Arrow Exploration Corp.
Interim Condensed Consolidated Financial Statements
March 31, 2021
In United States Dollars
(Unaudited)

Contents

Notice of No Auditor Review of the Interim Condensed Consolidated Financial Statements as at and for the three months ended March 31, 2021

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

As at	Notes		March 31, 2021		December 31, 2020
Assets					
Current					
Cash		**$**	**6,427,994**	$	11,473,204
Restricted cash	**3**		**9,475**		262,489
Trade and other receivables	**4**		**1,995,053**		2,456,590
Taxes receivable	**5**		**1,594,720**		1,659,683
Deposits and prepaid expenses			**89,141**		77,382
Inventory			**29,304**		29,304
			10,145,687		15,958,652
Non-current assets					
Restricted cash	**3**		**490,760**		460,283
Exploration and evaluation	**6**		**6,961,667**		6,961,667
Property and equipment	**7**		**10,086,806**		10,151,697
Total Assets		**$**	**27,684,920**	$	33,532,299

Liabilities					
Current					
Accounts payable and accrued liabilities		**$**	**6,761,275**	$	12,101,989
Lease obligation	**9**		**17,936**		17,279
Promissory note	**8**		**6,026,166**		5,772,324
			12,805,377		17,891,592
Non-current liabilities					
Long-term debt	**10**		**31,808**		31,416
Lease obligation	**9**		**49,580**		53,563
Other liabilities	**11**		**177,500**		177,500
Decommissioning liability	**12**		**2,623,267**		2,584,907
Total liabilities			**15,687,532**		20,738,978
Shareholders' equity					
Share capital	**13**		**50,740,292**		50,740,292
Contributed surplus			**1,249,789**		1,521,845
Deficit			**(39,389,743)**		(38,879,338)
Accumulated other comprehensive loss			**(602,950)**		(589,478)
Total shareholders' equity			**11,997,388**		12,793,321
Total liabilities and shareholders' equity		**$**	**27,684,920**	$	33.532.299

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 15)

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

On behalf of the Board:

signed "Gage Jull" Director
Gage Jull

signed "Brian Hearst" Director
Brian Hearst

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

For the three months ended March 31,	Notes	2021	2020
Revenue			
Oil and natural gas	**18**	**$ 988,803**	$ 4,145,380
Royalties		**(141,371)**	(296,900)
		847,432	3,848,480
Expenses			
Operating		**242,144**	2,151,025
Administrative		**1,378,628**	1,359,900
Share based payments	**13**	**(272,056)**	(145,027)
Financing costs:			
Accretion	**12**	**32,063**	151,882
Interest	**8**	**261,804**	255,907
Other		**45,747**	52,348
Derivative gain		**-**	(766,424)
Foreign exchange (gain) loss		**(59,657)**	(4,863)
Depletion and depreciation	**7**	**270,430**	1,444,854
Impairment of oil and gas properties	**7**	**-**	27,263,110
Other income		**(541,266)**	(2,102)
		1,357,837	27,910,028
Loss before income tax		**(510,405)**	(27,912,130)
Income tax expense (recovery)			
Current		**-**	37,135
Deferred		**-**	(1,891,000)
		-	(1,853,865)
Net loss		**(510,405)**	(26,058,265)
Other comprehensive loss:			
Foreign exchange		**(13,472)**	22,279
Net loss and comprehensive loss		**$ (523,877)**	$ (26,035,986)
Loss per share			
- basic and diluted		**$ (0.01)**	$ (0.38)
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 loss per share computation as they are anti-dilutive.

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

Arrow Exploration Corp.
Interim Condensed 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, 2021	$	50,740,292	$	1,521,845	$	(589,478)	$	(38,879,338)	$	12,793,321
Net loss for the period		-		-		-		(510,405)		(510,405)
Comprehensive loss for the year		-		-		(13,472)		-		(13,472)
Share based payments		-		(272,056)		-		-		(272,056)
Balance March 31, 2021	$	50,740,292	$	1,249,789	$	(602,950)	$	(39,389,743)	$	11,997,388

		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

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

Arrow Exploration Corp.
Interim Condensed Consolidated Statements of Cash Flows
In United States Dollars
(Unaudited)

For the three months ended March 31,	2021	2020
Cash flows (used in) provided by operating activities		
Net loss	**$ (510,405)**	$ (26,058,265)
Items not involving cash:		
Deferred taxes	**-**	(1,891,000)
Share based payment	**(272,056)**	(145,027)
Depletion and depreciation	**270,430**	1,444,854
Impairment of oil and gas properties	**-**	27,263,110
Interest on leases	**1,748**	6,071
Interest on promissory note, net of forgiveness	**208,265**	-
Accretion	**32,063**	151,882
Foreign exchange loss (gain)	**(101,152)**	(35,526)
Risk management activities	**-**	(766,424)
Changes in non-cash working capital balances:		
Restricted cash	**253,014**	-
Trade and other receivables	**461,537**	956,130
Taxes receivable	**64,963**	(361,750)
Deposits and prepaid expenses	**(11,759)**	57,580
Inventory	**-**	15
Accounts payable and accrued liabilities	**(3,332,932)**	(1,201,522)
Cash (used in) provided by operating activities	**(2,936,284)**	(579,872)
Cash flows provided by (used in) investing activities		
Additions to exploration and evaluation assets	**-**	(473,351)
Additions to property and equipment	**(97,330)**	-
Changes in non-cash working capital	**(2,007,783)**	203,193
Cash flows provided by (used in) investing activities	**(2,105,113)**	(270,158)
Cash flows used in financing activities		
Lease payments	**(5,930)**	(24,336)
Cash flows used in financing activities	**(5,930)**	(24,336)
Effect of changes in the exchange rate on cash	**2,117**	(93,495)
Increase (decrease) in cash	**(5,045,210)**	(967,861)
Cash, beginning of period	**11,473,204**	1,085,655
Cash, end of period	**6,427,994**	$ 117,794
Supplemental information		
Interest paid	**$ -**	$ 71,709
Taxes paid	**$ -**	$ -

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

In United States Dollars

1. Corporate Information

Arrow Exploration Corp. ("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 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.

These 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 $32,233,092 for the year 2020 and had a working capital deficit of $2,659,690 as at March 31, 2021. 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 interim 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 interim 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 May 27, 2021. 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 as at December 31, 2020.

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, 2020.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, 2020.

3. Restricted Cash

	March 31, 2021	December 31, 2020
Colombia *(i)*	**$ 63,201**	$ 316,216
Canada *(ii)*	**437,034**	406,556
Sub-total	**500,235**	722,772

In United States Dollars

Long-term portion		**(490,760)**		(460,283)
Current portion of restricted cash	**$**	**9,475**	$	262,489

(i) Restricted cash is comprised by a deposit held as collateral to guarantee abandonment expenditures related to the Mateguafa well and funds in-trust related to resuming production in the Rio Cravo Este-1 well in the Tapir block

(ii) Pursuant to Alberta government regulations, the Company was required to pay a $330,035 (CAD $415,034) 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 $106,998 pertain to lease and other deposits held in Canada.

4. Trade and other receivables

		March 31, 2021		December 31, 2020
Trade receivables, net of advances	**$**	**92,506**	$	99,061
Other accounts receivable		**1,902,547**		2,357,529
Total trade and other receivables	**$**	**1,995,053**	$	2,456,590

As at March 31, 2021, other accounts receivable include $1,714,039 (December 31, 2020 – $2,185,890) receivable from a partner in the Tapir block and corresponds to reimbursable capital expenditures incurred on the Tapir block, which are expected to be recovered through production during 2021.

5. Taxes receivable

		March 31, 2021		December 31, 2020
Value-added tax (VAT) credits recoverable	**$**	**832,804**	$	932,282
Income tax withholdings and advances, net		**761,916**		727,401
	$	**1,594,720**	$	1,659,683

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.

6. Exploration and Evaluation

		March 31, 2021		December 31, 2020
Balance, beginning and end of the period	**$**	**6,961,667**	$	6,961,667

In United States Dollars

7. Property and Equipment

Cost		**Oil and Gas Properties**		**Right of Use and Other Assets**		**Total**
Balance, December 31, 2020	$	30,436,344	$	182,105	$	30,618,449
Additions		97,330		-		97,330
Balance, March 31, 2021	$	30,533,674	$	182,105	$	30,715,779
Accumulated depletion and depreciation and impairment						
Balance, December 31, 2020	$	20,718,742	$	83,207	$	20,801,949
Depletion and depreciation		262,614		7,816		270,430
Balance, March 31, 2021	$	20,981,356	$	91,023	$	21,072,379
Foreign exchange						
Balance December 31, 2020	$	339,364	$	(4,166)	$	355,198
Effects of movements in foreign exchange rates		107,226		983		108,209
Balance March 31, 2021	$	446,590	$	(3,183)	$	463,407
Net Book Value						
Balance December 31, 2020	$	10,056,965	$	94,732	$	10,151,697
Balance March 31, 2021	$	9,998,908	$	87,898	$	10,086,806

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 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:

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.

In United States Dollars

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 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 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 the two Canacol Directors requirement and temporarily waiving the change in control provision set forth in the third amendment, leaving all other amendments unchanged.

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 as interest in the statement of operations and comprehensive loss for the year ended December 31, 2020.

The Company has granted a general security interest to Canacol for the obligations under the Promissory 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:

	2021
Obligation, beginning of the period	$ 70,842
Changes in existing lease	-
Lease payments	(5,930)
Accretion	1,748
Effects of movements in foreign exchange rates	856
Obligation, end of the period	$ 67,516
Current portion	$ 17,936
Long-term portion	49,580
	$ 67,516

As at March 31, 2021, the Company has the following future commitments associated with its office lease obligations:

In United States Dollars

Less than one year	$	23,882
2 – 5 years		73,535
Total lease payments		97,417
Amounts representing interest over the term		(29,901)
Present value of the net obligation	$	67,516

10. Long-term debt

During 2020, the Company owes $31,808 (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 the full balance is repaid before that date.

11. Other Liabilities

The other liabilities of the Company relate to an environmental fee in Colombia that is levied on capital projects. 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, biomechanical works (e.g. containment walls in rivers), reforestation, research projects and others. At March 31, 2021 the Company had provided for $177,500 (December 31, 2020 - $177,500) 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, 2021	December 31, 2020
Obligation, beginning of the year	**$ 2,584,907**	$ 8,173,222
Change in estimated cash flows	**-**	(109,864)
Obligations recognized	**-**	-
Liabilities disposed	**-**	(6,016,514)
Accretion expenses	**32,063**	524,477
Effects of movements in foreign exchange rates	**6,297**	13,586
Obligation, end of the year	**$ 2,623,267**	$ 2,584,907

The obligation was calculated using a risk-free discount rate range of 1.0% to 2.0% in Canada (2020: 1.50% to 2.75%) and 5.90% in Colombia (2020: 5.90%) with an inflation rate of 2.0% and 2.5%, respectively (2020: 2.0% and 2.5%). It is expected that the majority of costs are expected to occur between 2022 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 $4,080,578 (2020: $4,072,683).

13. Share Capital

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

In United States Dollars

(b) Issued:

Common shares	**Shares**		**Amounts**
Balance as at March 31 2021 and December 31, 2020	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, 2021 and December 31, 2020 and changes during the respective periods ended on those dates is presented below:

	March 31, 2021		December 31, 2020	
Stock Options	**Number of options**	**Weighted average exercise Price (CAD $)**	Number of options	Weighted average exercise price (CAD $)
Beginning of period	**6,859,000**	**$0.40**	5,470,000	$0.99
Granted	**-**	**-**	4,319,000	$0.05
Exercised	**-**	**-**	-	-
Expired/Forfeited	**(1,145,000)**	**$1.04**	(2,930,000)	$0.96
End of period	**5,714,000**	**$0.27**	6,859,000	$0.40
Exercisable, end of period	**1,215,001**	**$0.71**	1,530,001	$1.06

Date of Grant	**Number Outstanding**	**Exercise Price (CAD $)**	**Weighted Average Remaining Contractual Life**	**Date of Expiry**	**Number Exercisable December 31, 2020**
October 22, 2018	1,050,000	$1.15	7.57 years	Oct. 22, 2028	700,000
May 3, 2019	345,000	$0.31	8.10 years	May 3, 2029	115,001
March 20, 2020	1,200,000	$0.05	8.98 years	March 20, 2030	400,000
April 13, 2020	2,775,000	$0.05	9.04 years	April 13, 2030	-
June 18, 2020	344,000	$0.05	9.22 years	June 18, 2030	-
Total	**5,714,000**	**$0.40**	**8.71 years**		**1,215,001**

During the three months ended March 31, 2021, the Company recognized $272,056 (2020 – $145,027) as share based payments income, with a corresponding decrease in the contributed surplus account.

(d) Phantom shares:

During 2020, the Company adopted a phantom share program for compensation of its Directors and executives and granted 13,000,000 phantom common shares of the Company which are vested immediately at CAD $0.00 per share. As at March 31, 2021, the Company has accrued $1,240,512 as share based payments, which are included in accounts payable and accrued liabilities at such date.

(e) Phantom stock options:

During 2020, the Company adopted a phantom stock option program for compensation of its executives and granted 1,681,000 phantom stock options of the Company which are vested in equal parts over the three following years after granted. As at March 31, 2021, the Company has accrued $93,751 as share based payments, which are included in accounts payable and accrued liabilities at such date.

In United States Dollars

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, 2021 of $17.8 million. The Company, in conjunction with its partners, have made applications to cancel a further $15.5 million ($5.8 million Arrow's share) in commitments on the Macaya and Los Picachos blocks. 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, 2021:

Block	Less than 1 year	1-3 years	Thereafter	Total
COR-39	-	12,000,000	-	12,000,000
Los Picachos	-	1,970,000	-	1,970,000
Macaya	-	3,830,000	-	3,830,000
Total	**-**	**17,800,000**	**-**	**17,800,000**

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.

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. Likewise, 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. 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.

During 2020, there has been negotiations between the parties involved in order to settle this case and settlement agreements have been submitted to courts for their approval. Depending on the final outcome of this dispute, Arrow may be required to satisfy past and future ship or pay obligations and has accrued $658,654 accordingly.

Letters of Credit

At March 31, 2021, the Company had obligations under Letters of Credit ("LC's") outstanding totaling $5.2 million to guarantee work commitments on exploration blocks and other contractual commitments. Of the total, approximately $4.1 million has been guaranteed by Canacol. Under an agreement, 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 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.

In United States Dollars

Current Outstanding Letters of Credit

Contract	Beneficiary	Issuer	Type	Amount (US $)	Renewal Date
Tapir	ECP	Samaria Llanos	Abandonment	$52,898	Dec. 26, 2021
SANTA	ANH	Carrao Energy	Abandonment	$643,423	April 14, 2022
ISABEL	ANH	Canacol and Carrao	Financial Capacity	$1,672,162	June 30, 2021
CORE - 39	ANH	Canacol	Compliance	$2,400,000	June 30, 2021
OMBU	ANH	Carrao Energy	Financial Capacity	$436,300	April 14, 2022
Total				**$5,204,783**	

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

During 2020, the Company had one financial derivative contract in order to manage commodity price risk. This instrument was not used for trading or speculative purposes. Arrow had not designated its financial derivative contract as effective accounting hedge, even though the Company considered the commodity contract to be an effective economic hedge. As a result, the financial derivative contract was 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. This contract was terminated during 2020.

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 realized gain on risk management activities is included as part of revenues in the consolidated statements of operations and comprehensive loss. The gains on risk management activities for the period are comprised as follows:

	For the three months ended March 31	
	2021	2020
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 producing company, which accounts for more than 85% 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 15 days in advance (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.

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.

(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.

In United States Dollars

(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, 2021	December 31, 2020
Working capital, before promissory note	**3,366,476**	3,839,384
Promissory note	**(6,026,166)**	(5,772,324)
	$ (2,659,690)	$ (1,932,940)

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, 2021, 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.

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. 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:

Three months ended March 31, 2021	**Colombia**	**Canada**	**Total**
Revenue:			
Oil Sales	$ 866,830	$ -	$ 866,830
Natural gas and liquid sales	-	121,973	121,973
Royalties	(128,540)	(12,831)	(141,371)
Expenses	(538,000)	(819,837)	(1,357,837)
Net loss	$ 200,290	$ (710,695)	$ (510,405)

In United States Dollars

As at March 31, 2021	**Colombia**	**Canada**	**Total**
Current assets	$ 5,292,248	$ 4,853,439	$ 10,145,687
Non-current:			
Restricted cash	53,727	437,033	490,760
Exploration and evaluation	6,961,667	-	6,961,667
Property and equipment	6,948,678	3,138,128	10,086,806
Total Assets	$ 19,256,320	$ 8,428,600	$ 27,684,920
Current liabilities	$ 4,624,485	$ 8,180,892	$ 12,805,377
Non-current liabilities:			
Other liabilities	177,500	-	177,500
Lease obligation	-	49,580	49,580
Decommissioning liability	2,111,578	511,689	2,623,267
Long-term debt	-	31,808	31,808
Total liabilities	$ 6,913,563	$ 8,773,969	$ 15,687,532

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
Royalties	291,566	5,334	296,900
Expenses	3,498,931	998,569	4,497,500
Impairment of oil and gas properties	27,263,110	-	27,263,110
Taxes	(1,853,865)	-	(1,853,865)
Net 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

17. Subsequent events

Subsequent to March 31, 2021, a sixth and amended and restated promissory note was agreed with Canacol which includes that the new principal amount of the promissory note is $6,026,166, which bare interest at an annual rate of 15%, and includes the following repayment provisions:

- In the event that the Company does not complete a successful equity financing of $12,000,000 or more by September 30, 2021, the payment of the principal plus interest shall be made as follows:

  - Two payments of $1,600,000 in cash due on July 30 and December 30, 2022; and
  - Issuance of common shares of the Company on July 30, 2022 for the remaining balance for an amount of shares resulting from Canacol having less than 19.9%, with any remainder payable in cash

- In the event that the Company completes a successful equity financing of $12,000,000 or more by September 30, 2021, the payment of the principal plus interest shall be made as follows:
  - One payment of $3,200,000 in cash due 15 days from the financing closing date; and
  - At the discretion of the Company, the balance shall be paid either in cash or by issuance of common shares of the Company for an amount of shares resulting from Canacol having less than 19.9%, and any remainder balance payable in cash.

The Company also commits to replace the letters of credit currently guaranteed by Canacol and, Canacol commits to absorb the Company’s commitments and balances related to the OBC pipeline dispute.