ARROW EXPLORATION CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2021

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 May 27, 2020 and should be read in conjunction with Arrow's condensed consolidated financial statements (unaudited) and related notes for the three months ended March 31, 2021 and 2020. 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, 2020 and 2019.

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 March 31, 2020	Three months ended March 31, 2020
Net loss	**(510,405)**	(26,058,265)
Add/(subtract):		
Share based payments	**(272,056)**	(145,027)
Financing costs:		
Accretion on decommissioning obligations	**32,063**	151,882
Interest	**261,804**	255,907
Other	**45,747**	52,348
Depreciation and depletion	**270,430**	1,444,854
Risk management activities	**-**	(766,424)
Impairment of oil and gas properties	**-**	27,263,110
Income taxes, current and deferred	**-**	(1,853,865)
Adjusted EBITDA (1)	**(172,417)**	344,520
Cash flows used in operating activities	**(2,936,284)**	(579,872)
Minus - Changes in non-cash working capital balances:		
Trade and other receivables	**(461,537)**	(956,130)
Restricted cash	**(253,014)**	-
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
Funds flow from (used in) operations (1)	**(371,107)**	(30,325)

(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 March 31, 2020**	Three months ended March 31, 2020
Total natural gas and crude oil revenues, net of royalties	**847,432**	3,848,480
Funds flow from (used in) operations (1)	**(371,107)**	(30,325)
Per share – basic ($) and diluted ($)	**(0.01)**	(0.00)
Net income (loss)	**(510,405)**	(26,058,265)
Per share – basic ($) and diluted ($)	**(0.01)**	(0.38)
Adjusted EBITDA (1)	**(172,417)**	344,520
Weighted average shares outstanding – basic and diluted	**68,674,602**	68,674,602
Common shares end of period	**68,674,602**	68,674,602
Capital expenditures	**97,330**	473,351
Cash and cash equivalents	**6,427,994**	117,794
Current Assets	**10,145,687**	6,953,756
Current liabilities	**12,805,377**	9,665,512
Working capital (deficit) (1)	**(2,659,690)**	(2,711,756)
Long-term portion of restricted cash (2)	**490,760**	421,186
Total assets	**27,684,920**	43,775,967
Operating		
Natural gas and crude oil production, before royalties		
Natural gas (Mcf/d)	**383**	501
Natural gas liquids (bbl/d)	**4**	5
Crude oil (bbl/d)	**174**	1,070
Total (boe/d)	**242**	1,159
Operating netbacks ($/boe) (1)		
Natural gas ($/Mcf)	**$1.02**	$0.05
Crude oil ($/bbl)	**$35.33**	$17.28
Total ($/boe)	**$27.77**	$19.00

(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. and Front Range's then wholly-owned subsidiary, 2118295 Alberta Ltd., were amalgamated 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. As at March 31, 2021 the Company held an interest in six oil blocks in Colombia and oil and natural gas leases in seven areas in Canada as follows:

		Gross Acres	Working Interest	Net Acres
COLOMBIA				
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		**465,417**		**227,005**
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	12,160	24%	2,880
Total Canada		**64,480**		**46,550**
TOTAL		**529,897**		**273,555**

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

Llanos Basin

Within the Llanos Basin, the Company is engaged in the exploration, development and production of oil within the Tapir block. On June 10, 2019, the Company announced a discovery at its Rio Cravo Este-1 ("RCE-1") exploration well on the Tapir block.

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. The Tapir block 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 (3.84 net) sections of oil and natural gas rights and 17 gross (4.5 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 March 31, 2021 Financial and Operational Highlights

- For the three months ended March 31, 2021, Arrow recorded $847,432 in revenues (net of royalties) on crude oil sales of 15,625 bbls, 357 bbls of natural gas liquids ("NGL's") and 34,514 Mcf of natural gas sales.
- Funds used in operations of $371,107.
- Adjusted EBITDA for the three months ended March 31, 2021 was $(172,417).
- The Company recorded a net loss of $510,405 for the three months ended March 31, 2021.

RESULTS OF OPERATIONS

The Company has significantly reduced its production due to different factors such as sale of producing assets, 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 which is currently focused on its RCE-1 well in the Tapir block.

Average Production by Property

Average Production Boe/d	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
LLA-23	**-**	7	1	271	655
Oso Pardo	**-**	-	-	-	102
Ombu (Capella)	**-**	-	-	-	120
Rio Cravo Este (Tapir)	**174**	56	8	50	193
Total Colombia	**174**	62	9	321	1,070
Fir, Alberta	**68**	78	96	97	89
TOTAL (Boe/d)	**242**	140	105	418	1,159

For the three months ended March 31, 2021, the Company's average production was 242 boe/d (2020: 1,159 boe/d) which consisted of crude oil production in Colombia at 174 bbl/d (2020: 1,070 bbl/d), and natural gas production of 383 Mcf/d (2020: 501 Mcf/d) and minor amounts of natural gas liquids from the Company's Canadian properties. During the three months ended March 31, 2021, production increased at the RCE-1 well in the Tapir block in Colombia. The Oso Pardo and Ombu/Capella blocks were shut.

Average Daily Natural Gas and Oil Production and Sales Volumes

	Three months ended March 31	
	2021	2020
Natural Gas (Mcf/d)		
Natural gas production	**383**	501
Natural gas sales	**383**	501
Realized Contractual Natural Gas Sales	**383**	501
Crude Oil (bbl/d)		
Crude oil production	**174**	1,070
Inventory movements and other	**-**	24
Crude Oil Sales	**174**	1,094
Corporate		
Natural gas production (boe/d)	**64**	**84**
Natural gas liquids(bbl/d)	**4**	5
Crude oil production (bbl/d)	**174**	1,070
Total production (boe/d)	**242**	1,159

Inventory movements and other (boe/d)	-	24
Total Corporate Sales (boe/d)	**242**	1,183

During the three months ended March 31, 2021 the majority of production was attributed to Colombia where the Company has two operated properties: Oso Pardo and Rio Cravo Este, and one non-operated property, Ombu. 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 March 31	
	2021	2020
Natural Gas		
Natural gas revenues	**$104,264**	$65,279
NGL revenues	**$17,709**	13,271
Royalties	**(12,831)**	(5,334)
Revenues, net of royalties	**109,142**	73,216
Oil		
Oil revenues	**866,830**	4,066,830
Royalties	**(128,540)**	(291,566)
Revenues, net of royalties	**738,290**	3,775,264
Corporate		
Natural gas revenues	**$104,264**	65,279
NGL revenues	**$17,709**	13,271
Oil revenues	**866,830**	4,066,830
Total revenues	**988,803**	4,145,380
Royalties	**(141,371)**	(296,900)
Natural gas and crude oil revenues, net of royalties, as reported	**847,432**	3,848,480

Revenue for the three months ended March 31, 2021 and 2020 was $0.8 and $3.8 million, respectively, net of royalties, which represents a decrease of 79%. This decrease is mainly due to a significant decrease in production due to the sale of LLA-23 and the Oso Pardo and Ombu shut ins. The Company receives Brent referenced pricing for its crude oil.

Average Benchmark and Realized Prices

	Three months ended March 31		
	2021	2020	Change
Benchmark Prices			
AECO ($/Mcf)	**$2.30**	$1.54	49%
Brent ($/bbl)	**$61.32**	$50.82	21%
West Texas Intermediate ($/bbl)	**$58.13**	$46.17	26%
Realized Prices			
Natural gas, net of transportation ($/Mcf)	**$3.02**	$1.43	111%

Natural gas liquids ($/bbl)	**$49.62**	$27.32	82%
Crude oil, net of transportation ($/bbl)	**$55.25**	$41.75	32%
Corporate average, net of transport ($/boe)	**$45.36**	$39.29	15%

The Company realized a price of $45.36 $39.29 per boe during the three months and year ended March 31, 2021 (2020: $44.15 per boe) as oil prices have improved when compared to Q1 2020, when pressures from large-producing countries and the Covid-19 pandemic ("Covid-19") were affecting crude prices. In Canada, natural gas prices have experienced a consistent improvement for the past months.

Operating Expenses

	Three months ended March 31	
	2021	2020
Natural gas & NGL's	**58,119**	58,787
Crude oil	**184,025**	2,092,238
Total operating expenses	**242,144**	2,151,025
Natural gas ($/Mcf)	**$1.68**	$1.29
Crude oil ($/bbl)	**$11.73**	$21.48
Corporate ($/boe)(1)	**$11.11**	$20.39

(1)Non-IFRS measure

During the three months ended March 31, 2021 and 2020, Arrow incurred operating expenses of $242,144 and $2,151,025, respectively, at an average cost of $11.11 and $20.39 per boe. Operating expenses decrease due to a generalized decrease in production and further stabilization of operations of the RCE-1 well.

Operating Netbacks

	Three months ended March 31	
	2021	2020
Natural Gas ($/Mcf)		
Revenue, net of transportation expense	**$3.02**	$1.43
Royalties	**(0.32)**	(0.09)
Operating expenses	**(1.68)**	(1.29)
Natural gas operating netback(1)	**$1.02**	$0.05
Crude oil ($/bbl)		
Revenue, net of transportation expense	**$55.25**	$41.75
Royalties	**(8.19)**	(2.99)
Operating expenses	**(11.73)**	(21.48)
Crude oil operating netback(1)	**$35.33**	$17.28
Corporate ($/boe)		
Revenue, net of transportation expense	**$45.36**	$39.29
Royalties	**(6.49)**	(2.81)
Operating expenses	**(11.11)**	(20.39)
Corporate operating netback(1)	**$27.77**	$16.09

[(1)] *Non-IFRS measure*

General and Administrative Expenses (G&A)

	Three months ended March 31	
	2021	2020
General & administrative expenses	**$1,378,628**	$1,359,900
Less: G&A capitalized	**-**	-
G&A recovered from 3rd parties	**-**	-
Total operating overhead recovery	**-**	-
Total G&A	**$1,378,628**	$1,359,900

For the three months ended March 31, 2021 and 2020, G&A expenses, before capitalization totaled $1,378,628 and $1,359,900, respectively. This increase was mainly represented by increase in personnel compensation, offset by lower legal fees and reduction of office expenses.

Financing Costs

	Three months ended March 31	
	2021	2020
Financing expense paid or payable	**$307,551**	$308,255
Non-cash financing costs	**32,063**	151,882
Net financing costs	**$339,614**	$460,137

The finance 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. In addition, financing expense includes fees and interest associated with financing standby letters of credit on certain of the Company's Colombian blocks. The non-cash finance cost represents an increase in the present value of the decommissioning obligation for the current periods, which has been decreasing as the result of disposed properties.

Risk Management Contracts

	Three months ended March 31	
	2021	2020
Realized derivative gain on commodity risk management contracts	**-**	$522,099
Unrealized derivative gain (loss) on commodity risk management contracts	**-**	766,424
Total gain on risk management activities	**-**	$1,288,523

There was no risk management activities conducted by the Company in 2021. During 2020, 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 March 31	
	2021	2020
Share-based Payments (income) expense	**($272,056)**	($145,027)

Share-based payments (income) for the three months ended March 31, 2021 and 2020 totalled ($272,056) and ($145,027), respectively. During 2021 and 2020, a number of options were cancelled due to resignations and terminations of option holders, including executives, causing a reversal of expenses recognized in previous periods. The share-based payments (income) is the result of the progressive vesting of the options granted to the Company's employees and consultants, net of cancellations and forfeitures, according to the company's stock-based compensation plan.

Depletion and Depreciation

	Three months ended March 31	
	2021	2020
Depletion and depreciation	**$270,430**	$1,444,854

Depletion and depreciation expense in the three months ended March 31, 2021 and 2020 totalled $270,430 and $1,444,854, 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 quantity of crude and natural gas produced during Q1 2021 compared with 2020.

Impairment of Oil and Gas Properties

	Three months ended March 31	
	2021	2020
Impairment of Oil and Gas Properties	**-**	$27,263,110

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 provision of $27,263,110 was required.

Other Income

	Three months ended March 31	
	2021	2020
Other income	**$541,266**	$2,102

The Company reported other income of $541,266 and $2,102 for the three months ended March 31, 2021 and 2020, respectively. The 2021 amount has been generated from the Company's ongoing negotiations of accounts payable and debts with vendors, both in Colombia and Canada, which have resulted in reductions of amounts actually paid in cash to settle its liabilities.

Income Taxes

	Three months ended March 31	
	2021	2020
Current income tax expense	-	$37,135
Deferred income tax (recovery)	-	(1,891,000)
Total income tax (recovery)	-	($1,853,865)

Due to the Company's tax losses available in Canada and Colombia, it is expected that the Company will not generate current income tax from its operations for the year 2021, other than a minimum tax payable. As at March 31, 2020, there was a net change of $1,891,000 in the company's deferred income tax liability mainly caused by the impairment provision recorded during the three months ended March 31, 2020. 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.

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 $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.As at March 31, 2020 the Company's net debt was calculated as follows:

		March 31, 2021
Current assets	$	10,145,687
Less:		
Accounts payable and accrued liabilities		6,761,275
Promissory Note – principal		5,000,000
Net debt [1]	**$**	**1,615,588**

[1]Non-IFRS measure

Working Capital

As at March 31, 2021 the Company's working capital was calculated as follows:

		March 31, 2021
Current assets:		
Cash and restricted cash	$	6,437,469
Trade and other receivables		1,995,053
Taxes receivable		1,594,720
Other current assets		118,445
Less:		
Accounts payable and accrued liabilities		6,761,275
Lease obligation		17,936
Promissory note – Principal and interest		6,026,166
Working capital (deficit) (1)	**$**	**(2,659,690)**

(1) Non-IFRS measure

Debt Capital

The Company currently has $6.0 million in outstanding debt in the form of a promissory note payable to Canacol.

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 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.

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.

Subsequent to March 31, 2021, a sixth and amended and restated promissory note was agreed by the parties 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
    - 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.

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

Letters of Credit

As 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 million has been guaranteed by Canacol. Under an agreement with Canacol, Canacol will continue to provide security for the LC's providing that Arrow uses all reasonable efforts to replace the LC's. 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 (US $)	Renewal Date
Tapir	ECP	Samaria Llanos	Abandonment	$52,898	December 26, 2021
SANTA ISABEL	ANH	Carrao Energy SA Suc Col	Abandonment	$643,423	April 14, 2022
	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 SA Suc Col	Financial Capacity	$436,300	April 14, 2022
Total				**$5,204,783**	

Share Capital

As at March 31, 2021, the Company had 68,674,602 common shares and 5,714,000 stock options outstanding.

CONTRACTUAL OBLIGATIONS

The following table provides a summary of the Company's cash requirements to meet its financial liabilities and contractual obligations existing at March 31, 2021:

	Less than 1 year	1-3 years	Thereafter	Total
Promissory Note	$ 6,026,166	$ -	$ -	$ 6,026,166
Exploration and production contracts	-	17,800,000	-	17,800,000
	$ 6,026,166	**$ 17,800,000**	**$ -**	**$ 23,826,166**

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. 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.

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 six 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.

During 2020 and 2021, 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.

SUMMARY OF THREE MONTHS RESULTS

	2021	2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Oil and natural gas sales, net of royalties	847,432	368,140	207,934	896,011	3,848,478	5,585,531	6,320,471	7,525,728
Net income (loss)	(510,405)	(7,953,001)	(1,390,746)	3,168,919	(26,058,265)	(2,089,036)	(1,325,939)	(857,740)
Income (loss) per share – basic and diluted	(0.01)	(0.12)	(0.02)	0.05	(0.38)	(0.02)	(0.02)	(0.01)
Working capital (deficit)	(2,659,690)	(1,932,940)	(11,086,377)	(10,158,614)	(2,711,756)	(2,863,641)	(3,231,242)	(8,074,697)
Total assets	27,684,920	33,532,299	46,702,911	47,386,940	43,775,967	72,750,706	74,789,261	77,252,739
Net capital expenditures	97,330	89,198	146,584	180,795	473,351	(171,138)	2,012,557	4,171,680
Average daily production (boe/d)	242	140	104	417	1,159	1,595	1,799	1,859

Over the past quarters, the Company's oil and natural gas sales have fluctuated due to changes in production, movements in the Brent benchmark oil price and fluctuations in realized oil price differentials. The Company's production levels in Colombia have been variable, with increases driven by additional crude oil from the RCE-1 well, partially offset by the sale of the Company's interest in the VMM-2 and LLA-23 blocks and natural declines on mature blocks. 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 May 27, 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	1,050,000	CAD$ 1.15	October 22, 2028
Stock options	345,000	CAD$ 0.31	May 3, 2029
Stock options	1,200,000	CAD$ 0.05	March 20, 2030
Stock options	2,775,000	CAD$ 0.05	April 13, 2030
Stock options	344,000	CAD$ 0.05	June 18, 2030

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 in early 2020. 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 and third quarter of 2020. Commodity prices began to recover in late 2020 and continued that recovery in early 2021.

Although it is impossible to reliably estimate the impact of COVID-19, the pandemic is anticipated to have material effects on the Company's 2021 financial results relative to 2020 and 2019.

Due to the current economic circumstances caused by the Covid-19 global pandemic, in 2021 the company is continuing to focus on improving its free cash flow by optimizing its sources of funds and reducing operating and administrative costs. During 2020, salaries, personnel benefits and office costs continued to be reduced, and the Company has made a significant improvement in operating costs and administrative expenses.

The Company continues to defer its plans for drilling a follow-up appraisal well in Rio Cravo Este until adequate financing can be secured and current oil crude prices improve, as well as determining rig availability, and obtaining partner approval. A second contingent well is planned pending the results of Rio Cravo Este-2. Workovers in Oso Pardo are currently planned and expected to be performed in Q3 2021.

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. Strategic alternatives are being considered which could include additional property sales, financing or a corporate merger or sale. 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 of the audited consolidated financial statements as at and for the years ended December 31, 2020 and 2019. 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 of the audited consolidated financial statements as at and for the years ended December 31, 2020 and 2019. These accounting policies are consistent with those of the previous financial year.

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 MD&A for the year ended December 31, 2020 for a description of the financial, business and other risk factors affecting the Company which are available on SEDAR at www.sedar.com