ARROW EXPLORATION CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") as provided by the management of Arrow Exploration Corp. ("Arrow" or the "Company"), is dated as of November 25, 2020 and should be read in conjunction with Arrow's condensed consolidated interim financial statements (unaudited) and related notes for the three and nine months ended September 30, 2020 and 2019. Additional information relating to Arrow is available under Arrow's profile on www.sedar.com, including Arrow's Audited Consolidated Financial Statements (the "Annual Financial Statements") for the year ended December 31, 2019 and 2018.

Advisories

Basis of Presentation

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and all amounts herein are expressed in United States dollars, unless otherwise noted, and all tabular amounts are expressed in United States dollars, unless otherwise noted. Additional information for the Company may be found on SEDAR at www.sedar.com.

Advisory Regarding Forward-Looking Statements

This MD&A 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 "believe", "continue", "could", "expect", "likely", "may", "outlook", "plan", "potential", "will", "would" and similar expressions. In particular, but without limiting the foregoing, this MD&A contains forward-looking statements pertaining to the following: the COVID-19 pandemic and its impact; tax liability; capital management strategy; capital structure; credit facilities and other debt; performance by Canacol (as defined herein) and the Company in connection with the Note (as defined herein) and letters of credit; Arrow's costless collar structure; Arrow's interest in the OBC Pipeline (as defined herein) and the consequences thereof; cost reduction initiatives; potential drilling on the Tapir block; capital requirements; expenditures associated with asset retirement obligations; future drilling activity and the development of the Rio Cravo Este structure on the Tapir Block. Statements relating to "reserves" and "resources" are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated and can be profitably produced in the future.

The forward-looking statements contained in this MD&A reflect several material factors and expectations and assumptions of Arrow including, without limitation: current and anticipated commodity prices and royalty regimes; the impact and duration of the COVID-19 pandemic; the financial impact of Arrow's costless collar structure; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; commodity prices; the impact of increasing competition; general economic conditions; availability of drilling and related equipment; receipt of partner, regulatory and community approvals; royalty rates; future operating costs; effects of regulation by governmental agencies; uninterrupted access to areas of Arrow's operations and infrastructure; recoverability of reserves; future production rates; timing of drilling and completion of wells; pipeline capacity; that Arrow will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that Arrow's conduct and results of operations will be consistent with its expectations; that Arrow will have the ability to develop its oil and gas properties in the manner currently contemplated; current or, where applicable, proposed industry conditions, laws and *regulations will continue in effect or as anticipated; that the estimates of Arrow's reserves and production volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that Arrow will be able to obtain contract extensions or fulfil the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; and other matters.*

Arrow believes the material factors, 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 MD&A 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 including, without limitation: the impact and duration of the COVID-19 pandemic; the impact of general economic conditions; volatility in commodity prices; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; obtaining required approvals of regulatory authorities; counterparty risk; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; commodity price volatility; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws or changes in tax laws and incentive programs; changes to pipeline capacity; ability to secure a credit facility; ability to access sufficient capital from internal and external sources; risk that Arrow's evaluation of its existing portfolio of development and exploration opportunities is not consistent with future results; that production may not necessarily be indicative of long term performance or of ultimate recovery; and certain other risks detailed from time to time in Arrow's public disclosure documents including, without limitation, those risks identified in Arrow's 2018 AIF, a copy of which is available on Arrow's SEDAR profile at www.sedar.com. Readers are cautioned that the foregoing list of factors is not exhaustive and are cautioned not to place undue reliance on these forward-looking statements.

Non-IFRS Measures

The Company uses non-IFRS measures to evaluate its performance which are measures not defined in IFRS. Working capital, funds flow from operations, realized prices, operating netback, adjusted EBITDA, and net debt as presented do not have any standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities. The Company considers these measures as key measures to demonstrate its ability to generate the cash flow necessary to fund future growth through capital investment, and to repay its debt, as the case may be. These measures should not be considered as an alternative to, or more meaningful than net income (loss) or cash provided by operating activities or net loss and comprehensive loss as determined in accordance with IFRS as an indicator of the Company's performance. The Company's determination of these measures may not be comparable to that reported by other companies.

Working capital is calculated as current assets minus current liabilities; funds from operations is calculated as cash flows from (used in) operating activities adjusted to exclude settlement of decommissioning obligations and changes in non-cash working capital balances; realized price is calculated by dividing gross revenue by gross production, by product, in the applicable period; operating netback is calculated as total natural gas and crude revenues minus royalties, transportation costs and operating expenditures; adjusted EBITDA is calculated as net loss adjusted for interest, income taxes, depreciation, depletion, amortization and other similar non-recurring or non-cash charges; and net debt is defined as the principal amount of its outstanding debt, less working capital items.

The Company also presents funds from operations per share, whereby per share amounts are calculated using weighted-average shares outstanding consistent with the calculation of net loss and comprehensive loss per share.

A reconciliation of the non-IFRS measures is included as follows:

(in United States dollars)	Three months ended September 30, 2020	Nine months ended September 30, 2020	Three months ended September 30, 2019
Net loss	**(1,390,746)**	**(24,280,091)**	(1,325,939)
Add/(subtract):			
Share based payments	**442,145**	**263,614**	303,816
Financing costs:			
Accretion on decommissioning obligations	**157,518**	**462,402**	95,666
Interest	**(682,444)**	**(180,348)**	245,268
Other	**67,092**	**179,887**	483,643
Depreciation and depletion	**68,460**	**1,910,396**	2,268,748
Risk management activities	**-**	**-**	(201,627)
Gain on disposition of oil and gas properties	**-**	**-**	-
Impairment of oil and gas properties	**-**	**27,263,110**	-
Income taxes, current and deferred	**247,000**	**(7,311,786)**	123,834
Adjusted EBITDA [1]	**(1,090,974)**	**(1,692,816)**	1,993,408
Cash flows provided by operating activities	**147,218**	**(1,392,820)**	3,078,122
Minus - Changes in non-cash working capital balances:			
Trade and other receivables	**(394,149)**	**(1,928,830)**	(127,580)
Taxes receivable	**104,005**	**361,113**	3,038
Deposits and prepaid expenses	**(98,488)**	**(107,681)**	(482,642)
Inventory	**83,348**	**(17,454)**	(23,206)
Accounts payable and accrued liabilities	**(937,272)**	**614,110**	(947,159)
Funds flow from (used in) operations [1]	**(1,095,338)**	**(2,471,562)**	1,500,573

[1] Non-IFRS measures

The term barrel of oil equivalent ("boe") is used in this MD&A. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 thousand cubic feet ("Mcf") of natural gas to one barrel of oil ("bbl") is used in the MD&A. This conversion ratio of 6:1 is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

FINANCIAL AND OPERATING HIGHLIGHTS

(in United States dollars, except as otherwise noted)	**Three months ended September 30, 2020**	**Nine months ended September 30, 2020**	Three months ended September 30, 2019
Total natural gas and crude oil revenues, net of royalties	**207,934**	**4,952,425**	6,320,471
Funds flow from (used in) operations [(1)]	**(1,095,338)**	**(2,471,562)**	1,500,573
Per share – basic ($) and diluted ($)	**(0.02)**	**(0.04)**	0.02
Net income (loss)	**(1,390,746)**	**(24,280,091)**	(1,325,939)
Per share – basic ($) and diluted ($)	**(0.02)**	**(0.35)**	(0.02)
Adjusted EBITDA [(1)]	**(1,090,974)**	**(1,692,816)**	1,993,407
Weighted average shares outstanding – basic and diluted	**68,674,602**	**68,674,602**	68,674,602
Common shares end of period	**68,674,602**	**68,674,602**	68,674,602
Capital expenditures	**146,584**	**146,584**	2,012,557
Cash and cash equivalents	**91,248**	**91,248**	167,383
Current Assets	**5,119,909**	**5,119,909**	8,771,087
Current liabilities	**16,206,286**	**16,206,286**	12,002,329
Working capital (deficit) [(1)]	**(11,086,377)**	**(11,086,377)**	(3,231,242)
Long-term portion of restricted cash [(2)]	**441,284**	**441,284**	436,791
Total assets	**46,702,911**	**46,702,911**	73,870,261
Operating			
Natural gas and crude oil production, before royalties			
Natural gas (Mcf/d)	**532**	**557**	598
Natural gas liquids (bbl/d)	**7**	**6**	6
Crude oil (bbl/d)	**9**	**470**	1,693
Total (boe/d)	**104**	**569**	1,799
Operating netbacks ($/boe) [(1)]			
Natural gas ($/Mcf)	**($0.17)**	**($0.06)**	($0.72)
Crude oil ($/bbl)	**($7.18)**	**$11.64**	$23.26
Total ($/boe)	**($5.57)**	**$10.36**	$21.68

(1)Non-IFRS measures – see "Non-IFRS Measures" section within this MD&A

(2)Long term restricted cash not included in working capital

The Company

Arrow is a junior oil and gas company engaged in the acquisition, exploration and development of oil and gas properties in Colombia and 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*)* ("ABCA") on September 28, 2018. Arrow Exploration Ltd. was incorporated under the ABCA on December 12, 2016 as 2010461 Alberta Ltd. and on January 24, 2018, 2010461 Alberta Ltd. changed its name to Arrow Exploration Ltd. by way of a certificate of amendment. Arrow Exploration Ltd. and Front Range's then wholly-owned subsidiary, 2118295 Alberta Ltd., were amalgamated on September 28, 2018 pursuant to the arrangement agreement to form Arrow Holdings Ltd., a wholly-owned subsidiary of the Company (the "Arrangement").

On May 31, 2018, Arrow Exploration Ltd. entered in a share purchase agreement, as amended, with Canacol Energy Ltd. ("Canacol"), to acquire Canacol's Colombian oil properties held by its wholly-owned subsidiary Carrao Energy S.A. ("Carrao"). On September 27, 2018, Arrow Exploration Ltd. closed the agreement with Canacol.

On May 31, 2018, Arrow Exploration Ltd., entered into a purchase and sale agreement to acquire a 50% beneficial interest in a contract entered into with Ecopetrol S.A. pertaining to the exploration and production of hydrocarbons in the Tapir block from Samaria Exploration & Production S.A. ("Samaria"). On September 27, 2018, Arrow Exploration Ltd. closed the agreement with Samaria.

For accounting and presentation purposes, this MD&A reflects the results of operations of Arrow Exploration Ltd., the accounting acquirer, with the exception of the number of shares which were adjusted to reflect the legal capital of the Company.

The head office of Arrow is located at 1430, 333 – 11th Ave SW, Calgary, Alberta, Canada, T2R 1L9 and the registered office is located at Suite 1600, 421 – 7th Avenue SW, Calgary, Alberta, Canada, T2P 4K9.

As at September 30, 2020 the Company held an interest in seven oil blocks in Colombia and oil and natural gas leases in seven areas in Canada as follows:

		Gross Acres	Working Interest	Net Acres
COLOMBIA				
LLA-23	Operated	115,102	100%	115,102
Tapir	Operated	65,125	50%	32,563
Oso Pardo	Operated	672	100%	672
Ombu	Non-operated	56,482	10%	5,648
COR-39	Operated	95,111	100%	95,111
Los Picachos	Non-operated	52,772	37.5%	19,790
Macaya	Non-operated	195,255	37.5%	73,221
Total Colombia		**580,519**		**342,107**
CANADA				
Ansell	Operated	2,560	100%	2,560
Chicken	Non-operated	3,840	30%	1,152
Fir	Non operated	7,680	32%	2,457
Harley	Operated	5,760	100%	5,760
Penhold	Non-operated	480	13%	61
Pepper	Operated	32,000	99%	31,680
Wapiti	Non-operated	21,760	24%	5,280
Total Canada		**74,080**		**48,950**
TOTAL		**654,599**		**391,057**

The Company's primary producing assets are located in Colombia in the LLA-23, Tapir, Oso Pardo and Ombu blocks, with minor production in Canada at Fir, Alberta.

Llanos Basin

Within the Llanos Basin, the Company is engaged in the exploration, development and production of oil within two operated blocks: LLA-23 and Tapir. The LLA-23 block contains the Labrador, Leono, Pantro, Tigro and Danes producing fields. The Tapir block includes the Rio Cravo Este-1 ("RCE-1") producing well. The formal assignment of the Company's working interest in the Tapir block is in progress.

In the Llanos Basin most oil accumulations are associated with three-way dip closure against NNE-SSW trending normal faults and can have pay within multiple reservoirs. Effective exploration for this play requires good quality 3D seismic data. On August 24, 2020, the Company announced the sale of its LLA-23 block to COG Energy Ltd. For a gross cash consideration of up to $12 million (the "Sale Price") subject to the approval of the license transfer from the ANH. 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 some specific matters. 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 well as some underlying decommissioning and environmental liabilities.

Both the LLA-23 and Tapir blocks contain large areas not yet covered by 3D seismic, and in Management's opinion offer substantial exploration upside.

Middle Magdalena Valley ("MMV") Basin

Arrow's Oso Pardo field is located in the MMV Basin. In general, fields within the basin are more structurally complex than in the Llanos basin but have the potential for thicker oil columns and significant oil in place.

Oso Pardo Field

The Oso Pardo Field is located in the Santa Isabel Block in the MMV Basin. It is a 100% owned property operated by the Company. The Oso Pardo field is located within a Production Licence covering 672 acres. Three wells have been drilled to date within the License area.

Ombu E&P Contract – Capella Conventional Heavy Oil Discovery

The Caguan Basin covers an area of approximately 60,000 km^2 and lies between the Putumayo and Llanos Basins. The primary reservoir target is the Upper Eocene aged Mirador formation. The Capella structure is a large, elongated northeast-southwest fault-related anticline, with approximately 17,500 acres in closure at the Mirador level. The field is located approximately 250 km away from the nearest offloading station at Neiva, where production from Capella is trucked.

The Capella No. 1 discovery well was drilled in July 2008 and was followed by a series of development wells. The Company earned a 10% working interest in the Ombu E&P Contract by paying 100% of all activities associated with the drilling, completion, and testing of the Capella No. 1 well.

Fir, Alberta

The Company has an average non-operated 32% WI in 12 gross (4.1 net) sections of oil and natural gas rights and 12 gross (3.64 net) producing natural gas wells at Fir. The wells produce raw natural gas into the Cecilia natural gas plant where it is processed.

Three months ended September 30, 2020 Financial and Operational Highlights

- For the three months ended September 30, 2020, Arrow recorded $207,934 in revenues, net of royalties, on crude oil sales of 1,287 bbls, 594 bbls of natural gas liquids ("NGL's") and 57,493 Mcf of natural gas sales.
- Funds used in operations of $1,095,338.
- Adjusted EBITDA for the three months was ($1,090,974).
- The Company recorded a net loss of $1,390,746 for the three months ended September 30, 2020.

RESULTS OF OPERATIONS

The Company has significantly reduced its production due to different factors such as operational failures in production equipment, social instability in operational areas, the Covid-19 pandemic and declining prices in energy commodities. This has impacted the main streams of the Company's revenues.

Based on revised projections of price of commodities, the Company has determined an significant provision for impairment of its oil and gas properties, which is the main element of its net loss for the nine months ended September 30, 2020.

Average Production by Property

Average Production Boe/d	Q3 2020	YTD 2020	Q2 2020	Q1 2020	Q3 2019
LLA-23	**1**	**312**	271	655	1,114
Oso Pardo	**-**	**34**	-	102	146
Ombu (Capella)	**-**	**40**	-	120	243
Rio Cravo Este (Tapir)	**8**	**84**	50	193	190
Total Colombia	**9**	**470**	321	1,070	1,693
Fir, Alberta	**96**	**99**	97	89	106
TOTAL (Boe/d)	**105**	**569**	418	1,159	1,799

For the three and nine months ended September 30, 2020 and 2019, the Company's average production was 105 and 1,799 boe/d, respectively, which consisted of crude oil production in Colombia at 9 and 1,693 bbl/d, respectively, and natural gas production of 532 and 598 Mcf/d, respectively, and minor amounts of natural gas liquids from the Company's Canadian properties. In July 2020, the LLA-23 block production was shut-in due to economical unviability under the current price environment. The RCE-1 well was shut in by the end of April 2020 due to economical unviability under the current price environment.

Average Daily Natural Gas and Oil Production and Sales Volumes

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Natural Gas (Mcf/d)				
Natural gas production	**545**	598	**523**	657
Natural gas sales	**545**	598	**523**	657
Realized Contractual Natural Gas Sales	**545**	598	**523**	657
Crude Oil (bbl/d)				
Crude oil production	**9**	1,693	**470**	1,719
Inventory movements and other	**5**	(48)	**(8)**	(57)
Crude Oil Sales	**14**	1,645	**462**	1,662
Corporate				
Natural gas production (boe/d)	**89**	100	**93**	109
Natural gas liquids(bbl/d)	**7**	6	**6**	6
Crude oil production (bbl/d)	**9**	1,693	**470**	1,719
Total production (boe/d)	**105**	1,799	**569**	1,834
Inventory movements and other (boe/d)	**5**	(48)	**(8)**	(57)
Total Corporate Sales (boe/d)	**110**	1,751	**561**	1,777

During the three months ended September 30, 2020 the majority of production was attributed to Canada. In Colombia, the Company's properties (LLA-23, Oso Pardo, Tapir and Ombu) were non-producing. In Canada, the Company has two operated and two non-operated properties located in the province of Alberta at Fir, Pepper, Harley and Wapiti.

Natural Gas and Oil Revenues

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Natural Gas				
Natural gas revenues	**125,082**	40,285	**255,307**	220,169
NGL revenues	**22,301**	21,545	**40,623**	71,515
Royalties	**(11,350)**	(3,359)	**(24,705)**	(20,714)
Revenues, net of royalties	**136,033**	58,471	**271,225**	270,970
Oil				
Oil revenues	**27,838**	6,926,129	**4,915,399**	21,807,687
Royalties	**44,063**	(664,129)	**(234,199)**	(2,223,818)
Revenues, net of royalties	**71,901**	6,261,999	**4,681,200**	19,583,868
Corporate				
Natural gas revenues	**125,082**	40,285	**255,307**	220,169
NGL revenues	**22,301**	21,545	**40,623**	71,515
Oil revenues	**27,838**	6,926,129	**4,915,399**	21,807,687
Total revenues	**175,221**	6,987,959	**5,211,329**	22,099,371
Royalties	**32,713**	(667,488)	**(258,904)**	(2,244,532)
Natural gas and crude oil revenues, net of royalties, as reported	**207,934**	6,320,470	**4,952,425**	19,854,838

Revenue for the three and nine months ended September 30, 2020 was $207,934 and $4,952,425, respectively, net of royalties, which represents a decrease of 97% and 75% when compared to 2019. This decrease is mainly due to a significant production shut ins and a decline in oil prices during 2020. The Company receives Brent referenced pricing for its crude oil.

Average Benchmark and Realized Prices

	Three months ended September 30			Nine months ended September 30		
	2020	2019	Change	**2020**	2019	Change
Benchmark Prices						
AECO ($/Mcf)	**$1.69**	$0.77	119%	**$1.51**	$1.17	29%
Brent ($/bbl)	**$43.32**	$62.03	-30%	**$42.64**	$64.79	-34%
West Texas Intermediate ($/bbl)	**$40.92**	$56.41	-27%	**$38.20**	$57.09	-33%
Realized Prices						
Natural gas, net of transportation ($/Mcf)	**$2.18**	$0.72	201%	**$1.67**	$1.23	36%
Natural gas liquids ($/bbl)	**$37.54**	$40.24	-7%	**$25.16**	$44.13	-43%
Crude oil, net of transportation ($/bbl)	**$13.07**	$45.77	-71%	**$38.18**	$49.37	-23%
Corporate average, net of transport ($/boe)[1]	**$14.24**	$43.41	-67%	**$33.45**	$46.32	-28%

(1)Non-IFRS measure

The Company realized a price of $14.24 and $33.45 per boe during the three and nine months and year ended September 30, 2020, respectively. World oil prices have significantly decreased 2020 due to pressures from large-producing countries and the Covid-19 pandemic ("Covid-19"). In Canada, natural gas prices experienced an improvement when compared to previous year.

Operating Expenses

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Natural gas & NGL's	**52,797**	85,862	**175,440**	308,238
Crude oil	**599,877**	2,742,723	**3,735,786**	9,096,545
Total operating expenses	**652,674**	2,828,585	**3,911,226**	9,404,783
Natural gas ($/Mcf)	**$0.92**	$1.36	**$1.15**	$1.72
Crude oil ($/bbl)	**$281.74**	$18.13	**$29.02**	$20.59
Corporate ($/boe)(1)	**$53.04**	$17.56	**$25.10**	$19.40

(1)Non-IFRS measure

During the three and nine months ended September 30, 2020, Arrow incurred operating expenses of $652,674 and $3,911,226, respectively, at an average cost of $53.04 and $25.10 per boe. Total operating expenses have decreased compared to 2019 operating expenses due to a generalized decrease in production and further stabilization of operations of the RCE-1 well. Operating expenses per barrel have increased due to fixed expenses incurred during Q3 2020 and a shut in production from July 2020.

Operating Netbacks

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Natural Gas ($/Mcf)				
Revenue, net of transportation expense	**$2.18**	$0.72	**$1.67**	$1.23
Royalties	**(0.20)**	(0.08)	**(0.16)**	(0.32)
Operating expenses	**(0.92)**	(1.36)	**(1.15)**	(1.72)
Natural Gas operating netback(1)	**$1.06**	($0.72)	**$0.36**	($0.61)
Crude oil ($/bbl)				
Revenue, net of transportation expense	**$13.07**	$45.77	**$38.18**	$49.37
Royalties	**20.69**	(4.39)	**(1.82)**	(5.03)
Operating expenses	**(281.74)**	(18.13)	**(29.02)**	(20.59)
Crude Oil operating netback(1)	**($247.98)**	$23.26	**$7.34**	$23.74
Corporate ($/boe)				
Revenue, net of transportation expense	**$14.24**	$43.41	**$33.45**	$46.32
Royalties	**$2.66**	(4.17)	**($1.66)**	(4.72)
Operating expenses	**(53.04)**	(17.56)	**(25.10)**	(19.40)
Corporate Operating netback(1)	**($36.14)**	$21.68	**$6.68**	$22.20

(1)Non-IFRS measure

General and Administrative Expenses (G&A)

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
General & administrative expenses	**785,641**	1,981,311	**2,990,705**	5,737,198
Less: G&A capitalized	**-**	(272,500)	**-**	(423,750)
G&A recovered from 3rd parties	**-**	-	**-**	(480,614)
Total operating overhead recovery	**-**	(272,500)	**-**	(904,364)
Total G&A	**785,641**	1,708,811	**2,990,705**	4,832,834
Cost per boe	**$63.85**	10.65	**$19.20**	10.25

For the three and nine months ended September 30, 2020 and 2019, G&A expenses totaled $785,641 and $2,990,705, respectively, which represents a significant decrease when compared to the same periods in 2019. This decrease was mainly represented by lower legal fees and reduction of office expenses, offset by severance payments during 2020. During 2019, the Company capitalized $423,750 to its exploration and evaluation assets related with its exploration efforts in the Tapir block and had G&A recoverable from its partner in the Tapir block for $480,614.

Financing (income) costs

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Financing (income) expense paid or payable	**(615,352)**	728,910	**($461)**	1,742,005
Non-cash financing costs	**157,518**	95,666	**462,402**	286,378
Net financing (income) costs	**(457,834)**	824,576	**$461,941**	2,028,383

The finance (income) expense paid or payable represents interest on the $5.7 million promissory note due to Canacol, as partial payment for the acquisition of Carrao which bears interest at 15% per annum. On August 3, 2020, the Company entered into a Fifth Amended and, among other amendments, Canacol has agreed to forgive $918,000 of accrued interest payable to date in exchange for the Company providing full and perfected security to the Canacol over the shares of its operating subsidiaries in Panama.

In addition, financing (income) expense includes fees and interest associated with financing standby letters of credit on certain of the Company's Colombian blocks and interest expense on leases. The non-cash finance cost represents an increase in the present value of the decommissioning obligation for the current periods. The amount of this expense will fluctuate commensurate with the asset retirement obligation as new wells are drilled or properties are acquired or disposed.

Risk Management Contracts

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Realized derivative gain on commodity risk management contracts	**-**	43,117	**1,288,523**	92,977
Unrealized derivative gain on commodity risk management contracts	**-**	158,510	**-**	409,860
Total income on risk management activities	**-**	$201,627	**1,288,523**	$502,837

During 2020, the Company recorded a realized gain in risk management contracts of $1,288,523 included in its revenue, oil and natural gas. The Company entered into a 'costless collar' commodity hedging agreement for a total of 15,000 barrels of oil per month from January 1 to June 30, 2020. This agreement provides a Brent-based floor price of $62 per barrel and a ceiling price of $66.5 per barrel on 15,000 barrels of oil per month over the aforementioned time period.

Share-based Payments Expense

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Share-based Payments expense	**442,145**	303,816	**263,614**	791,387

Share-based payments expense for the three and nine months ended September 30, 2020 and 2019 totaled $442,145 and $263,614, respectively. During 2020, the Company granted 3,944,000 options and 9,000,000 phantom shares, according to the compensation program adopted by the Company, offset by options cancelled due to resignations and terminations of option holders, causing a reversal of expenses recognized in previous periods. The share-based payments expense is the result of the progressive vesting of the options granted to the Company's employees and consultants plus the variation in the fair market value of phantom shares and phantom stock options, net of cancellations and forfeitures, according to the company's stock-based compensation plans.

Depletion and Depreciation

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Depletion and depreciation	**68,460**	2,268,748	**1,910,396**	6,870,961

Depletion and depreciation expense for the three and nine months ended September 30, 2020 totaled $68,460 and $1,910,396, respectively. The Company uses the unit of production method and proved plus probable reserves to calculate depletion expense and this decrease is directly related with a lower level of production during 2020 when compared with 2019, together with a lower net book value of oi and gas properties due to impairment provisions recorded in 2020.

Impairment of Oil and Gas Properties

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Impairment of Oil and Gas Properties	**-**	1,531,000	**27,263,110**	1,531,000

As at September 30, 2020, the Company reviewed its cash-generating unit's ("CGU") for property and equipment and determined that there were no indicators of impairment. 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 Company reviewed the Canadian Cash-Generating Unit's ("CGU's") property and equipment at September 30, 2019 for indicators of impairment and determined that the carrying value of its Canadian CGU exceeded its recoverable amount and an impairment of oil and gas properties of $1,531,000 was recognized in the three and Nine months ended on September 30, 2019.

Income Taxes

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Current income tax recovery	**-**	318,834	**(8,786)**	445,598
Deferred income tax recovery	**247,000**	(195,000)	**(7,303,000)**	(311,000)
Total income tax expense	**247,000**	123,834	**(7,311,786)**	134,598

As at September 30, 2020, the carrying value of the deferred income tax asset was $5,479,000, using the asset and liability method of accounting for income taxes related to the operations of Carrao. This represents a net change of $7,303,000 mainly caused by the impairment provision recorded during the nine months ended September 30, 2020. The Company recognizes deferred income tax assets to the extent it believes that these assets will more likely than not be realized. The Company offsets the deferred income tax assets against the deferred income tax liability when it has the legal right to do so. In making this determination, the Company considers all available positive and negative evidence, including the reversal of all existing temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. As a result, the Company determined it was not appropriate to recognize a deferred tax asset with respect to its Canadian operations.

LIQUIDITY AND CAPITAL RESOURCES

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, debt and working capital, excluding non-cash items. 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 had a net loss of $24,280,091 for the nine months ended September 30, 2020 and had a working capital deficit of $11,086,378 as at September 30, 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. The consolidated financial statements of the Company 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.

As at September 30, 2020 the Company's net debt was calculated as follows:

	September 30, 2020	
Current assets	$	5,119,909
Other long-term receivables		788,777
Less:		
Accounts payable and accrued liabilities		10,695,885
Promissory Note – principal		5,494,314
Net debt [1]	**$**	**10,281,513**

[1] *Non-IFRS measure*

Working Capital

As at September 30, 2020 the Company's working capital was calculated as follows:

	September 30, 2020	
Current assets:		
Cash and restricted cash	$	91,248
Trade and other receivables		1,994,174
Taxes receivable		2,710,656
Other current assets		323,831
Less:		
Accounts payable and accrued liabilities		10,695,885
Lease obligation		16,088
Promissory note		5,494,314
Working capital (deficit) [1]	**$**	**(11,086,378)**

[1] *Non-IFRS measure*

Debt Capital

As at September 30,2020, the Company has $5.5 million in outstanding debt in the form of a promissory note payable to Canacol and a long-term debt of $29,988.

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 to Canacol upon Arrow's acquisition of Carrao Energy S.A. from Canacol in September 2018 (the "Original Note"). The amendments provided for repayment of the obligation commencing on July 1, 2019 at $500,000 per month until payout. The Amended Note, which bore interest at 15%, also contained an accelerated payment feature whereby Canacol would have received 50% of Arrow's working interest cash flow from the RCE-1 well, calculated on a two-month trailing basis, up to a maximum of $500,000, such that the monthly payment to Canacol would not exceed $1 million. The balance of the obligation would also have been 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.

On July 31, 2019, Arrow and Canacol entered into a second amended and restated promissory note (the "Note") to revise the terms of the Original Note and Amended Note. The amendments provide a deferral of principal payments to commence on October 1, 2020 and which shall be paid in six monthly instalments such that all Note obligations are paid in full on or before March 1, 2021. The amendments also provide that the Company will repay all interest accrued to July 31, 2019 (totaling $628,767) by December 31, 2019 and, on September 1, 2019, the Company commenced making monthly interest-only payments on the principal sum then outstanding plus the outstanding accrued interest balance. The interest payable on the Note remains unchanged at 15% per annum, and the Note continues to be repayable at any time without penalty. The Company has now 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.

On December 31, 2019, Arrow and Canacol entered into a Third Amended and Restated Promissory note to revise the terms of the July 31, 2019, Amended and Restated Promissory Note. 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 Nine 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.

The amendments also provide that all obligation related to the restated and amended promissory note shall be due immediately in case of a change in control, as defined therein, and the Arrow shall arrange to appoint two Canacol employees to sit in the Company's Board of Directors.

On March 19, 2020, a fourth amended and restated promissory note was agreed by the parties removing the 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.

On August 3, 2020, the Company entered into a Fifth Amended and Restated Promissory Note with Canacol. Among other amendments, Canacol has agreed to forgive $918,000 of accrued interest to date, in exchange for the Company providing full and perfected security to the Canacol over the shares of its operating subsidiaries in Panama. The interest forgiven has been recognized in the statement of net loss and comprehensive loss for the three and nine months ended September 30, 2020 as interest (income).

During 2020, the Company received $29,988 (CAD$40,000) from the Canadian Emergency Business Account (CEBA) program implemented by the government of Canada to provide support to small businesses affected by the Covid-19 pandemic. The loan does not bear any interest until December 2022 and is subject to a 25% forgiveness if it repaid before that date.

The Company has been engaging in discussions with various potential lenders to provide alternative debt solutions.

Letters of Credit

As at September 30, 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, Canacol will continue to provide security for the LC's 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 LC's underlying the Company's Agencia Nacional de Hidrocarburos ("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.

Current Outstanding Letters of Credit

Contract	Beneficiary	Issuer	Type	Amount	Due Date
LLA - 23	ANH	Canacol	Abandonment	$3,489,495	December 31, 2020
	ANH	Canacol and Carrao	Abandonment	$3,176,625	December 31, 2020
	ANH	Canacol and Carrao	Compliance	$600,000	December 31, 2020
Tapir	ECP	Samaria Llanos	Abandonment	$52,898	December 26, 2020
SANTA ISABEL	ANH	Carrao Energy SA Suc Col	Abandonment	$482,451	April 14, 2021
	ANH	Canacol and Carrao	Financial Capacity	$1,672,162	December 30, 2020
CORE - 39	ANH	Canacol	Compliance	$2,400,000	December 31, 2020
OMBU	ANH	Carrao Energy SA Suc Col	Financial Capacity	$436,300	April 14, 2021
Total				**$12,309,931**	

Share Capital

As at September 30, 2020, the Company had 68,674,602 common shares and 6,859,000 stock options outstanding.

Subsequent Events

On October 22, 2020, the Company announced that one of its subsidiaries secured a $500,000 bridge loan with CEDCO (a subsidiary of COG Energy Ltd., the LLA-23 purchaser) the proceeds of which will assist the Company in meeting its near-term financial obligations and provide it with additional working capital as it moves towards the anticipated closing of the sale of the LLA-23 Block. The loan has an annual interest rate of 6% and shall be repayable upon the earliest of: (i) the closing of the LLA-23 sale, or (ii) the receipt of certain Value-Added Tax ("VAT") refunds in Colombia, or (iii) where the closing of the LLA-23 sale is delayed after December 31, 2020 or does not occur, or where is terminated, either in cash or through the delivery of an equivalent value of crude oil produced from the LLA-23 Block and the Tapir Block. The balance of this bridge loan and interest was fully paid in early November 2020.

CONTRACTUAL OBLIGATIONS

The following table provides a summary of the Company's cash requirements to meet its financial liabilities and contractual obligations existing at September 30, 2020:

	Less than 1 year	1-3 years	Thereafter	Total
Promissory Note	$ 5,494,314	$ -	$ -	$ 5,494,314
Exploration and production contracts	-	23,790,000	-	23,790,000
	$ 5,494,314	**$ 23,790,000**	**$ -**	**$ 29,284,314**

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 September 30, 2020 of $23.8 million. During 2019, the Company completed its earning commitment on the Tapir block by drilling the RCE-1 well and, with the sale of non-core assets (see Note 9 of the Company's annual consolidated financial statements as at December 31, 2019), the Company transferred to the purchaser $6.95 million in commitments on the Coati block that were scheduled for 2020. During 2019, the Company, in conjunction with its partners, made application to cancel a further $15.5 million in commitments on the Macaya and Los Picachos blocks. This request was subsequently 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 September 30, 2020:

Block	Less than 1 year	1-3 years	Thereafter	Total
LLA-23	-	6,000,000	-	6,000,000
COR-39	-	12,000,000	-	12,000,000
Los Picachos	-	1,970,000	-	1,970,000
Macaya	-	3,830,000	-	3,830,000
Total	**-**	**23,790,000**		**23,790,000**

Oleoducto Bicentenario de Colombia ("OBC") Pipeline

The Company is party to an agreement with Canacol that entitles it to a 0.5% interest in OBC, which owns a pipeline system intended to link Llanos basin oil production to the Caño Limon oil pipeline system in Colombia. This agreement was part of Arrow's acquisition of Carrao from Canacol. Recently, the Company in conjunction with Canacol, notified OBC to transfer title of the shares currently in the name of Canacol to Arrow. The transfer requires approval by OBC which at the date of this MD&A had not been received.

Canacol is currently in litigation with OBC in relation to ship or pay obligations that were terminated by Canacol in July 2018 under force majeure. Under terms of the agreement, if the pipeline has not been operational for a period greater than nine months then the ship or pay obligation may be cancelled. The pipeline remains non-operational as of the date of this MD&A.

On March 27, 2019, the court in charge of the case ruled in favor of the OBC and opined that the obligations under the ship or pay contract remains in force. Subsequently, on May 13, 2019, Canacol filed an appeal at the State Council, a higher-level court in the Colombian judiciary system, requesting annulment of this ruling. Likewise, in July 2019, OBC has also started litigation against Canacol for not honouring its ship or pay obligations under the contract. Depending on the final outcome of this dispute, Arrow may be required to satisfy past and future ship or pay obligations.

Upon official transfer of ownership to Arrow and under the terms of the OBC agreement, Arrow may be required to provide financial support or guarantees for its proportionate equity interest in any future debt financings or cash calls undertaken by OBC. At the same time, Arrow would be entitled to dividends declared and paid by OBC based on its 0.5% ownership interest.

SUMMARY OF THREE MONTHS RESULTS

	2020			2019				
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Oil and natural gas sales, net of royalties	207,934	896,011	3,848,478	5,585,531	6,320,471	7,525,728	6,008,460	5,911,425
Net income (loss)	(1,390,746)	3,168,919	(26,058,265)	(2,089,036)	(1,325,939)	(857,740)	(1,704,180)	1,242,936
Income (loss) per share – basic and diluted	(0.02)	0.05	(0.38)	(0.02)	(0.02)	(0.01)	(0.02)	0.02
Working capital (deficit)	(11,086,377)	(10,158,614)	(2,711,756)	(2,863,641)	(3,231,242)	(8,074,697)	(7,799,848)	(8,558,782)
Total assets	46,702,911	47,386,940	43,775,967	72,750,706	74,789,261	77,252,739	77,066,582	76,962,315
Net capital expenditures	146,584	180,795	473,351	(171,138)	2,012,557	4,171,680	3,401,365	7,007,580
Average daily production (boe/d)	104	417	1,159	1,595	1,799	1,859	1,710	1,682

The Company's oil and natural gas sales have decreased due to changes in production, decrease in oil and gas prices and fluctuations in realized oil price differentials. The Company's production levels in Colombia have been variable, with increases driven by operational improvements and additional crude oil from the RCE-1 well, offset by decreases caused by the sale of the Company's interest in the VMM-2 block, operational issues in some wells, natural declines on mature blocks and shut ins. Trends in the Company's net income (loss) are also impacted most significantly by financing costs, income taxes, depletion, depreciation and impairment of oil and gas properties, gains and losses from risk management activities.

OUTSTANDING SHARE DATA

At September 30, 2020, the Company had the following securities issued and outstanding:

	Number	Exercise Price	Expiry Date
Common shares	68,674,602	n/a	n/a
Stock options	2,433,333	CAD$ 1.15	October 22, 2028
Stock options	490,000	CAD$ 0.31	May 3, 2029
Stock options	1,200,000	CAD$ 0.03	March 20, 2030
Stock options	2,744,000	CAD$ 0.03	April 13, 2030

There were 18,957,398 warrants issued upon the conversion of the subscription receipts subscribed for under the private placement financing and upon closing of a private placement financing of units completed in 2018 by Front Range, comprised of shares and warrants. These warrants expired in September 2020.

OUTLOOK

On January 30, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) outbreak a Public Health Emergency of International Concern and, on March 10, 2020, declared it to be a pandemic. Actions taken around the world to mitigate the spread of COVID-19, combined with OPEC's initial plan to increase global supply resulted in significant weakness and volatility in commodity prices. The simultaneous demand and supply shocks have resulted in significant declines in product demand and pricing in the latter part of the first quarter and throughout the second quarter of 2020, as compared to 2019. Although it is impossible to reliably estimate the impact of COVID-19, the pandemic is anticipated to have a material and adverse effect on the Company's 2020 financial results relative to 2019.

Due to the current economic circumstances caused by the Covid-19 global pandemic, the Company is currently focusing on improving its free cash flow by optimizing its sources of funds and reducing operating and administrative costs. During Q3 2020, salaries, personnel benefits and office costs have been reduced, and the Company has made a significant improvement in operating costs and administrative expenses.

The Company has also deferred its plans for drilling a follow-up appraisal well in Rio Cravo Este until current oil crude prices improve, and is also pending on securing financing, rig availability, and partner approval. A second contingent well is planned pending the results of Rio Cravo Este-2. Other workovers in Llanos-23 and Oso Pardo are currently planned and expected to be performed once conditions improve and financing is available.

The Company and its advisor remain committed to the strategic alternatives process announced in December 2019 and intend to provide updates as determined to be appropriate by the Board of Directors. There can be no guarantees as to whether the strategic alternatives process will result in a transaction or the terms or timing of any resulting transaction.

CRITICAL ACCOUNTING ESTIMATES

A summary of the Company's significant accounting policies is contained in Note 3 Annual Financial Statements. These accounting policies are subject to estimates and key judgements about future events, many of which are beyond Arrow's control.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Company's significant accounting policies is included in Note 3 Annual Financial Statements. These accounting policies are consistent with those of the previous financial year as described in Note 3 of the Annual Financial Statements.

DERIVATIVE COMMODITY CONTRACTS

The Company does not currently hold any commodity price contract.

RISKS AND UNCERTAINTIES

The Company is subject to financial, business and other risks, many of which are beyond its control and which could have a material adverse effect on the business and operations of the Company. Please refer to "Risk Factors" in the 2018 AIF and MD&A for the year ended December 31, 2019 for a description of the financial, business and other risk factors affecting the Company which are available on SEDAR at www.sedar.com