ARROW EXPLORATION CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 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 November 27, 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 and nine months ended September 30, 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 September 30, 2023**	**Nine months ended September 30, 2023**	Three months ended September 30, 2022
Net income (loss)	**7,153,120**	**9,385,440**	2,041,955
Add/(subtract):			
Share based payments	**149,102**	**440,360**	110,876
Financing costs:			
Accretion on decommissioning obligations	**34,343**	**95,638**	54,272
Interest	**9,461**	**131,697**	123,394
Other	**89,281**	**238,135**	41,075
Depreciation and depletion	**3,972,850**	**10,067,403**	1,809,340
Derivative gain	**(1,191,385)**	**(109,613)**	(543,659)
Income tax (recovery) expense, current and deferred	**(389,775)**	**(224,313)**	1,027,093
Adjusted EBITDA [1]	**9,826,997**	**20,024,747**	4,664,345
Cash flows provided by operating activities	**6,523,732**	**13,894,865**	5,221,497
Minus - Changes in non-cash working capital balances:			
Trade and other receivables	**697,291**	**229,288**	1,097,426
Restricted cash	**(65,890)**	**37,190**	(291,841)
Taxes receivable	**765,277**	**933,966**	58,264
Deposits and prepaid expenses	**(68,109)**	**(32,561)**	(171,610)
Inventory	**9,026**	**179,840**	229,799
Accounts payable and accrued liabilities	**1,192,261**	**654,363**	(1,537,411)
Income tax payable	**(362,681)**	**312,600**	-
Funds flow from operations [1]	**8,690,907**	**16,209,551**	4,606,124

[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 September 30, 2023	Nine months ended September 30, 2023	Three months ended September 30, 2022
Total natural gas and crude oil revenues, net of royalties	**13,990,353**	**31,263,494**	7,614,336
Funds flow from operations [1]	**8,690,907**	**16,209,551**	4,606,124
Funds flow from operations [1] per share –			
Basic($)	**0.04**	**0.07**	0.02
Diluted ($)	**0.03**	**0.05**	0.00
Net income	**7,153,120**	**9,385,440**	2,041,955
Net income per share –			
Basic ($)	**0.03**	**0.04**	0.01
Diluted ($)	**0.02**	**0.03**	0.01
Adjusted EBITDA [1]	**9,826,997**	**20,024,747**	4,664,345
Weighted average shares outstanding –			
Basic	**237,919,872**	**230,537,774**	215,967,143
Diluted	**295,875,232**	**295,092,336**	288,235,624
Common shares end of period	**245,526,041**	**245,526,041**	215,967,143
Capital expenditures	**5,471,561**	**16,613,512**	4,836,860
Cash and cash equivalents	**12,891,190**	**12,891,190**	11,376,702
Current Assets	**18,652,504**	**18,652,504**	16,870,695
Current liabilities	**13,321,524**	**13,321,524**	9,478,383
Adjusted working capital[1]	**10,822,475**	**10,822,475**	7,392,312
Long-term portion of restricted cash[2]	**637,793**	**637,793**	598,192
Total assets	**62,755,250**	**62,755,250**	46,979,258
Operating			
Natural gas and crude oil production, before royalties			
Natural gas (Mcf/d)	**2,012**	**2,261**	1,917
Natural gas liquids (bbl/d)	**4**	**4**	4
Crude oil (bbl/d)	**2,178**	**1,730**	1,179
Total (boe/d)	**2,518**	**2,110**	1,503
Operating netbacks ($/boe) [1]			
Natural gas ($/Mcf)	**$0.18**	**($0.11)**	$0.88
Crude oil ($/bbl)	**$60.62**	**$57.64**	$73.69
Total ($/boe)	**$52.67**	**$47.15**	$56.75

[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 June 30, 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. The Capella field is currently suspended and temporarily shut in.

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 September 30, 2023 Financial and Operational Highlights

- Arrow recorded $13,990,353 in revenues, net of royalties, on crude oil sales of 199,617 bbls, 399 bbls of natural gas liquids ("NGL's") and 185,128 Mcf of natural gas sales;
- Funds flow from operations of $8,690,907;
- Net income of $7,153,120 and adjusted EBITDA was $9,826,997;

- Completed drilling of the Carrizales Norte-2 (CN-2) and Carrizales Norte-3 (CN-3) wells

RESULTS OF OPERATIONS

The Company increased its production from new wells at Rio Cravo Este (RCE-3, RCE-4 and RCE-5) and CN-1. These have allowed the Company to continue to improve its operating results and EBITDA. There has also been a decrease in the Company's natural gas production in Canada due to natural declines.

Average Production by Property

Average Production Boe/d	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Oso Pardo	**93**	130	138	115	104	112
Ombu (Capella)	**-**	-	80	238	215	97
Rio Cravo Este (Tapir)	**1,443**	1,592	1,004	832	860	366
Carrizales Norte (Tapir)	**642**	57	-	-	-	-
Total Colombia	**2,178**	1,779	1,222	1,185	1,179	575
Fir, Alberta	**81**	77	74	79	82	86
Pepper, Alberta	**259**	313	340	472	242	319
TOTAL (Boe/d)	**2,518**	2,169	1,635	1,736	1,503	980

For the three months ended September 30, 2023, the Company's average production was 2,518 boe/d, which consisted of crude oil production in Colombia at 2,178 bbl/d, natural gas production of 2,012 Mcf/d and minor amounts of natural gas liquids from the Company's Canadian properties. The Company's Q3 2023 total production was 68% higher than its total production for the same period in 2022.

Average Daily Natural Gas and Oil Production and Sales Volumes

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Natural Gas (Mcf/d)				
Natural gas production	**2,012**	1,917	**2,261**	2,853
Natural gas sales	**2,012**	1,917	**2,261**	2,853
Realized Contractual Natural Gas Sales	**2,012**	1,917	**2,261**	2,853
Crude Oil (bbl/d)				
Crude oil production	**2,178**	1,179	**1,730**	730
Inventory movements and other	**(8)**	(216)	**(19)**	(264)
Crude Oil Sales	**2,170**	963	**1,711**	466
Corporate				
Natural gas production (boe/d)	**336**	319	**376**	475
Natural gas liquids(bbl/d)	**4**	4	**4**	5
Crude oil production (bbl/d)	**2,178**	1,179	**1,730**	730
Total production (boe/d)	**2,518**	1,503	**2,110**	1,211
Inventory movements and other (boe/d)	**(8)**	(216)	**(19)**	(264)
Total Corporate Sales (boe/d)	**2,510**	1,287	**2,091**	946

During the three and nine months ended September 30, 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 September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Natural Gas				
Natural gas revenues	**361,381**	557,445	**1,242,889**	3,157,295
NGL revenues	**26,778**	33,621	**67,373**	119,766
Royalties	**(8,339)**	(61,267)	**(9,370)**	(497,422)
Revenues, net of royalties	**379,820**	529,799	**1,300,892**	2,779,640
Oil				
Oil revenues	**15,496,501**	8,056,780	**34,177,223**	15,013,222
Royalties	**(1,885,968)**	(972,243)	**(4,214,621)**	(1,750,960)
Revenues, net of royalties	**13,610,533**	7,084,537	**29,962,602**	13,262,262
Corporate				
Natural gas revenues	**361,381**	557,445	**1,242,889**	3,157,295
NGL revenues	**26,778**	33,621	**67,373**	119,766
Oil revenues	**15,496,501**	8,056,780	**34,177,223**	15,013,222
Total revenues	**15,884,660**	8,647,846	**35,487,485**	18,290,284
Royalties	**(1,894,307)**	(1,033,510)	**(4,223,991)**	(2,248,382)
Natural gas and crude oil revenues, net of royalties	**13,990,353**	7,614,336	**31,263,494**	16,041,902

Natural gas and crude oil revenues, net of royalties, for the three and nine months ended September 30, 2023 was $13,990,353 (2022: $7,614,336) and $31,263,494 (2022: $16,041,902), respectively, which represents an increase of 95%. This significant increase is mainly due to increased oil production in Colombia, offset by decrease in oil prices and revenue in Canada.

Average Benchmark and Realized Prices

	Three months ended September 30			Nine months ended September 30		
	2023	2022	Change	**2023**	2022	Change
Benchmark Prices						
AECO (C$/Mcf)	**$2.64**	$3.83	(31%)	**$2.77**	$4.31	(36%)
Brent ($/bbl)	**$92.59**	$97.81	(5%)	**$82.26**	$102.33	(20%)
West Texas Intermediate ($/bbl)	**$77.35**	$91.65	(16%)	**$82.20**	$98.15	(16%)
Realized Prices						
Natural gas, net of transportation ($/Mcf)	**$1.95**	$3.16	(38%)	**$2.01**	$4.05	(50%)
Natural gas liquids ($/bbl)	**$67.10**	$82.69	(19%)	**$63.30**	$83.54	(24%)
Crude oil, net of transportation ($/bbl)	**$77.63**	$90.90	(15%)	**$73.16**	$91.00	(20%)
Corporate average, net of transport ($/boe)[(1)]	**$68.80**	$73.02	(6%)	**$62.14**	$61.75	1%

(1)Non-IFRS measure

The Company realized prices of $68.80 and $62.14 per boe during the three and nine months ended September 30, 2023 (2022: $73.02 and $61.75), respectively, as commodity prices decreased in 2023 compared with 2022.

Operating Expenses

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Natural gas & NGL's	**319,439**	341,156	**1,302,246**	1,742,933
Crude oil	**1,510,394**	553,004	**3,036,667**	1,664,143
Total operating expenses	**1,829,833**	894,160	**4,338,913**	3,407,076
Natural gas ($/Mcf)	**$1.72**	$1.93	**$2.10**	$2.24
Crude oil ($/bbl)	**$7.56**	$6.24	**$6.50**	$10.09
Corporate ($/boe)(1)	**$7.92**	$7.55	**$7.59**	$11.50

(1)Non-IFRS measure

During the three and nine months ended September 30, 2023, Arrow incurred operating expenses of $1,829,833 and $4,338,913 (2022: $894,160 and $3,407,076), respectively. This increase is mainly due to operating expenses incurred in the Company's new Carrizales Norte field in the Tapir block.

Operating Netbacks

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Natural Gas ($/Mcf)				
Revenue, net of transportation expense	**$1.95**	$3.16	**$2.01**	$4.05
Royalties	**($0.05)**	($0.35)	**($0.02)**	($0.64)
Operating expenses	**($1.72)**	($1.93)	**($2.10)**	($2.24)
Natural Gas operating netback(1)	**$0.18**	$0.88	**($0.11)**	$1.18
Crude oil ($/bbl)				
Revenue, net of transportation expense	**$77.63**	$90.90	**$73.16**	$91.00
Royalties	**($9.45)**	($10.97)	**($9.02)**	($10.61)
Operating expenses	**($7.56)**	($6.24)	**($6.50)**	($10.09)
Crude Oil operating netback(1)	**$60.62**	$73.69	**$57.64**	$70.30
Corporate ($/boe)				
Revenue, net of transportation expense	**$68.80**	$73.02	**$62.14**	$61.75
Royalties	**($8.21)**	(8.72)	**($7.40)**	($7.59)
Operating expenses	**($7.92)**	(7.55)	**($7.59)**	($11.50)
Corporate Operating netback(1)	**$52.67**	$56.75	**$47.15**	$42.66

(1)Non-IFRS measure

The operating netbacks of the Company continued within healthy levels during 2023 due to several factors, mostly increasing production from its Colombian assets, even factoring in decreased crude oil prices, which were offset by decreases in natural gas prices and operating expenses for natural gas.

General and Administrative Expenses (G&A)

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
General & administrative expenses	**2,069,314**	2,490,114	**7,259,939**	5,139,135
G&A recovered from 3rd parties	**(145,225)**	(222,735)	**(468,975)**	(389,765)
Total G&A	**1,924,089**	2,267,379	**6,790,964**	4,749,370
Cost per boe	**$8.33**	$30.74	**$11.89**	$16.03

For the three and nine months ended September 30, 2023, G&A expenses before recoveries totaled $2,069,314 and $7,259,939 (2022: $2,490,114 and $5,139,135), respectively, which represent a decrease and an increase, respectively, when compared to the same periods in 2022. These variances are mainly due to additional personnel and legal services during 2023, payment of performance bonuses to management and employees, as well as increase in marketing expenses. Despite these increased expenses, and due to the Company's increased production, G&A expenses remain consistent, on a per barrel basis, to $11.89/boe when compared to $16.03/boe for the nine months ended September 30, 2022.

Share-based Compensation

	Three months ended September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Share-based Payments	**149,102**	110,876	**440,360**	214,712

Share-based compensation expense for the three and nine months ended September 30, 2023 totaled $149,102 and $440,360 (2022: $110,876 and $214,712), respectively. During 2023, the Company has granted 1,650,000 options 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 September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Financing expense paid or payable	**98,742**	164,469	**369,833**	653,017
Non-cash financing costs	**34,343**	54,272	**95,638**	144,247
Net financing costs	**133,085**	218,740	**465,471**	797,264

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 repayment 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 September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Depletion and depreciation	**3,972,850**	1,809,340	**10,067,403**	3,649,932

Depletion and depreciation expense for the three and nine months ended September 30, 2023 totaled $3,972,850 and $10,067,403 (2022: $1,809,340 and $3,649,932), respectively. The increase is due to higher carrying value of depletable property, plant and equipment and increased production. The 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 September 30		Nine months ended September 30	
	2023	2022	**2023**	2022
Gain (loss) on Derivative Liability	**(1,191,385)**	(543,659)	**(109,613)**	4,968,934

During the three and nine months ended September 30, 2023, the Company recorded gains in derivative liability of $1,191,385 and $109,613 (2022: $543,659 and loss of $4,968,934), respectively, 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 (loss).

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 September 30, 2023, the Company has an adjusted working capital of $10,822,475. The Company has continued improving its working capital, using its operational cash flows to settle its obligations and 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 September 30, 2023 the Company's net debt (net cash) was calculated as follows:

		September 30, 2023
Current assets	$	18,652,504
Less:		
Accounts payable and accrued liabilities		6,549,995
Income taxes		1,176,316
Net debt (Net cash) (1)	**$**	**(10,296,193)**

(1) Non-IFRS measure

Adjusted Working Capital

As at September 30, 2023 the Company's adjusted working capital was calculated as follows:

		September 30, 2023
Current assets:		
Cash and restricted cash	$	12,891,190
Restricted cash and deposits		218,178
Trade and other receivables		2,797,577
Taxes receivable		1,735,143
Other current assets		1,010,416
Less:		
Accounts payable and accrued liabilities		6,549,995
Lease obligation		103,718
Promissory note		-
Income tax payable		1,176,316
Adjusted Working capital(1)	**$**	**10,822,475**

(1)Non-IFRS measure

Debt Capital

During 2023, the Company has paid off its a promissory note payable to Canacol.

Letters of Credit

As at September 30, 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	December 31, 2023
OMBU	ANH	Carrao Energy	Financial Capacity	$436,300	April 14, 2024
Total				**$2,772,356**	

Share Capital

As at September 30, 2023, the Company had 245,526,041 common shares, 40,713,308 warrants and 20,865,000 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 September 30, 2023:

	Less than 1 year	1-3 years	Thereafter	Total
Exploration and production contracts	**-**	**17,800,000**	**-**	**17,800,000**

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.

On November 17, 2023, the ANH confirmed the termination by mutual agreement of the Macaya block exploration and production contract. This contract included minimum work commitments for $3,830,000 for the Company, which have been waived by the ANH according to the terms of termination.

SUMMARY OF THREE MONTHS RESULTS

	2023			2022				2021
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Oil and natural gas sales, net of royalties	13,990,353	11,637,968	6,992,860	8,931,562	7,614,336	5,024,604	3,911,329	3,038,832
Net income (loss)	7,153,120	(757,416)	2,989,735	2,968,117	2,041,955	768,318	(5,431,865)	6,960,035
Income (loss) per share –								
basic	0.03	(0.00)	0.01	0.01	0.02	0.00	(0.03)	0.04
diluted	0.02	(0.00)	0.01	0.01	0.00	0.00	(0.02)	0.04
Working capital (deficit)	10,822,475	(2,363,388)	2,619,715	(1,316,665)	7,392,310	5,594,027	7,657,938	8,006,074
Total assets	62,755,250	56,305,530	53,719,944	53,190,248	46,979,259	42,670,153	39,914,240	41,195,798
Net capital expenditures	5,471,561	6,870,258	4,271,693	2,106,463	4,836,860	2,777,611	725,665	1,991,163
Average daily production (boe/d)	2,518	2,169	1,635	1,736	1,503	980	1,144	712

The Company’s oil and natural gas sales have increased 84% in 2023 when compared to Q3 2022 due to increased production in its existing assets and healthy oil and gas prices. The Company's production levels in Colombia continue growing. 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 November 27, 2023, the Company had the following securities issued and outstanding:

	Number	Exercise Price	Expiry Date
Common shares	285,864,348	n/a	n/a
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	5,966,668	GBP 0.07625	June 13, 2024 and 2025
Stock options	2,300,000	CAD$0.28	Dec. 9, 2023, 2024 and 2025
Stock options	1,250,000	CAD$0.26	Mar. 7, 2024, 2025 and 2026
Stock options	5,478,332	GBP 0.1675	June 21, 2024, 2025 and 2026
Stock options	650,000	GBP 0.1925	July 23, 2024, 2025 and 2026
Stock options	1,000,000	CAD $0.33	Mar. 21, 2024, 2025 and 2026

OUTLOOK

The Company has deployed the capital raised at the time of the Admission to AIM on a successful drilling campaigns at Rio Cravo and Carrizales Norte on the Tapir Block. These successful campaigns have translated into production growth and in positive cashflows during 2022 and 2023, providing Arrow with the funds required to continue with its capital program for 2023.

To date, the Company has already drilled eight wells of its 2023 budget (four at Rio Cravo, three at Carrizales Norte and one in Oso Pardo), which have increased overall production and more wells being drilled in Q4 2024. This confirms 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.

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