ARROW EXPLORATION CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2023

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 29, 2023 and should be read in conjunction with Arrow's interim condensed (unaudited) consolidated financial statements and related notes as at and for the three months ended March 31, 2023 and 2022. Additional information relating to Arrow, including its annual consolidated financial statements and related notes for the years ended December 31, 2022 and 2021 (the "Annual Financial Statements"), is available under Arrow's profile on www.sedar.com.

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;; 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 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; changes in income tax laws or changes in tax laws and incentive programs; 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 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 or cash provided by (used in) operating activities or net income and comprehensive income 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.

Adjusted working capital is calculated as current assets minus current liabilities, excluding non-cash liabilities; funds from operations is calculated as cash flows from (used in) operating activities adjusted to exclude 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 income adjusted for interest, income taxes, depreciation, depletion, amortization and other similar non-recurring or non-cash charges; and net debt (net cash) is defined as the principal amount of its outstanding debt, less working capital items excluding non-cash liabilities.

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 income per share.

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

(in United States dollars)	**Three months ended March 31, 2023**	Three months ended March 31, 2022
Net income (loss)	**2,989,735**	(5,431,865)
Add/(subtract):		
Share based payments	**132,240**	62,919
Financing costs:		
Accretion on decommissioning obligations	**29,156**	44,331
Interest	**60,887**	120,778
Other	**45,682**	109,048
Depreciation and depletion	**2,454,364**	869,239
Derivative loss	**(1,354,275)**	4,787,835
Adjusted EBITDA [1]	**4,357,790**	562,284
Cash flows provided by (used in) operating activities	**2,380,195**	(97,708)
Minus - Changes in non-cash working capital balances:		
Trade and other receivables	**(1,704,944)**	165,185
Restricted cash	**12,266**	-
Taxes receivable	**602,369**	307,563
Deposits and prepaid expenses	**113,612**	92,688
Inventory	**117,798**	78,317
Accounts payable and accrued liabilities	**2,482,665**	(233,092)
Income tax payable	**236,642**	-
Funds flow from operations [1]	**4,240,603**	312,951

[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, 2023**	Three months ended March 31, 2022
Total natural gas and crude oil revenues, net of royalties	**6,992,860**	3,402,962
Funds flow from operations [1]	**4,240,603**	312,951
Funds flow from operations [1] per share –		
Basic($)	**0.02**	0.00
Diluted ($)	**0.01**	0.00
Net income (loss)	**2,989,735**	(5,431,865)
Net income (loss) per share –		
Basic ($)	**0.01**	(0.03)
Diluted ($)	**0.01**	(0.02)
Adjusted EBITDA [1]	**4,271,726**	562,284
Weighted average shares outstanding –		
Basic ($)	**222,717,847**	213,577,686
Diluted ($)	**288,639,348**	250,941,120
Common shares end of period	**228,979,841**	213,814,643
Capital expenditures	**4,271,693**	725,665
Cash and cash equivalents	**12,354,424**	8,967,197
Current Assets	**15,849,150**	11,538,944
Current liabilities	**13,315,499**	3,881,006
Adjusted working capital [1]	**9,325,680**	7,657,938
Long-term portion of restricted cash [2]	**831,048**	742,733
Total assets	**53,719,944**	39,914,240
Operating		
Natural gas and crude oil production, before royalties		
Natural gas (Mcf/d)	**2,459**	4,221
Natural gas liquids (bbl/d)	**4**	6
Crude oil (bbl/d)	**1,222**	434
Total (boe/d)	**1,635**	1,144
Operating netbacks ($/boe) [1]		
Natural gas ($/Mcf)	**($0.42)**	$0.73
Crude oil ($/bbl)	**$58.31**	$48.94
Total ($/boe)	**$42.21**	$20.16

(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, 2023 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[1]	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.

[1]The Company's interest in the Tapir block is held through a private contract with Petrolco, who holds a 50% participating interest in, and is the named operator of, the Tapir contract with Ecopetrol. The formal assignment to the Company is subject to Ecopetrol's consent. The Company is the *de facto* operator pursuant to certain agreements with Petrolco (details of which are set out in Paragraph 16.13 of the Company's AIM Admission Document dated October 20, 2021).

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 licensed 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 Montney P&NG rights on its Pepper asset in West Central Alberta. The 6-26-53-23W5M Montney gas well (West Pepper) is tied into the Galloway gas plant for processing. The 3-21-52-22W5M Montney gas well (East Pepper) is currently tied into the Sundance gas plant for processing. The majority of lands have tenure extending into 2025.

Three months ended March 31, 2023 Financial and Operational Highlights

- Arrow recorded $6,992,960 in revenues, net of royalties, on crude oil sales of 101,951bbls, 350 bbls of natural gas liquids ("NGL's") and 221,296 Mcf of natural gas sales;
- Funds flow from operations of $4,240,603;
- Net income of $2,989,735 and adjusted EBITDA was $4,357,790;

RESULTS OF OPERATIONS

The Company maintained its overall production and continued improving its operations overall. These have allowed the Company to continue improving its balance sheet and its business profile. In early 2023, the Company increased its production in its Tapir block from drilling of the RCE-3 and RCE-4 wells, offset by the current production shut in at its Ombu block. Also, there has been a decrease in the Company's natural gas production in Canada.

Average Production by Property

Average Production Boe/d	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Oso Pardo	**138**	**115**	104	112	121
Ombu (Capella)	**80**	**238**	215	97	177
Rio Cravo Este (Tapir)	**1,004**	**832**	860	366	136
Total Colombia	**1,222**	**1,185**	1,179	575	434
Fir, Alberta	**74**	**79**	82	86	73
Pepper, Alberta	**340**	**472**	242	319	636
TOTAL (Boe/d)	**1,635**	**1,736**	1,503	980	1,144

For the three months ended March 31, 2023, the Company's average production was 1,635 boe/d, which consisted of crude oil production in Colombia at 1,222 bbl/d, natural gas production of 2,459 Mcf/d and minor amounts of natural gas liquids from the Company's Canadian properties. The Company's Q1 2023 total production was 43% higher than its total production for the same period in 2022.

Average Daily Natural Gas and Oil Production and Sales Volumes

	Three months ended March 31	
	2023	2022
Natural Gas (Mcf/d)		
Natural gas production	**2,459**	4,221
Natural gas sales	**2,459**	4,221
Realized Contractual Natural Gas Sales	**2,459**	4,221
Crude Oil (bbl/d)		
Crude oil production	**1,222**	434
Inventory movements and other	**(89)**	(61)
Crude Oil Sales	**1,133**	373
Corporate		
Natural gas production (boe/d)	**410**	703
Natural gas liquids(bbl/d)	**4**	6
Crude oil production (bbl/d)	**1,222**	434
Total production (boe/d)	**1,635**	1,144
Inventory movements and other (boe/d)	**(89)**	(61)
Total Corporate Sales (boe/d)	**1,546**	1,083

During the three months ended March 31, 2023 the majority of production was attributed to Colombia, where most of Company's blocks were producing. In Canada, the Company has two operated and two non-operated properties located in the province of Alberta at Fir, Pepper, Harley and Wapiti.

Natural Gas and Oil Revenues

	Three months ended March 31	
	2023	2022
Natural Gas		
Natural gas revenues	**$ 467,876**	$ 1,386,738
NGL revenues	**23,145**	43,794
Royalties	**(42,964)**	(298,874)
Revenues, net of royalties	**448,057**	1,131,658
Oil		
Oil revenues	**$ 7,473,836**	$ 2,480,797
Royalties	**(929,033)**	(209,492)
Revenues, net of royalties	**6,544,803**	2,271,304
Corporate		
Natural gas revenues	**$ 467,876**	$ 1,386,738
NGL revenues	**23,145**	43,794
Oil revenues	**7,473,836**	2,480,797
Total revenues	**7,964,857**	3,911,329
Royalties	**(971,997)**	(508,367)
Natural gas and crude oil revenues, net of royalties, as reported	**$ 6,992,860**	$ 3,402,962

Natural gas and crude oil revenues, net of royalties, for the three months ended March 31, 2023 was $6,992,860 (2022: $3,402,962), which represents an increase of 105%. This significant increase is mainly due to increased oil production in Colombia, offset by decrease in production and natural gas prices in Canada.

Average Benchmark and Realized Prices

	Three months ended March 31		
	2023	2022	Change
Benchmark Prices			
AECO ($/Mcf)	**$2.43**	$3.68	-34%
Brent ($/bbl)	**$79.21**	$97.90	-19%
West Texas Intermediate ($/bbl)	**$76.10**	$94.94	-20%
Realized Prices			
Natural gas, net of transportation ($/Mcf)	**$2.11**	$3.65	-42%
Natural gas liquids ($/bbl)	**$66.13**	$76.89	-14%
Crude oil, net of transportation ($/bbl)	**$73.31**	$73.87	-1%
Corporate average, net of transport ($/boe)	**$57.23**	$40.13	43%

(1)Non-IFRS measure

The Company realized a price of $57.23 per boe during the three months ended March 31, 2023 (2022: $40.13) as commodity prices decreased in 2023 compared with 2022.

Operating Expenses

	Three months ended March 31	
	2023	2022
Natural gas & NGL's	**517,653**	810,845
Crude oil	**599,937**	627,637
Total operating expenses	**1,117,590**	1,438,482
Natural gas ($/Mcf)	**$2.34**	$2.13
Crude oil ($/bbl)	**$5.88**	$18.69
Corporate ($/boe)(1)	**$8.03**	$14.76

(1)Non-IFRS measure

During the three months ended March 31, 2023, Arrow incurred operating expenses of $1,117,590 (2022: $1,438,482), at an average cost of $8.03 per boe (2022: $14.76) which is reflective of the Company's increase in production volumes and decrease on a per barrel basis when compared to 2022 levels.

Operating Netbacks

	Three months ended March 31	
	2023	2022
Natural Gas ($/Mcf)		
Revenue, net of transportation expense	**$2.11**	$3.65
Royalties	**(0.19)**	(0.79)
Operating expenses	**(2.34)**	(2.13)
Natural gas operating netback(1)	**($0.42)**	$0.73
Crude oil ($/bbl)		
Revenue, net of transportation expense	**$73.31**	$73.87
Royalties	**(9.11)**	(6.24)
Operating expenses	**(5.88)**	(18.69)
Crude oil operating netback(1)	**$58.31**	$48.94
Corporate ($/boe)		
Revenue, net of transportation expense	**$57.23**	$40.13
Royalties	**(6.98)**	(5.22)
Operating expenses	**(8.03)**	(14.76)
Corporate operating netback(1)	**$42.21**	$20.16

(1)Non-IFRS measure

The operating netbacks of the Company continued improving in 2023 due to several factors, mostly increasing production from its Colombian assets, and consistent crude oil prices, which were offset by decreases in natural gas prices and increases in royalties and operating expenses for natural gas.

General and Administrative Expenses (G&A)

	Three months ended March 31	
	2023	2022
General & administrative expenses	**1,752,947**	1,373,106
G&A recovered from 3rd parties	**(134,199)**	(20,000)
Total G&A	**1,618,748**	1,353,106
Total G&A per boe	**$11.63**	$37.97

For the three months ended March 31, 2023, G&A expenses before recoveries totaled $1,752,647 (2022: $1,373,106), which represents an increase when compared to the same period in 2022. This increase is mainly due to increased in personnel and professional services during 2023, as well as increase in marketing and legal expenses. Despite these increased expenses, and due to the Company's increased production, there is a decrease in G&A expenses on a per barrel basis to $11.63 p/boe when compared to $37.97 in 2022.

Share-based Compensation

	Three months ended March 31	
	2023	2022
Share-based Compensation expense	**132,240**	62,919

Share-based compensation expense for the three months ended March 31, 2023 totaled $132,240 (2022: $62,919). During 2023, the Company granted 650,000 options (2022: nil) to its personnel, which was offset by reversal of expenses from cancelled options due to resignations of option holders. The share-based compensation expense is the result of the progressive vesting of the options granted to the Company's employees, plus the effect of cashless exercising, and net of cancellations and forfeitures, according to the company's stock-based compensation plan.

Financing Costs

	Three months ended March 31	
	2023	2022
Financing expense paid or payable	**106,570**	229,826
Non-cash financing costs	**29,156**	44,331
Net financing costs	**135,726**	274,157

The finance expense paid or payable represents mostly interest on the promissory note due to Canacol, as partial payment for the acquisition of Carrao Energy SA and have decreased due to partial payment of the outstanding balance. The non-cash finance cost represents an increase in the present value of the decommissioning obligation for the current periods. The amount of this expense will fluctuate commensurate with the asset retirement obligation as new wells are drilled or properties are acquired or disposed.

Depletion and Depreciation

	Three months ended March 31	
	2023	2022
Depletion and depreciation	**2,454,364**	869,239

Depletion and depreciation expense for the three months ended March 31, 2023 totaled $2,454,364 (2022: $869,239). The increases is due to increased carrying value of depletable property, plant and equipment and increased production. Company uses the unit of production method and proved plus probable reserves to calculate its depletion and depreciation expense.

(Gain) loss on Derivative Liability

	Three months ended March 31	
	2023	2022
(Gain) Loss on Derivative Liability	**(1,354,275)**	4,787,835

During the three months ended March 31, 2023, the Company recorded a gain in derivative liability of $1,354,275 and (2022: loss 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 income.

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 adjusted working capital. 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.

As at March 31, 2023, the Company has an adjusted working capital of $9,325,680. The Company has continued improving its working capital, using its operational cash flows to continue growing 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 and growth.

As at March 31, 2023 the Company's net debt (net cash) was calculated as follows:

		March 31, 2023
Current assets	$	15,935,213
Less:		
Accounts payable and accrued liabilities		3,356,144
Promissory Note		1,958,603
Income taxes		1,252,273
Net debt (Net cash) (1)	**$**	**(9,368,193)**

(1) Non-IFRS measure

Adjusted Working Capital

As at March 31, 2023 the Company's adjusted working capital was calculated as follows:

		March 31, 2023
Current assets:		
Cash and restricted cash	$	12,354,424
Restricted cash and deposits		219,352
Trade and other receivables		863,345
Taxes receivable		1,403,546
Other current assets		1,094,546
Less:		
Accounts payable and accrued liabilities		3,356,144
Lease obligation		42,513
Promissory note		1,958,603
Income tax payable		1,252,273
Adjusted Working capital(1)	**$**	**9,325,681**

(1)Non-IFRS measure

Debt Capital

As at March 31, 2023, the Company currently has $1.9 million in outstanding debt in the form of a promissory note payable to Canacol and its final payment is due no later than June 30, 2023.

Letters of Credit

As at March 31, 2023, the Company had obligations under Letters of Credit ("LC's") outstanding totaling $2.7 million to guarantee work commitments on exploration blocks and other contractual commitments. 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.

Current Outstanding Letters of Credit

Contract	Beneficiary	Issuer	Type	Amount (US $)	Renewal Date
SANTA ISABEL	ANH	Carrao Energy	Abandonment	$563,894	April 14, 2024
	ANH	Carrao Energy	Financial Capacity	$1,672,162	December 31, 2023
CORE - 39	ANH	Carrao Energy	Compliance	$100,000	June 30, 2023
OMBU	ANH	Carrao Energy	Financial Capacity	$436,300	April 14, 2024
Total				**$2,772,356**	

Share Capital

As at March 31, 2023, the Company had 228,979,841 common shares, 57,259,508 warrants and 19,865,000 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, 2023:

	Less than 1 year	1-3 years	Thereafter	Total
Promissory Note	$ 1,958,603	-	-	**1,958,603**
Exploration and production contracts	-	17,800,000	-	**17,800,000**
	$ 1,958,603	**17,800,000**	**-**	**19,758,603**

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 of $17.8 million. The Company, in conjunction with its partners, have made applications to cancel its commitments on the COR-39, Macaya and Los Picachos blocks.

SUMMARY OF THREE MONTHS RESULTS

	2023	2022				2021		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Oil and natural gas sales, net of royalties	6,992,860	8,931,562	7,614,336	5,024,604	3,911,329	3,038,832	1,684,609	941,620
Net income (loss)	2,989,735	2,968,117	2,041,955	768,318	(5,431,865)	6,960,035	(21,782)	(734,317)
Income (loss) per share –								
basic	0.01	0.01	0.02	0.00	(0.03)	0.04	(0.00)	(0.01)
diluted	0.01	0.01	0.00	0.00	(0.02)	0.04	(0.00)	(0.01)
Working capital (deficit)	2,619,715	(1,316,665)	7,392,310	5,594,027	7,657,938	8,006,074	783,707	3,141,217
Total assets	53,719,944	53,190,248	46,979,259	42,670,153	39,914,240	41,195,798	25,362,323	25,948,551
Net capital expenditures	4,271,693	2,106,463	4,836,860	2,777,611	725,665	1,991,163	148,528	(15,378)
Average daily production (boe/d)	1,635	1,736	1,503	980	1,144	712	575	331

The Company’s oil and natural gas sales have increased in 2023 when compared to Q1 2022 due to increased production in its existing assets, improved oil and gas prices and positive fluctuations in realized oil price differentials. The Company's production levels in Colombia have progressively improved 2022. Trends in the Company’s net income are also impacted most significantly by operating expenses, financing costs, income taxes, depletion, depreciation and impairment of oil and gas properties, and other income.

OUTSTANDING SHARE DATA

At May 29, 2023, the Company had the following securities issued and outstanding:

	Number	Exercise Price	Expiry Date
Common shares	229,479,841	n/a	n/a
Warrants	56,844,455	GBP 0.09	Oct. and Nov, 2023
Stock options	750,000	CAD$ 1.15	October 22, 2028
Stock options	270,000	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	2,983,332	GBP 0.07625	June 13, 2024
Stock options	2,983,336	GBP 0.07625	June 13, 2025
Stock options	766,665	CAD$0.28	December 9, 2023
Stock options	766,667	CAD$0.28	December 9, 2024
Stock options	766,668	CAD$0.28	December 9, 2025
Stock options	416,666	CAD$0.26	March 7, 2024
Stock options	416,666	CAD$0.26	March 7, 2025
Stock options	416,668	CAD$0.26	March 7, 2026
Stock options	1,826,110	GBP 0.1675	June 13, 2023
Stock options	1,826,111	GBP 0.1675	June 13, 2024

Stock options	1,826,111	GBP 0.1675	June 13, 2025
Stock options	216,667	GBP 0.1925	July 23, 2024
Stock options	216,667	GBP 0.1925	July 23, 2025
Stock options	216,666	GBP 0.1925	July 23, 2026

OUTLOOK

During 2022, the Company deployed a portion of the capital raised at the time of the Admission to AIM on a successful two well drilling campaign at Rio Cravo on the Tapir Block. These results, and the subsequent generation of positive cashflows in Q3 and Q4 2022, provide Arrow with the funds required for its $32 million capital program for 2023, including drilling of 10 wells, seismic acquisition and the development of production facilities.

To date, the Company has already drilled the first four wells of the 2023 budget, three at Rio Cravo and its first Carrizales Norte well, which have added production to the Tapir Block, confirming Arrow's commitment to increase production and shareholder value. The Company is able to support the remaining planned 2023 CAPEX program with current cash on hand and cashflow from operations.

Arrow continues to focus on growth and improving its balance sheet and free cash flow.

CRITICAL ACCOUNTING ESTIMATES

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Company's significant accounting policies is included in the Annual Financial Statements. 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, 2022 for a description of the financial, business and other risk factors affecting the Company which are available on SEDAR at www.sedar.com