ARROW EXPLORATION CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2022

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, 2022 and should be read in conjunction with Arrow's condensed consolidated financial statements (unaudited) and related notes for the three months ended March 31, 2022 and 2021. 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, 2021 and 2020.

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, 2022	Three months ended March 31, 2021
Net loss	**(5,431,865)**	(510,405)
Add/(subtract):		
Share based payments	**62,919**	(272,056)
Financing costs:		
Accretion on decommissioning obligations	**44,331**	32,063
Interest	**120,778**	261,804
Other	**109,048**	45,747
Depreciation and depletion	**869,239**	270,430
Derivative loss	**4,787,835**	-
Adjusted EBITDA (1)	**562,284**	(172,417)
Cash flows used in operating activities	**(97,708)**	(2,936,284)
Minus - Changes in non-cash working capital balances:		
Trade and other receivables	**165,185**	(461,537)
Restricted cash	**-**	(253,014)
Taxes receivable	**307,563**	(64,963)
Deposits and prepaid expenses	**92,688**	11,759
Inventory	**78,317**	-
Accounts payable and accrued liabilities	**(233,092)**	3,332,932
Funds flow from (used in) operations (1)	**312,951**	(371,107)

(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, 2022	Three months ended March 31, 2021
Total natural gas and crude oil revenues, net of royalties	**3,402,962**	847,432
Funds flow from (used in) operations [1]	**312,951**	(371,107)
Funds flow from (used in) operations [1] per share –		
Basic($)	**0.00**	(0.01)
Diluted ($)	**0.00**	(0.01)
Net income (loss)	**(5,431,865)**	(510,405)
Net income (loss) per share –		
Basic ($)	**(0.03)**	(0.01)
Diluted ($)	**(0.02)**	(0.01)
Adjusted EBITDA [1]	**562,284**	(172,417)
Weighted average shares outstanding –		
Basic ($)	**213,577,686**	68,674,602
Diluted ($)	**250,941,120**	68,674,602
Common shares end of period	**213,814,643**	68,674,602
Capital expenditures	**725,665**	97,330
Cash and cash equivalents	**8,967,197**	6,427,994
Current Assets	**11,538,944**	10,145,687
Current liabilities	**3,881,006**	12,805,377
Working capital (deficit) [1]	**7,657,938**	(2,659,690)
Long-term portion of restricted cash [2]	**742,733**	490,760
Total assets	**39,914,240**	27,684,920
Operating		
Natural gas and crude oil production, before royalties		
Natural gas (Mcf/d)	**4,221**	383
Natural gas liquids (bbl/d)	**6**	4
Crude oil (bbl/d)	**434**	174
Total (boe/d)	**1,144**	242
Operating netbacks ($/boe) [1]		
Natural gas ($/Mcf)	**$0.73**	$1.02
Crude oil ($/bbl)	**$48.94**	$35.33
Total ($/boe)	**$20.16**	$27.77

[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 and the London AIM 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, 2022 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	640	100%	640
Fir	Non operated	7,680	32%	2,457
Penhold	Non-operated	480	13%	61
Pepper	Operated	23,680	100%	23,680
Wapiti	Non-operated	1,280	13%	160
Total Canada		**33,760**		**26,998**
TOTAL		**499,177**		**254,003**

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

Llanos Basin

Within the Llanos Basin, the Company is engaged in the exploration, development and production of oil within 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. 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

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.

Pepper, Alberta

The Company holds a 100% operated WI in 37 sections of Motney P&NG rights at Pepper. The 06-26 well (West Pepper) is a horizontal Upper Motney exploration well that produces natural gas into the Galloway gas plant where it is processed.

Three Months Ended March 31, 2022 Financial and Operational Highlights

- Arrow recorded $3,402,962 in revenues (net of royalties) on crude oil sales of 33,585 bbls, 570 bbls of natural gas liquids ("NGL's") and 379,857 Mcf of natural gas sales;
- Generated funds flow from operations of $312,951;
- Adjusted EBITDA was $562,284;
- The Company recorded a net loss of $5,431,865.

RESULTS OF OPERATIONS

The Company has significantly recovered its production and improved its operations despite the challenges from the Covid-19 pandemic, combined with improved pricing of energy commodities. These have allowed the Company to improve its balance sheet and its business profile when compared with 2020. During the three months ended March 31, 2022, the Company maintained production at its RCE-1 well, in the Tapir block, the Oso Pardo and Ombu blocks. Also, the West Pepper Well has its first full quarter of production during the three months ended March 31, 2022.

Average Production by Property

Average Production Boe/d	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Oso Pardo	**121**	**123**	137	20	-
Ombu (Capella)	**177**	**190**	193	97	-
Rio Cravo Este (Tapir)	**136**	**142**	151	147	174
Total Colombia	**434**	**455**	481	264	174
Fir, Alberta	**73**	**82**	94	67	68
Pepper, Alberta	**636**	**181**	-	-	-
TOTAL (Boe/d)	**1,144**	**719**	575	331	242

For the three months ended March 31, 2022, the Company's average production was 1,144 boe/d (2021: 242 boe/d) which consisted of crude oil production in Colombia at 434 bbl/d (2021: 174 bbl/d), and natural gas production of 4,221 Mcf/d (2021: 383 Mcf/d) and minor amounts of natural gas liquids from the Company's Canadian properties.

Average Daily Natural Gas and Oil Production and Sales Volumes

	Three months ended March 31	
	2022	2021
Natural Gas (Mcf/d)		
Natural gas production	**4,221**	383
Natural gas sales	**4,221**	383
Realized Contractual Natural Gas Sales	**4,221**	383
Crude Oil (bbl/d)		
Crude oil production	**434**	174
Inventory movements and other	**(61)**	-
Crude Oil Sales	**373**	174
Corporate		
Natural gas production (boe/d)	**703**	64
Natural gas liquids(bbl/d)	**6**	4
Crude oil production (bbl/d)	**434**	174
Total production (boe/d)	**1,144**	242
Inventory movements and other (boe/d)	**(61)**	-
Total Corporate Sales (boe/d)	**1,083**	242

During the three months ended March 31, 2022 the majority of production was attributed to Canada, where the Company has one operated and one non-operated producing properties located in the province of Alberta at Pepper and Fir. In Colombia, the Company has two operated properties: Oso Pardo and Rio Cravo Este, and one non-operated property, Ombu.

Natural Gas and Oil Revenues

	Three months ended March 31	
	2022	2021
Natural Gas		
Natural gas revenues	**$ 1,386,738**	$ 104,264
NGL revenues	**43,794**	17,709
Royalties	**(298,874)**	(12,831)
Revenues, net of royalties	**1,131,658**	109,142
Oil		
Oil revenues	**$ 2,480,797**	$ 866,830
Royalties	**(209,492)**	(128,540)
Revenues, net of royalties	**2,271,304**	738,290
Corporate		
Natural gas revenues	**$ 1,386,738**	$ 104,264
NGL revenues	**43,794**	$17,709
Oil revenues	**2,480,797**	866,830
Total revenues	**3,911,329**	988,803
Royalties	**(508,367)**	(141,371)
Natural gas and crude oil revenues, net of royalties, as reported	**$ 3,402,962**	$ 847,432

Revenue for the three months ended March 31, 2022 and 2021 was $3.4 and $0.8 million, respectively, net of royalties, which represents an increase of 302%. This significant increase is mainly due to having all Colombian wells back in production and the additional natural gas production from the West Pepper well in Canada.

Average Benchmark and Realized Prices

	Three months ended March 31		
	2022	2021	Change
Benchmark Prices			
AECO ($/Mcf)	**$3.68**	$2.30	60%
Brent ($/bbl)	**$97.90**	$61.32	60%
West Texas Intermediate ($/bbl)	**$94.94**	$58.13	63%
Realized Prices			
Natural gas, net of transportation ($/Mcf)	**$3.65**	$3.02	21%
Natural gas liquids ($/bbl)	**$76.89**	$49.62	55%
Crude oil, net of transportation ($/bbl)	**$73.87**	$55.25	34%
Corporate average, net of transport ($/boe)	**$40.13**	$45.36	-12%

The Company realized a price of $40.13 per boe during the three months ended March 31, 2022 (2020: $45.36 per boe). Even though oil prices have improved when compared to Q1 2021, the majority of the Company's production was natural gas from Canada, which prices have experienced a consistent improvement for the past months.

Operating Expenses

	Three months ended March 31	
	2022	2021
Natural gas & NGL's	**810,845**	58,119
Crude oil	**627,637**	184,025
Total operating expenses	**1,438,482**	242,144
Natural gas ($/Mcf)	**$2.13**	$1.68
Crude oil ($/bbl)	**$18.69**	$11.73
Corporate ($/boe)[1]	**$14.76**	$11.11

(1)Non-IFRS measure

During the three months ended March 31, 2022 and 2021, Arrow incurred operating expenses of $1,438,482 and $242,144, respectively, at an average cost of $14.76 and $11.11 per boe, respectively. Operating expenses increased due to increases in production of both crude oil and natural gas, and increases in opex per boe of natural gas produced in Canada.

Operating Netbacks

	Three months ended March 31	
	2022	2021
Natural Gas ($/Mcf)		
Revenue, net of transportation expense	**$3.65**	$3.02
Royalties	**(0.79)**	(0.32)
Operating expenses	**(2.13)**	(1.68)
Natural gas operating netback[1]	**$0.73**	$1.02
Crude oil ($/bbl)		
Revenue, net of transportation expense	**$73.87**	$55.25
Royalties	**(6.24)**	(8.19)
Operating expenses	**(18.69)**	(11.73)
Crude oil operating netback[1]	**$48.94**	$35.33
Corporate ($/boe)		
Revenue, net of transportation expense	**$40.13**	$45.36
Royalties	**(5.22)**	(6.49)
Operating expenses	**(14.76)**	(11.11)
Corporate operating netback[1]	**$20.16**	$27.77

[1]Non-IFRS measure

General and Administrative Expenses (G&A)

	Three months ended March 31	
	2022	2021
General & administrative expenses	**1,373,106**	1,378,628
G&A recovered from 3rd parties	**(20,000)**	-
Total operating overhead recovery	**(20,000)**	-
Total G&A	**1,353,106**	1,378,628

For the three months ended March 31, 2022 and 2021, G&A expenses, before recoveries totaled $1,373,106 and $1,378,628, respectively, which indicates stable G&A spending.

Listing Costs

	Three months ended December 31	
	2022	2021
Listing costs	**31,365**	-

For the three months ended March 31, 2022, the Company incurred in listing cost of $31,365 (2021: nil) related to the listing of its shares in the AIM Market of the London Stock and Exchange.

Share-based Payments Expense

	Three months ended March 31	
	2022	2021
Share-based Payments expense (income)	**62,919**	(272,056)

Share-based payments expense (income) for the three months ended March 31, 2022 and 2021 totalled $ 62,919 and ($272,056), respectively. The share-based payments expense 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. During 2021, 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.

Financing Costs

	Three months ended March 31	
	2022	2021
Financing expense paid or payable	**229,826**	307,551
Non-cash financing costs	**44,331**	32,063
Net financing costs	**274,157**	339,614

The finance expense paid or payable represents interest on the 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.

Loss on Derivative Liability

	Three months ended March 31	
	2022	2021
Loss on Derivative Liability	**4,787,835**	-

During the three months ended March 31, 2022, the Company recorded a loss in derivative liability of $4,787,835 related to the valuation of its outstanding warrants issued during its AIM listing and private placement completed in 2021. These warrants provide the right to holders to convert them into common shares at a fixed price set in a currency different to the Company's functional currency and, therefore, they are considered a liability and measured at fair value with changes recognized in the statements of operations and comprehensive loss.

Depletion and Depreciation

	Three months ended March 31	
	2022	2021
Depletion and depreciation	**869,239**	270,430

Depletion and depreciation expense in the three months ended March 31, 2022 and 2021 totalled $869,239 and $270,430, respectively. The Company uses the unit of production method and proved plus probable reserves to calculate depletion expense and this increase is directly related to an increase in depletable values and production of crude and natural gas during Q1 2022 compared with 2021.

Other Income

	Three months ended March 31	
	2022	**2021**
Other income	**8,110**	**541,266**

The Company reported other income of 8,110 and $541,266 for the three months ended March 31, 2022 and 2021, respectively. The 2021 amount was 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.

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.

On October 2021, the Company raised approximately $12 million (C$15.0 million), through a placing and subscription for new common shares with new investors and executive management as part of the Company's shares admission to trade on the AIM Market of the London Stock Exchange plc. This fundraising consisted on placement and subscription of 140,949,565 new common shares, at an issue price of £0.0625 (C$0.106125) per new common share, and one warrant for every two new common shares, exercisable at £0.09 per new common share for 24 months from the AIM admission date (October 25, 2021). On November 24, 2021, the Company closed a private placement of C$395,375 for issuance of 3,765,476 new common shares and 1,999,938 warrants.

As at March 31, 2022, the Company's working capital is $7,657,938. During 2021 and 2022, the Company has made a significant effort to improve its working capital, more specifically its accounts payable, using its proceeds received from the sale of LLA-23 and additional financial resources provided by its operations. The overall improvement in energy commodity prices has also positively impacted the Company's capacity to generate sufficient financial resources to sustain its operations. These elements have also contributed to the Company's ability to complete financing transactions in 2021, in the form of fundraisings, from its existing and new investors and management is confident that additional resources would be available to the Company to close similar transactions. As at March 31, 2022 the Company's net debt was calculated as follows:

		March 31, 2022
Current assets	$	11,538,944
Less:		
Accounts payable and accrued liabilities		2,127,935
Promissory Note – short term portion		1,718,071
Net debt [1]	**$**	**7,692,938**

[1] *Non-IFRS measure*

Working Capital

As at March 31, 2022 the Company's working capital was calculated as follows:

		March 31, 2022
Current assets:		
Cash	$	8,967,197
Trade and other receivables		804,767
Taxes receivable		1,026,611
Other current assets		740,369
Less:		
Accounts payable and accrued liabilities		2,127,935
Lease obligation		35,000
Promissory note – short term portion		1,718,071
Working capital[1]	**$**	**7,657,938**

[1] *Non-IFRS measure*

Debt Capital

The Company currently has $3.3 million in outstanding debt in the form of a promissory note payable to Canacol and a long-term debt of $31,552. On October 18, 2021, Arrow and Canacol entered into a Seventh Amended and Restated Promissory Note. The principal amendments are the following:

- The new principal amount of the promissory note is $6,026,166
- On or before October 31, 2021, the Company shall make a payment of C$ 3,900,000 plus all Canacol's expenses incurred in connection with this amendment and related matters;

- On or before December 31, 2022, the Company shall make a payment equal to 50% of the total amount outstanding of interest and principal; and
- The remaining balance of principal and interest shall be paid no later than June 30, 2023

This amendment also provided that, in the event that the Company made the payment due on October 31, 2021, Canacol agreed to forgive $658,654 for excess pipeline shipping costs, as a result of the settlement of the OBC pipeline dispute.

Letters of Credit

As at March 31, 2022, the Company had obligations under Letters of Credit ("LC's") outstanding totaling $5.3 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
SANTA ISABEL	ANH	Carrao Energy	Abandonment	$812,474	April 14, 2023
	ANH	Canacol and Carrao	Financial Capacity	$1,672,162	June 30, 2022
CORE - 39	ANH	Canacol	Compliance	$2,400,000	June 30, 2022
OMBU	ANH	Carrao Energy	Financial Capacity	$436,300	April 14, 2023
Total				**$5,320,936**	

Share Capital

As at March 31, 2021, the Company had 213,814,643 common shares, 72,424,706 warrants and 16,339,000 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, 2022:

	Less than 1 year	1-3 years	Thereafter	Total
Promissory Note	$ 1,718,071	$ 1,718,071	-	$ **3,436,142**
Long term debt	-	32,012	-	**32,012**
Exploration and production contracts	-	17,800,000	-	**17,800,000**
	$ 1,718,071	**$ 19,550,083**	**-**	**$ 21,268,154**

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, 2022 of $17.8 million. The Company, in conjunction with its partners, have made applications to cancel $15.5 million ($5.79 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.

SUMMARY OF THREE MONTHS RESULTS

	2022	2021				2020		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Oil and natural gas sales, net of royalties	3,911,329	3,038,832	1,684,609	941,620	847,432	368,140	207,934	896,011
Net income (loss)	(5,431,865)	6,960,035	(21,782)	(734,317)	(510,405)	(7,953,001)	(1,390,746)	3,168,919
Income (loss) per share –								
basic	(0.03)	0.04	(0.00)	(0.01)	(0.01)	(0.12)	(0.02)	0.05
diluted	(0.02)	0.04	(0.00)	(0.01)	(0.01)	(0.12)	(0.02)	0.05
Working capital (deficit)	7,657,938	8,006,074	783,707	3,141,217	(2,659,690)	(1,932,940)	(11,086,377)	(10,158,614)
Total assets	39,914,240	41,195,798	25,362,323	25,948,551	27,684,920	33,532,299	46,702,911	47,386,940
Net capital expenditures	725,665	1,991,163	148,528	(15,378)	97,330	89,198	146,584	180,795
Average daily production (boe/d)	1,144	712	575	331	242	140	105	417

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, 2022, the Company had the following securities issued and outstanding:

	Number	Exercise Price	Expiry Date
Common shares	214,104,643	n/a	n/a
Warrants	72,134,706	GBP 0.09	Oct. and Nov, 2023
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	2,000,000	CAD$ 0.05	April 13, 2030
Stock options	3,799,998	GBP 0.07625	June 13, 2023
Stock options	3,799,998	GBP 0.07625	June 13, 2024
Stock options	3,800,004	GBP 0.07625	June 13, 2025

SUBSEQUENT EVENTS

On May 18, 2022, the Company announced testing results from its Rio Cravo Este-2 (RCE-2) well, which was spud on April 2, 2022 and targeted a large, three-way fault bounded structure with multiple high-quality reservoir objectives on the Tapir Block in the Llanos Basin of Colombia. The well was drilled to a total measured depth of 9,600 feet and encountered six hydrocarbon bearing intervals totaling 90 net feet of oil pay. The drilling rig has now moved to the Rio Cravo Sur-1 (RCS-1) exploratory well location and was spud on May 23.

OUTLOOK

In 2022, the Company is continuing to focus on improving its balance sheet and free cash flow by optimizing its sources of funds. The Company has also started its 2022 drilling campaign with at least two follow-up wells at Rio Cravo and potentially drilling the Carrizales Norte-1 well on the Tapir Block. The Company is also evaluating the tie-in of the East Pepper well in 2022.

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 2021 and 2022. Although it is impossible to reliably estimate the impact of COVID-19, and OPEC's policies and the volatile commodities market, both are anticipated to have material effects on the Company's 2022 financial results relative to 2021 and 2020.

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, 2021 and 2020. 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, 2021 and 2020. 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, 2021 for a description of the financial, business and other risk factors affecting the Company which are available on SEDAR at www.sedar.com