific matters related to: (i) the timing of certain of Arrow's decommissioning liabilities, and (ii) the resolution of certain disputes with respect to a right-of-way access related to LLA-23. In order for Arrow to receive the Contingent Payment, in whole or in part, the positive conclusion of the aforementioned matter(s) must occur prior to the receipt of regulatory approvals described below.

The closing of the Transaction is subject to a number of conditions, including but not limited to approval by the Agencia Nacional de Hidrocarburos in Colombia (the "ANH") of the assignment, to COG, of the interests, rights and obligations associated with LLA-23.

Arrow has commenced the process of seeking ANH approval of the assignment. While the Company is not able to provide guidance with respect to potential approval timelines, Arrow understands that ANH approval for transactions similar in nature to the Transaction often ranges between 45 and 90 days. Furthermore, while there can be no assurances that Arrow will be able to obtain ANH approval of the assignment, the Company's management is not currently aware of any reasons as to why ANH approval of the assignment would not be granted.



Arrow has received the unanimous support of its Board of Directors with respect to the Transaction.

### **Description of LLA-23**

Within the Llanos Basin of Colombia, the Company is engaged in the exploration, development and production of oil from two operated blocks – LLA-23 and Tapir. The LLA-23 Block contains the Labrador, Leono, Pantro, Tigro and Danes fields. The Company has an operated 100% working interest in LLA-23, located approximately 245 kilometers northeast of Bogotá, the capital city of Colombia. The LLA-23 E&P Contract with the ANH was originally awarded as part of the ANH's Mini-Ronda 2008 land auction, with an effective date of March 13, 2009. For additional information on LLA-23, please refer to the Company's website and its various filings on SEDAR.

### **Strategic Alternatives Process Continues**

On November 28<sup>th</sup>, 2019, Arrow announced it had initiated the Strategic Process to be overseen by a Special Committee of the Board of Directors. Subsequently, the Company engaged Stifel Nicolaus Canada Inc. ("Stifel FirstEnergy") as financial advisor to explore a comprehensive range of strategic and transaction alternatives, including a sale, merger or other business combination; a disposition of all or certain assets of the Company; recapitalization and refinancing opportunities; sourcing new financing and equity capital; and other alternatives to improve the Company's financial position and maximize value.

Following the sale of LLA-23, management remains committed to the Strategic Process as it concerns the remainder of the Company's Colombian assets, and intends to provide updates as determined to be appropriate by the Company's Board of Directors.

There can be no guarantees as to whether the continued Strategic Process will result in a transaction, or the terms or timing of any resulting transaction. Currently, while various parties have accessed data made available by the Company, there have been no material events, offers or proposals that would merit disclosure at this time.

### **Advisors and Updated Presentation**

Arrow's sole financial advisor on the Transaction is Stifel FirstEnergy. Arrow's legal advisors on the Transaction are Gowling WLG (Canada) LLP and Posse Herrera Ruiz (Colombia).

Arrow will post an updated corporate presentation on its website ([www.arrowexploration.ca](http://www.arrowexploration.ca)), which will summarize the Transaction as well as the balance of the Company's assets and its strategy & objectives in Colombia.



### **Correction to Prior Disclosure**

On July 13<sup>th</sup>, 2020, the Company announced its first quarter financial and operating results for the period ended March 31<sup>st</sup>, 2020. On page 4 of the Company's MD&A for the aforementioned period, the Company showed US\$19.00 as being its total corporate operating netback per barrel. The correct amount should have been US\$16.09, as properly calculated and reconciled on page 10 of the same document. Arrow apologizes for this error, and attributes it to recent changes in its review process due to Covid-19, where there were "in-person" meetings conducted with senior management and a more thorough review of continuous disclosure documents was conducted, together with recent changes in the Company's management and staff.

### **Previously Proposed Private Placement**

The Company's also wishes to announce that the previously proposed private placement (as originally announced by the Company on May 23<sup>rd</sup>, 2020) has been withdrawn.

### **About ARROW Exploration**

Arrow Exploration Corp. (operating in Colombia via a branch of its 100% owned subsidiary Carrao Energy S.A.) is a publicly-traded company with a portfolio of premier Colombian oil assets that are under-exploited, under-explored and offer high potential growth. The Company's business plan is to expand oil production from some of Colombia's most active basins, including the Llanos, Middle Magdalena Valley (MMV) and Putumayo Basin. The asset base is predominantly operated with high working interests, and the Brent-linked light oil pricing exposure combines with low royalties to yield attractive potential operating margins. Arrow's 50% interest in the Tapir Block is contingent on the assignment by Ecopetrol SA of such interest to Arrow. Arrow's seasoned team is led by a hands-on executive team supported by an experienced board. Arrow is listed on the TSX Venture Exchange under the symbol "AXL".

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### **Forward-looking Statements**

*This news release contains certain statements or disclosures relating to Arrow that are based on the expectations of its management as well as assumptions made by and information currently available to Arrow which may constitute forward-looking statements or information ("forward-looking statements") under applicable securities laws. All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that Arrow anticipates or expects may, could or will occur in the future (in whole or in part) should be considered forward-looking statements. In some cases, forward-looking statements can be identified by the use of the words "continue", "expect", "opportunity", "plan", "potential" and "will" and similar expressions. The forward-looking statements contained in this news release reflect several material factors and expectations and assumptions of Arrow, including without limitation, Arrow's evaluation of the impacts of COVID-19, the potential of Arrow's remaining Colombian assets (or any of them individually) to resume production, and Arrow's business plan to expand oil production and achieve attractive potential operating margins. Arrow believes the expectations and assumptions reflected in the forward-looking statements are reasonable at this time but no assurance can be given that these factors, expectations and assumptions will prove to be correct.*

*The forward-looking statements included in this news release are not guarantees of future performance and should not be unduly relied upon. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The forward-looking statements contained in this news release are made as of the date hereof and the Company undertakes no obligations to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.*