



Arrow Exploration Announces Intention to List on AIM Market, an Update on Cost Savings Achieved, Amendments to Canacol Promissory Note, and Comments on Developments in Colombia

Calgary, Alberta – May 25, 2021 – ARROW Exploration Corp. (“Arrow” or the “Company”) (TSXV: AXL) is pleased to provide an update to shareholders on several key corporate developments, as well as an update on recent developments in Colombia.

Intention to List on AIM Market

The Company announces its intention to seek a dual listing through an admission of its common shares to trading on the AIM market of the London Stock Exchange ("Admission"). The Company intends to concurrently pursue a private placement offering of its common shares to fund an expanded capital program. Details of the private placement are expected to be announced once the Admission process is at an advanced stage. The Company's Common Shares will continue to be listed and trade on the TSX-V in Canada.

Marshall Abbott, Chief Executive Officer of Arrow said, “I am delighted to announce our intention to be dual listed on the AIM and TSX-V. We have a company with a high-upside, cash-generative asset base in Colombia, a proven oil & gas jurisdiction. Our growth strategy involves aggressively pursuing a development drilling program for our Rio Cravo Este and Carrizales Norte assets in the prolific Llanos Basin. Furthermore, as we look forward it is our intention to monetize our non-core assets as well as selectively add value-accretive assets to our portfolio. I look forward to welcoming our new shareholders when Arrow lists on AIM.”

Arrow believes the dual listing will provide it with several advantages, which include:

- Enhancing liquidity for the Company’s shareholders and providing direct access to the London capital markets, which are among the global leaders for capital formation in the oil & gas sector;
- Enabling the Company to access a wider range of potential investors and broaden its investor base;
- Improving the Company’s ability to access further funding from international capital markets and to finance the future growth of the business consistent with its current strategy; and
- Enhancing the Company’s reputation and financial standing in Colombia.

The intended Admission and private placement represent the next phase of Arrow’s growth, following the recapitalization of the Company through the sale of the LLA-23 Block in December 2020 and the cost savings achieved (as discussed below). The intended Admission and private placement are consistent with the management and Board’s objectives of creating maximum value for shareholders by pursuing a strategy that unlocks the potential of the Company’s rich asset base.



Cost Savings Achieved

Since the current executive management team joined Arrow in April 2020, working closely with the Board of Directors the executive team has:

- i. Achieved significant G&A cost savings – administrative costs were reduced to US\$4.3 million in 2020, from US\$7.2 million in 2019, a savings of over 40% year-over-year. Assuming normal course operations, further administrative cost reductions are expected for the current fiscal year;
- ii. Materially reduced Colombia staff count to align with the Company's current levels of production and its expected near-term operational requirements – staff count has been reduced from 77 at the end of Q1 2020, to 28 at the end of Q1 2021;
- iii. Successfully negotiated with the majority of the Company's vendors in Canada and Colombia to settle on outstanding accounts payable that were primarily incurred by the Company prior to the current executive management team's tenure – as of April 30th, 2021 these negotiations have resulted in estimated cost savings to the Company of over US\$1.2 million; and
- iv. Terminated the off-take contract with Vitol Colombia C.I. S.A.S. ("Vitol") for the sale to Vitol of the Company's share of crude oil produced from the Tapir Block and the LLA-23 Block (sold in December 2020) – the Company estimates current savings of approximately US\$5/bbl from having terminated the contract in August 2020 (based on the most recent available quotation for the Vasconia differential).

Promissory Note Amendments

Effective May 18th, 2021 ("Effective Date"), Arrow and Canacol Energy Ltd. ("Canacol") have entered into a sixth amended and restated Promissory Note. The sixth Promissory Note amends and restates the previous fifth promissory note. Arrow's management believes that the sixth Promissory Note represents a positive outcome for the Company going forward. In summary:

- i. The amendments provide Arrow with significantly greater near-term financial flexibility and strengthen its near-term working capital position by over US\$6 million, by re-classifying the Promissory Note from a current liability to a long-term liability;
- ii. If Arrow completes a financing, its cash outlay to settle the Promissory Note will be as low as US\$3.2 million, beginning in 2022, with the balance of the Promissory Note to be settled by the issuance to Canacol of common shares of Arrow at the financing price, subject to a percentage ownership limit of 19.99% (and any remainder that would otherwise have been paid in shares will be paid in cash instead);
- iii. If Arrow completes a financing, US\$0.6 million for the OBC letter of credit shall be forgiven. The OBC pipeline assets and liabilities will revert to Canacol.



Management expects this would result in significant future cost savings to the Company;

- iv. If Arrow does not complete a financing by September 30th, 2021, the payment of the principal sum of the Promissory Note shall be made as follows: (i) payments of US\$1.6 million in cash on July 30th, 2022 and US\$1.6 million in cash on December 30th, 2022 and (ii) the issuance to Canacol on July 30th, 2022 for the balance of the Principal Sum of common shares of the Company at an issue price equal to the market price of such shares as of such date; and
- v. At any time, and from time to time, all or any portion of the obligations then outstanding may be prepaid by the Company to Canacol without penalty or prepayment fee.

Developments in Colombia

As has been widely reported, there are protests and blockades in certain areas of Colombia. All Colombian industries have been negatively impacted as mobility is currently limited.

The protests have had a temporary impact on Arrow's Colombian operations, and the operations of other oil & gas companies in the country. Road blockades in Llanos Basin caused Arrow to temporarily cease oil production from the RCE-1 well on the Tapir Block during the week of May 17th, however production has since resumed. In the event that road blockades resume, Arrow is assessing several alternatives for the off-take of its oil production from the RCE-1 well which would allow the Company to continue producing.

The blockades have caused Emerald Energy (the operator of the Capella Field on the Ombu Block, in which Arrow has a 10% W.I.) to cease production from the Capella Field, and production has yet to resume. A National Strike Committee was created to foster national dialogue and began meeting the week of May 10th to negotiate an end to the protests and the blockades. If the National Strike Committee is successful at negotiating an end to the blockades of transportation routes, or if the blockades otherwise cease to be in place, the Company expects Emerald Energy to be able to rapidly restore the shut-in production from the Capella Field.

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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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 Colombian and/or Canadian assets (or any of them individually), the prices of oil and/or natural gas, and Arrow's business plan to expand oil and gas 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.



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This announcement is directed only at persons whose ordinary activities involve them in acquiring, holding, managing and disposing of investments (as principal or agent) for the purposes of their business and who have professional experience in matters relating to investments and are: (i) if in a member state of the European Economic Area ("EEA"), Qualified Investors as defined in article 2(e) of Regulation (EU) 2017/1129 (the "EU Prospectus Regulation"); (ii) if in the United Kingdom, are Qualified Investors as defined in article 2(e) of the EU Prospectus Regulation as it forms part of domestic law pursuant to the European Union (Withdrawal) Act 2018 and (a) fall within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") or (b) are persons who fall within article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Order, or (c) to whom it may otherwise be lawfully distributed (all such persons together being referred to as "Relevant Persons").

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The Common Shares referred to in this Announcement have not been and will not be registered under the US Securities Act of 1933, as amended (the "US Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States. The securities may not be offered or sold in the United States absent registration



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Any subscription for or purchase of Common Shares should be made solely on the basis of the information contained in the final Admission Document to be published by the Company in connection with the Admission. The information in this announcement is for background purposes only and does not purport to be full or complete. No reliance may or should be placed for any purposes whatsoever on the information contained in this announcement or its accuracy, completeness or fairness. The information in this announcement is subject to change. However, the Company does not undertake to provide the recipient of this announcement with any additional information, or to update this announcement or to correct any inaccuracies, and the distribution of this announcement shall not be deemed to be any form of commitment on the part of the Company to proceed with the Admission or any transaction or arrangement referred to in this announcement. This announcement has not been approved by any competent regulatory authority.

The anticipated timetable for Admission, including the publication of the Admission Document and/or the date of Admission, may be influenced by a range of circumstances, including market conditions. There is no guarantee that the Admission Document will be published or that Admission will occur and investors should not base their financial decisions on the Company's intentions in relation to the Admission at this stage.

The price of shares and any income expected from them may go down as well as up and investors may not get back the full amount invested upon disposal of the shares. Past performance is no guide to future performance, and persons needing advice should consult an independent financial adviser.

Certain figures contained in this announcement, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this announcement may not conform exactly to the total figure given.

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