ARROW EXPLORATION CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 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 April 28, 2024 and should be read in conjunction with Arrow's annual consolidated financial statements and related notes for the year ended December 31, 2023 and 2022. Additional information relating to Arrow is available under Arrow's profile on www.sedar.com.

Advisories

Basis of Presentation

The 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 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 provided by 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 December 31, 2023**	**Year ended December 31, 2023**	Three months ended December 31, 2022	Year ended December 31, 2022
Net (loss) income	**(10,492,053**	**(1,106,613)**	2,968,117	346,524
Add/(subtract):				
Share based payments	**151,094**	**591,454**	367,693	582,405
Financing costs:				
Accretion on decommissioning obligations	**31,840**	**127,478**	55,274	199,521
Interest	**9,420**	**141,117**	92,320	460,233
Other	**79,540**	**317,676**	45,693	330,797
Depreciation and depletion	**2,119,374**	**12,186,777**	1,878,557	5,528,489
(Gain) loss on derivative liability	**(932,379)**	**(1,041,992)**	1,005,740	5,974,674
Impairment (reversal) of oil and gas properties	**11,799,740**	**11,799,740**	(9,020,654)	(9,020,654)
Income tax expense, current and deferred	**4,365,846**	**4,141,532**	7,064,017	8,091,110
Adjusted EBITDA (1)	**7,132,422**	**27,157,169**	4,456,757	12,493,099
Cash flows provided by operating activities	**2,581,686**	**16,476,551**	7,011,946	12,036,550
Minus - Changes in non-cash working capital balances:				
Trade and other receivables	**772,704**	**1,001,992**	(1,519,574)	1,928,707
Restricted cash	**(1,138)**	**36,052**	220,588	86,228
Taxes receivable	**2,920,256**	**3,854,222**	(279,138)	82,129
Deposits and prepaid expenses	**72,504**	**39,943**	(4,412)	(164,840)
Inventory	**(393,185)**	**(213,345)**	38	458,613
Accounts payable and accrued liabilities	**(239,606)**	**414,757**	(1,980,243)	(3,445,263)
Income tax payable	**(1,932,188)**	**(1,619,588)**	(1,488,916)	(1,488,916)
Funds flow from operations (1)	**3,781,033**	**19,990,584**	1,960,289	9,493,208

(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 December 31, 2023	Year ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2022
Total natural gas and crude oil revenues, net of royalties	**13,406,513**	**44,670,006**	8,931,562	24,973,464
Funds flow from operations [(1)]	**3,781,033**	**19,990,584**	1,960,289	9,493,208
Funds flow from operations [(1)] per share –				
Basic($)	**0.01**	**0.08**	0.01	0.04
Diluted ($)	**0.01**	**0.07**	0.01	0.03
Net (loss) income	**(10,492,053)**	**(1,106,613)**	2,968,117	346,524
Net (loss) income per share –				
Basic ($)	**(0.04)**	**(0.00)**	0.01	0.00
Diluted ($)	**(0.04)**	**(0.00)**	0.01	0.00
Adjusted EBITDA [(1)]	**7,132,422**	**27,157,169**	4,456,757	12,493,099
Weighted average shares outstanding:				
Basic	**278,144,305**	**242,537,228**	217,784,100	215,468,129
Diluted	**291,404,032**	**289,903,094**	288,239,348	279,288,480
Common shares end of period	**285,864,348**	**285,864,348**	218,401,931	218,401,931
Capital expenditures	**10,471,447**	**27,084,959**	2,106,463	7,668,988
Cash and cash equivalents	**12,135,376**	**12,135,376**	13,060,968	13,060,968
Current assets	**21,629,198**	**21,629,198**	17,504,225	17,504,225
Current liabilities	**12,960,084**	**12,960,084**	18,820,890	18,820,890
Adjusted working capital[(1)]	**8,669,114**	**8,669,114**	8,223,758	8,223,758
Restricted cash and deposits[(2)]	**854,834**	**854,834**	765,586	765,586
Total assets	**62,275,023**	**62,275,023**	53,190,248	53,190,248
Operating				
Natural gas and crude oil production, before royalties				
Natural gas (Mcf/d)	**1,819**	**2,150**	3,270	2,958
Natural gas liquids (bbl/d)	**4**	**4**	6	5
Crude oil (bbl/d)	**2,027**	**1,805**	1,185	847
Total (boe/d)	**2,335**	**2,167**	1,736	1,345
Operating netbacks ($/boe) [(1)]				
Natural gas ($/Mcf)	**($0.21)**	**($0.13)**	$0.57	$1.01
Crude oil ($/bbl)	**$45.91**	**$53.97**	$57.88	$65.06
Total ($/boe)	**$40.49**	**$45.17**	$41.95	$42.40

[(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 December 31, 2023 the Company held an interest in four oil blocks in Colombia and oil and natural gas leases in five 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
Total Colombia		**217,390**		**133,994**
CANADA				
Ansell	Operated	640	100%	640
Fir	Non operated	7,680	32%	2,458
Penhold	Non-operated	480	13%	61
Pepper	Operated	19,200	100%	19,200
Wapiti	Non-operated	1,280	13%	160
Total Canada		**29,280**		**22,519**
TOTAL		**246,670**		**156,513**

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.

Year ended December 31, 2023 Financial and Operational Highlights

- For the year ended December 31, 2023, Arrow recorded $44,670,006 in revenues, net of royalties, on crude oil sales of 679,769 bbls, 1,445 bbls of natural gas liquids ("NGL's") and 784,717 Mcf of natural gas sales;
- Funds flow from operations of $19,990,584;
- Net loss of $1,106,613 and adjusted EBITDA was $27,157,169;

Three Months Ended December 31, 2023 Financial and Operational Highlights

- Arrow recorded $13,406,513 in revenues, net of royalties, on crude oil sales of 212,635 bbls, 380 bbls of natural gas liquids ("NGL's") and 167,360 Mcf of natural gas sales;
- Funds flow from operations of $3,781,033;
- Net loss of $10,492,053 and adjusted EBITDA was $7,132,422;

Annual 2023 Reserve Highlights

- 5,292 Mboe of Proved Reserves, net increase of 57% when compared to 2022;
- 11,847 Mboe of Proved plus Probable Reserves, net increase of 54% when compared to 2022;
- Proved reserves estimated net present value, before income taxes, of US$135 million using a 10% discount rate;
- Proved plus Probable Reserves estimated net present value, before income taxes, of US$280 million using a 10% discount rate

RESULTS OF OPERATIONS

The Company increased its production from new wells at both Rio Cravo Este and Carrizales Norte fields in the Tapir block. 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	YTD 2023	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Oso Pardo	**110**	**80**	93	130	138	115
Ombu (Capella)	**20**	**-**	-	-	80	238
Rio Cravo Este (Tapir)	**1,342**	**1,326**	1,443	1,592	1,004	832
Carrizales Norte (Tapir)	**332**	**621**	642	57	-	-
Total Colombia	**1,805**	**2,027**	2,178	1,779	1,222	1,185
Fir, Alberta	**78**	**80**	81	77	74	79
Pepper, Alberta	**284**	**228**	259	313	340	472
TOTAL (Boe/d)	**2,167**	**2,335**	2,518	2,169	1,635	1,736

The Company's average production for the year and the three months ended December 31, 2023 was 2,167 boe/d and 2,335 boe/d, respectively, which consisted of crude oil production in Colombia of 1,805 bbl/d and 2,027 bbl/d, natural gas production of 2,150 Mcf/d and 1,819 Mcf/d, respectively, and minor amounts of natural gas liquids from the Company's Canadian properties. The Company's total 2023 production was 67% higher than its total 2022 production.

Average Daily Natural Gas and Oil Production and Sales Volumes

	Three months ended December 31		Year ended December 31	
	2023	2022	**2023**	2022
Natural Gas (Mcf/d)				
Natural gas production	**1,819**	3,270	**2,150**	2,958
Natural gas sales	**1,819**	3,270	**2,150**	2,958
Realized Contractual Natural Gas Sales	**1,819**	3,270	**2,150**	2,958
Crude Oil (bbl/d)				
Crude oil production	**2,027**	1,185	**1,805**	847
Inventory movements and other	**284**	238	**58**	(64)
Crude Oil Sales	**2,311**	1,424	**1,862**	782

Corporate				
Natural gas production (boe/d)	**303**	545	**358**	493
Natural gas liquids(bbl/d)	**4**	6	**4**	5
Crude oil production (bbl/d)	**2,027**	1,185	**1,805**	847
Total production (boe/d)	**2,335**	1,736	**2,167**	1,345
Inventory movements and other (boe/d)	**284**	238	**58**	(64)
Total Corporate Sales (boe/d)	**2,619**	1,974	**2,225**	1,280

During the three months and year ended December 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 December 31		Year ended December 31	
	2023	2022	**2023**	2022
Natural Gas				
Natural gas revenues	**280,797**	1,099,986	**1,523,686**	4,257,282
NGL revenues	**25,964**	34,978	**93,336**	154,744
Royalties	**(7,751)**	(150,638)	**(17,121)**	(648,060)
Revenues, net of royalties	**299,010**	984,327	**1,599,901**	3,763,966
Oil				
Oil revenues	**14,802,541**	8,710,005	**48,979,764**	23,723,228
Royalties	**(1,695,037)**	(762,770)	**(5,909,659)**	(2,513,730)
Revenues, net of royalties	**13,107,504**	7,947,235	**43,070,105**	21,209,498
Corporate				
Natural gas revenues	**280,797**	1,099,986	**1,523,686**	4,257,282
NGL revenues	**25,964**	34,978	**93,336**	154,744
Oil revenues	**14,802,541**	8,710,005	**48,979,764**	23,723,228
Total revenues	**15,109,301**	9,844,970	**50,596,786**	28,135,254
Royalties	**(1,702,788)**	(913,408)	**(5,926,780)**	(3,161,790)
Natural gas and crude oil revenues, net of royalties	**13,406,513**	8,931,562	**44,670,006**	24,973,464

Natural gas and crude oil revenues, net of royalties, for the three months and year ended December 31, 2023 was $13,406,513 (2022: $8,931,562) and $44,670,007 (2022: $24,973,464), respectively, which represent increases of 50% and 79%, respectively. These significant increases are 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 December 31			Year ended December 31		
	2023	2022	Change	**2023**	2022	Change
Benchmark Prices						
AECO (C$/Mcf)	**$2.34**	$4.42	(47%)	**$2.68**	$4.34	(38%)
Brent ($/bbl)	**$77.32**	$88.59	(13%)	**$81.03**	$98.89	(18%)
West Texas Intermediate ($/bbl)	**$78.35**	$82.65	(5%)	**$77.60**	$94.25	(18%)
Realized Prices						
Natural gas, net of transportation ($/Mcf)	**$1.68**	$3.66	(54%)	**$1.94**	$3.94	(51%)
Natural gas liquids ($/bbl)	**$68.30**	$68.28	0%	**$64.61**	$79.52	(19%)
Crude oil, net of transportation ($/bbl)	**$69.61**	$72.29	(4%)	**$72.05**	$83.10	(13%)
Corporate average, net of transport ($/boe)[1]	**$62.72**	$57.53	9%	**$62.31**	$60.20	4%

(1)Non-IFRS measure

The Company realized prices of $62.72 and $62.31 per boe during the three months and year ended December 31, 2023 (2022: $57.53 and $60.20), respectively, despite decreases in commodity prices during 2023, due to increased volumes of oil sold during 2023.

Operating Expenses

	Three months ended December 31		Year ended December 31	
	2023	2022	**2023**	2022
Natural gas & NGL's	**308,311**	778,767	**1,610,557**	2,521,700
Crude oil	**3,343,948**	973,224	**6,380,615**	2,637,368
Total operating expenses	**3,652,259**	1,751,991	**7,991,172**	5,159,068
Natural gas ($/Mcf)	**$1.84**	$2.59	**$2.05**	$2.34
Crude oil ($/bbl)	**$15.73**	$8.08	**$9.39**	$9.24
Corporate ($/boe)[1]	**$15.16**	$10.24	**$9.84**	$11.04

(1)Non-IFRS measure

During the three months and year ended December 31, 2023, Arrow incurred in operating expenses of $3,652,259 and $7,991,172 (2022: $1,751,991 and $5,159,068), respectively. This increase is mainly due to workovers completed during 2023 for $1,575,121 and new operating expenses incurred in the Company's new Carrizales Norte field in the Tapir block.

Operating Netbacks

	Three months ended December 31		Year ended December 31	
	2023	2022	**2023**	2022
Natural Gas ($/Mcf)				
Revenue, net of transportation expense	**$1.68**	$3.66	**$1.94**	$3.94
Royalties	**(0.05)**	(0.50)	**(0.02)**	(0.60)
Operating expenses	**(1.84)**	(2.59)	**(2.05)**	(2.34)
Natural Gas operating netback[1]	**($0.21)**	$0.57	**($0.13)**	$1.01

Crude oil ($/bbl)				
Revenue, net of transportation expense	**$69.61**	$72.29	**$72.05**	$83.10
Royalties	**(7.97)**	(6.33)	**(8.69)**	(8.81)
Operating expenses	**(15.73)**	(8.08)	**(9.39)**	(9.24)
Crude Oil operating netback(1)	**$45.91**	$57.88	**$53.97**	$65.06
Corporate ($/boe)				
Revenue, net of transportation expense	**$62.72**	$57.53	**$62.31**	$60.20
Royalties	**(7.07)**	(5.34)	**(7.30)**	(6.77)
Operating expenses	**(15.16)**	(10.24)	**(9.84)**	(11.04)
Corporate Operating netback(1)	**$40.49**	$41.95	**$45.17**	$42.40

(1)Non-IFRS measure

The operating netbacks of the Company continued within healthy levels during 2023 due increasing production from its Colombian assets, even considering 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 December 31		**Year ended December 31**	
	2023	2022	**2023**	2022
General & administrative expenses	**3,347,336**	2,146,000	**10,607,275**	7,285,135
G&A recovered from 3rd parties	**(196,436)**	(172,169)	**(665,411)**	(561,934)
Total G&A	**3,150,900**	1,973,831	**9,941,864**	6,723,201
Cost per boe	**$13.08**	$11.53	**$12.24**	$16.03

For the three months and year ended December 31, 2023, G&A expenses before recoveries totaled $3,150,900 and $9,941,864 (2022: $1,973,831 and $6,723,201), respectively, which represent an increase when compared to the same periods in 2022. These variances are mainly due to additional personnel and legal services during 2023, and payment of performance bonuses to management and employees. Despite these increased expenses, due to the Company's increased production, annual G&A expenses were reduced, on a per barrel basis, when compared to 2022.

Share-based Compensation

	Three months ended December 31		**Year ended December 31**	
	2023	2022	**2023**	2022
Share-based Payments	**151,094**	367,693	**591,454**	582,405

Share-based compensation expense for the three months and year ended December 31, 2023 totaled $151,094 and $591,454 (2022: $367,693 and $582,405), respectively. During 2023, the Company has granted 1,650,000 options to its personnel and Directors, 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 and Directors, net of cancellations and forfeitures.

Financing Costs

	Three months ended December 31		Year ended December 31	
	2023	2022	**2023**	2022
Financing expense paid or payable	**88,960**	138,013	**458,793**	791,030
Non-cash financing costs	**31,840**	55,274	**127,478**	199,521
Net financing costs	**120,800**	193,287	**586,271**	990,551

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 December 31		Year ended December 31	
	2023	2022	**2023**	2022
Depletion and depreciation	**2,119,374**	1,878,557	**12,186,777**	5,528,489

Depletion and depreciation expense for the three months and year ended December 31, 2023 totaled $2,119,374 and $12,186,777 (2022: $1,878,557 and $5,528,489), respectively. The increase is due to higher carrying value of depletable property 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.

Impairment loss (reversal) of oil and gas properties, net

	Three months ended December 31		Years ended December 31	
	2023	2022	**2023**	2022
Impairment loss (reversal) of oil and gas properties, net	**11,799,740**	(9,020,654)	**11,799,740**	(9,020,654)

As at December 31, 2023, the Company reviewed its cash-generating units ("CGU") for property and equipment and determined that there were indicators of impairment loss in its Canada CGU and its Capella block in Colombia and recognized a loss of $11,799,740.

As at December 31, 2022, the Company reviewed its CGUs for property and equipment and determined that there were indicators of impairment reversal in its Capella block in Colombia. The company prepared estimates of fair value less costs of disposal of its Capella CGU and determined that recoverable amounts exceeded their carrying value for $10,409,615, which was offset by an impairment loss of$1,388,961 determined in its Canada CGU which was mainly originated from a revision of reserves.

(Gain) loss on Derivative Liability

	Three months ended December 31		Year ended December 31	
	2023	2022	**2023**	2022
(Gain) loss on Derivative Liability	**(932,379)**	1,005,740	**(1,041,992)**	5,974,674

During the three months and year ended December 31, 2023, the Company recorded gains in derivative liability of $932,379 and $1,041,992 (2022: loss of $1,005,740 and $5,974,674), respectively, related to the valuation of its outstanding warrants issued during its AIM listing and private placement completed in 2021. These warrants provided 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) income. These warrants were settled or expired during 2023.

Income Taxes

	Three months ended December 31		Years ended December 31	
	2023	2022	**2023**	2022
Current income tax expense	**3,392,115**	1,401,769	**7,097,419**	2,428,862
Deferred income tax expense (recovery)	**973,731**	5,662,248	**(2,955,887)**	5,662,248
Total income tax expense	**4,365,846**	7,064,017	**4,141,532**	8,091,110

During 2023, the Company recognized a total income tax expense of $4,141,532 (2022: $8,091,110) which consisted on $7,097,419 of current income tax expense (2022: $2,428,862) and a recovery of $2,955,887 of deferred income tax (2022: expense of $5,662,248). This increase is mainly caused by the continuous improvement of the Company's net taxable income, especially in Colombia.

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 December 31, 2023 the Company has a working capital of $8,332,083. The Company has continued improving its working capital, using its operational cash flows to settle its obligations and to continue growing its operations. The stability in energy commodity prices has allowed the Company's capacity to generate sufficient financial resources to sustain its operations and growth. As at December 31, 2023 the Company's net debt (net cash) was calculated as follows:

		December 31, 2023
Current assets	$	21,629,198
Less:		
Accounts payable and accrued liabilities		9,747,906
Income taxes payable		3,108,504
Net debt (Net cash) (1)	**$**	**(8,772,788)**

(1) *Non-IFRS measure*

Working Capital

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

	December 31, 2023
Current assets:	
Cash	$ 12,135,376
Restricted cash and deposits	611,753
Trade and other receivables	3,536,936
Taxes receivable	4,655,399
Other current assets	689,734
Less:	
Accounts payable and accrued liabilities	9,747,906
Lease obligation	103,674
Income tax payable	3,108,504
Working capital(1)	**$ 8,669,114**

(1) *Non-IFRS measure*

Debt Capital

As at December 31, 2023 the Company does not have any outstanding debt balance.

Letters of Credit

As at December 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, 2025
	ANH	Carrao Energy	Financial Capacity	$1,672,162	June 30, 2024
CORE - 39	ANH	Carrao Energy	Compliance	$100,000	June 30, 2024
OMBU	ANH	Carrao Energy	Financial Capacity	$436,300	October 14, 2024
Total				**$2,772,356**	

Share Capital

As at December 31, 2023, the Company had 285,864,348 common shares and 20,531,668 stock options outstanding.

RELATED PARTIES

The following table summarizes the Company's Director's compensation paid during the year ended December 31, 2023:

Director	Salary or Annual Fee	Bonus	Stock-Based Compensation	Loan	Total
G. Jull	379,500	490,000	110,231	225,000	1,204,731
M. Abbott	379,500	490,000	131,786	225,000	1,226,286
M. Charash	12,100	-	(16,793)	-	(4,693)
G. Carnie	72,600	-	44,538	-	117,138
R. Sharma	72,600	-	46,081	-	118,681
A. Zaidi	72,600	-	34,946	-	107,546
Ian Langley	30,250	-	22,099	-	52,349
Total	**1,019,150**	**980,000**	**372,888**	**450,000**	**2,822,038**

During 2023, the Company granted loans to some of its executives and Directors in the form of promissory notes, which are due on demand and bear interest at the average Bank of Canada Interbank Rate (currently 5%). The current aggregate balance receivable of these loans is $682,197, including interest of $9,650, and is included as other account receivables.

CONTRACTUAL OBLIGATIONS

The following table provides a summary of the Company's cash requirements to meet its financial liabilities and contractual obligations existing at December 31, 2023:

	Less than 1 year	1-3 years	Thereafter	Total
Exploration and production contracts	**-**	**12,000,000**	**-**	**12,000,000**

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. In aggregate, the Company has outstanding commitments of $12 million. The Company have made an application to cancel its commitments on the COR-39, and during 2023, the ANH approved to cancel the Macaya and Los Picachos blocks contracts by mutual agreement, cancelling $5.8 million in commitments for the Company.

SUMMARY OF THREE MONTHS RESULTS

	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Oil and natural gas sales, net of royalties	13,406,513	13,990,353	11,637,968	6,992,860	8,931,562	7,614,336	5,024,604	3,911,329
Net income (loss)	(10,492,053)	7,153,120	(757,416)	2,989,735	2,968,117	2,041,955	768,318	(5,431,865)
Income (loss) per share –								
basic	(0.04)	0.03	(0.00)	0.01	0.01	0.02	0.00	(0.03)
diluted	(0.04)	0.02	(0.00)	0.01	0.01	0.00	0.00	(0.02)
Working capital (deficit)	8,669,114	10,822,475	(2,363,388)	2,619,715	(1,316,665)	7,392,310	5,594,027	7,657,938
Total assets	62,275,023	62,755,250	56,305,530	53,719,944	53,190,248	46,979,259	42,670,153	39,914,240
Net capital expenditures	10,471,447	5,471,561	6,870,258	4,271,693	2,106,463	4,836,860	2,777,611	725,665
Average daily production (boe/d)	2,666	2,518	2,169	1,635	1,736	1,503	980	1,144

The Company's oil and natural gas sales have increased 80% in 2023 when compared to 2022 due to increased production in its existing assets and good commodity 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 April 28, 2024 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	1,200,000	CAD$ 0.05	April 13, 2030
Stock options	5,150,002	GBP 0.07625	June 13, 2024 and 2025
Stock options	1,533,335	CAD$0.28	Dec. 9, 2024 and 2025
Stock options	833,334	CAD$0.26	Mar. 7, 2025 and 2026
Stock options	4,951,110	GBP 0.1675	June 21, 2024, 2025 and 2026
Stock options	466,666	GBP 0.1925	July 23, 2024, 2025 and 2026
Stock options	1,000,000	CAD $0.33	Mar. 21, 2025, 2026 and 2027

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 2023 and 2022, providing Arrow with the funds required to continue with its capital program for 2024.

During 2023, the Company drilled eleven wells (six at Rio Cravo, three at Carrizales Norte and two in Oso Pardo), which have increased overall production. To date, the Company has already drilled five wells in its Carrizales Norte field as part of its 2024 capital program, and expecting spudding of its first horizontal well in the following days. This confirms Arrow's commitment to increase production and shareholder value. The Company is able to support its 2024 capital program with current cash on hand and cash flow from operations.

CRITICAL ACCOUNTING ESTIMATES

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

Crude oil and natural gas assets - reserves estimates – Arrow retained independent third-party petroleum engineers to evaluate its crude oil and natural gas reserves, prepare an evaluation report, and report to the Reserves Committee of the Board of Directors. The process of estimating crude oil and natural gas reserves is subjective and involves a significant number of decisions and assumptions in evaluating available geological, geophysical, engineering and economic data. These estimates will change over time as additional data from ongoing development and production activities becomes available and as economic conditions affecting crude oil and natural gas prices and costs change. Reserves can be classified as proved, probable or possible with decreasing levels of likelihood that the reserves will be ultimately produced. Reserve estimates are a key input to the Company's depletion calculations and impairment tests. Property, plant and equipment within each area are depleted using the unit-of-production method based on proved and probable reserves using estimated future prices and costs. In addition, the costs subject to depletion include an estimate of future costs to be incurred in developing proved and probable reserves. A revision in reserve estimates or future development costs could result in the recognition of higher depletion charged to net income.

Under the IFRS, the carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the estimated recoverable amount is calculated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves. Exploration and evaluation ("E&E") assets will be allocated to the related CGU's to assess for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets (oil and natural gas interests in property, plant and equipment). An impairment loss is recognized in income if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Reserve, revenue, royalty and operating cost estimates and the timing of future cash flows are all critical components of the impairment test. Revisions of these estimates could result in a write-down of the carrying amount of crude oil and natural gas properties.

Decommissioning obligations – The Company recognizes the estimated fair value of the decommission liability in the period in which it is incurred and records a corresponding increase in the carrying value of the related asset. The future asset retirement obligation is an estimate based on the Company's ownership interest in wells and facilities and reflects estimated costs to complete the abandonment and reclamation as well as the estimated timing of the costs to be incurred in future periods. Estimates of the costs associated with abandonment and reclamation activities require judgement concerning the method, timing and extent of future retirement activities. The capitalized amount is depleted on a unit-of-production method over the life of the proved and probable reserves. The liability amount is increased each reporting period due to the passage of time and this accretion amount is charged to earnings in the period, which is included as a financing expense. Actual costs incurred on settlement of the decommissioning liability are charged against the liability. Judgements affecting current and annual expense are subject to future revisions based on changes in technology, abandonment timing, costs, discount rates and the regulatory environment.

Income taxes – Arrow follows the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Current tax is the expect tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting period, and any adjustment to tax payable in respect to previous periods. Tax interpretations and legislation in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty and interpretations can impact net income through current tax arising from the changes in the deferred income tax asset and liabilities.

Provisions and contingencies - The Company recognizes provisions based on an assessment of its obligations and available information. Any matters not included as provisions are uncertain in nature and cannot be reasonably estimated. The Company makes assumptions to determine whether obligations exist and to estimate the amount of obligations that we believe exist. In estimating the final outcome of litigation, assumptions are made about factors including experience with similar matters, past history, precedents, relevant financial, scientific, and other evidence and facts specific to the matter. This determines whether a provision or disclosure in the financial statements is needed.

SUMMARY OF MATERIAL ACCOUNTING POLICIES

A summary of the Company's material accounting policies is included in note 3 of the Annual Financial Statements. These accounting policies are consistent with those of the previous financial year as described in Note 3 of the Annual Financial Statements.

DERIVATIVE COMMODITY CONTRACTS

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to commodity price, credit and foreign exchange risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical. During 2023, the Company did not have any financial derivative contract in order to manage commodity price risks.

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. A summary of certain risk factors relating to our business are disclosed below.

Unstable Oil and Gas Industry

Recent market events and conditions, constant changes oil and natural gas supply, actions taken by the Organization of Petroleum Exporting Countries (OPEC), slowing growth in China and other emerging economies, market volatility and disruptions in Asia, and sovereign debt levels in various countries, have caused significant weakness and volatility in commodity prices. These events and conditions have caused a significant volatility in the valuation of oil and gas companies and a variable confidence in the oil and gas industry. Lower commodity prices may also affect the volume and value of the Company's reserves especially as certain reserves become uneconomic. In addition, in a low commodity prices environment might affect the Company's cash flow. As a result, the Company may not be able to replace its production with additional reserves and both the Company's production and reserves could be reduced on a year over year basis. Given the current market conditions, the Company may have difficulty raising additional funds or if it is able to do so, it may be on unfavourable and highly dilutive terms.

Prices, Markets and Marketing of Crude Oil and Natural Gas

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of Arrow. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the volume of Arrow's oil and gas reserves. Arrow might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Arrow's future net production revenue, causing a reduction in its oil and gas acquisition and development activities.

In addition to establishing markets for its oil and natural gas, Arrow must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by Arrow will be affected by numerous factors beyond its control. Arrow will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by Arrow. The ability of Arrow to market its natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. Arrow will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

Substantial Capital Requirements; Liquidity

Arrow's cash flow from its production and sales of petroleum and natural gas may not, at all times be sufficient to fund its ongoing activities. From time to time, Arrow may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause Arrow to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If Arrow's revenues from its production of petroleum and natural gas decrease as a result of lower oil and natural gas prices or otherwise, it may affect Arrow's ability to expend the necessary capital to replace its reserves or to maintain its production. If Arrow's funds from operations are not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional financing will be available to meet these requirements or available on terms acceptable to Arrow.

Arrow's lenders will be provided with security over substantially all of the assets of Arrow. If Arrow becomes unable to pay its debt service charges or otherwise commits an event of default, such as bankruptcy, these lenders may foreclose on or sell Arrow's properties. The proceeds of any such sale would be applied to satisfy amounts owed to Arrow's lenders and other creditors and only the remainder, if any, would be available to Arrow shareholders. Arrow monitors and updates its cash projection models on a regular basis which assists in the timing decision of capital expenditures. Farm-outs of projects may be arranged if capital constraints are an issue or if the risk profile dictates that the Company wishes to hold a lesser working interest position. Equity, if available and if on reasonable terms, may be utilized to help fund Arrow's capital program.

Access to Capital

Access to capital has become limited during these times of economic uncertainty. To the extent the external sources of capital become limited or unavailable. Arrow's ability to make the necessary capital investments to maintain or expand oil and gas reserves may be impaired.

Risks of Foreign Operations Generally

Most of Arrow's oil and gas properties and operations are located in a foreign jurisdiction. As such, Arrow's operations may be adversely affected by changes in foreign government policies and legislation or social instability and other factors which are not within the control of Arrow, including, but not limited to, nationalization, expropriation of property without fair compensation, renegotiation or nullification of existing concessions and contracts, the imposition of specific drilling obligations and the development and abandonment of fields, changes in energy policies or the personnel administering them, changes in oil and natural gas pricing policies, the actions of national labour unions, currency fluctuations and devaluations, exchange controls, economic sanctions and royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which Arrow's operations are conducted, as well as risks of loss due to civil strife, acts of war, terrorism, guerrilla activities and insurrections. Arrow's operations may also be adversely affected by laws and policies of Colombia and Canada affecting foreign trade, taxation and investment. If Arrow's operations are disrupted and/or the economic integrity of its projects is threatened for unexpected reasons, its business may be harmed. Prolonged problems may threaten the commercial viability of its operations. In addition, there can be no assurance that contracts, licenses, license applications or other legal arrangements will not be adversely affected by changes in governments in foreign jurisdictions, the actions of government authorities or others, or the effectiveness and enforcement of such arrangements. In the event of a dispute arising in connection with Arrow's operations in Colombia, Arrow may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. Arrow may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, Arrow's exploration, development and production activities in Colombia could be substantially affected by factors beyond the Company's control, any of which could have a material adverse effect on Arrow. Acquiring interests and conducting exploration and development operations in foreign jurisdictions often require compliance with numerous and extensive procedures and formalities. These procedures and formalities may result in unexpected or lengthy delays in commencing important business activities. In some cases, failure to follow such formalities or obtain relevant evidence may call into question the validity of the entity or the actions taken. Management is unable to predict the effect of additional corporate and regulatory formalities which may be adopted in the future including whether any such laws or regulations would materially increase Arrow's cost of doing business or affect its operations in any area. Arrow believes that management's experience operating both in Colombia and in other international jurisdictions helps reduce these risks. In Colombia, the government has a long history of democracy and an established legal framework that, in Arrow's opinion, minimizes political risks.

Social risks

The Company's activities are subject to social risks, including protests or blockades by groups located near some of the Company's operations. Despite the fact that the Company is committed to operating in a socially responsible manner, the Company may face opposition from local communities and non-governmental organizations with respect to its current and future projects, which could adversely affect the Company's business, results of operations and financial condition. No certainty can be given that the Company will be able to reach an agreement with the different communities or special interest groups, such as environmentalists and ethnic communities. Reaching such an agreement may also incur unanticipated costs. The Company could also be exposed to similar delays due to opposition from local communities in other countries where the Company carries out its activities.

Russia-Ukraine Conflict

On February 24, 2022, Russian military forces launched a full-scale military invasion of Ukraine. In response, Ukrainian military personal and civilians are actively resisting the invasion. Many countries throughout the world have provided aid to the Ukraine in the form of financial aid and in some cases military equipment and weapons to assist in their resistance to the Russian invasion. The North Atlantic Treaty Organization ("NATO") has also mobilized forces to NATO member countries that are close to the conflict as deterrence to further Russian aggression in the region. The outcome of the conflict is uncertain and is likely to have wide ranging consequences on the peace and stability of the region and the world economy. Certain countries including Canada and the United States, have imposed strict financial and trade sanctions against Russia and such sanctions may have far reaching effects on the global economy. In addition, the German government paused the certification process for the 1,200 km Nord Stream 2 natural gas pipeline that was built to carry natural gas from Russia to Germany. As Russia is a major exporter of oil and natural gas, the disruption of supplies of oil and natural gas from Russia could cause a significant worldwide supply shortage of oil and natural gas and significantly impact pricing of oil and gas worldwide. A lack of supply and high prices of oil and natural gas could have a significant adverse impact on the world economy. The long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain.

Alternatives to/Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices will reduce the demand for crude oil, natural gas and other liquid hydrocarbons. The Company cannot predict the impact of changing demand for oil and natural gas products and any major changes would have a material adverse effect on the Company's business, financial condition, results of operations and cash flow.

Exploration, Development and Production Risks

Oil and natural gas exploration involves a high degree of risk, for which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that expenditures made on future exploration by Arrow will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressured zones, tools lost in the hole and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

The long-term commercial success of Arrow will depend on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that Arrow will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Arrow may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and natural reservoir performance declines cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition. Arrow attempts to minimize exploration, development and production risks by utilizing a technical team with extensive experience to assure the highest probability of success in its drilling efforts. The collaboration of a team of seasoned veterans in the oil and gas business, each with a unique expertise in the various upstream to downstream technical disciplines of prospect generation to operations, provides the best assurance of competency, risk management and drilling success. A full cycle economic model is utilized to evaluate all hydrocarbon prospects. Detailed geological and geophysical techniques are regularly employed including 3D seismic, petrography, sedimentology, petrophysical log analysis and regional geological evaluation.

Governmental Regulation

The oil and gas business is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possible expropriation or cancellation of contract rights, as well as with respect to prices, taxes, export quotas, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for oil and natural gas, increase Arrow's costs and have a material adverse effect on Arrow.

Global Pandemic

Arrow's business, financial condition and results of operations could be materially and adversely affected by the outbreak of epidemics, pandemics and other public health crises in geographic areas in which we have operations, suppliers, customers or employees. The past COVID-19 pandemic, and actions that may be taken by governmental authorities in response thereto, has resulted, and may continue to result in, among other things: increased volatility in financial markets and foreign currency exchange rates; disruptions to global supply chains; labour shortages; reductions in trade volumes; temporary operational restrictions and restrictions on gatherings greater than a certain number of individuals, shelter-in-place declarations and quarantine orders, business closures and travel bans; an overall slowdown in the global economy; political and economic instability; and civil unrest. A prolonged period of affected demand for, and prices of, these commodities, and any applicable storage constraints, could also result in us voluntarily curtailing or shutting in production and a decrease in our refined product volumes and refinery utilization rates, which could adversely impact our business, financial condition and results of operations. Arrow is also subject to risks relating to the health and safety of our people, as well as the potential for a slowdown or temporary suspension of our operations in locations impacted by an outbreak, increased labour and fuel costs, and regulatory changes. Such a suspension in operations could also be mandated by governmental authorities in response to a pandemic. This could negatively impact Arrow's production volumes and revenues for a sustained period of time, which would adversely impact our business, financial condition and results of operations.

Credit Exposure

Recent economic conditions have increased the risk that certain counterparties for the Company's oil and gas sales and our joint venture partners may fail to pay. Arrow mitigates these increased risks through diversification and a review process of the credit worthiness of our counterparties. Arrow's policy to mitigate credit risk associated with product sales is to maintain marketing relationships with large, established and reputable purchasers that are considered creditworthy. Arrow has not experienced any collection issues with its petroleum and natural gas marketers. Joint venture receivables are typically collected within two to three months of the joint venture bill being issued to the partner. Arrow attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital and operating expenditures prior to expenditure and in certain circumstances may require cash deposits in advance of incurring financial obligations on behalf of joint venture partners.

Health, Safety and Environment

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial/state and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge.

There are potential risks to the environment inherent in the business activities of the Company. Arrow has developed and implemented policies and procedures to mitigate health, safety and environment (HS&E) risks. Arrow mitigates HS&E risks by maintaining its wells and complying with all regulations. Regular field inspections are also carried out to ensure that all field personnel and third party contractors comply with all company and regulatory guidelines. An action plan has been developed to ensure inactive wells are suspended properly and abandoned in a timely fashion. The above noted policies and procedures are designed to protect and maintain the environment and to ensure that the employees, contractors, subcontractors and the public at large are kept safe at all times.

Foreign Exchange and Currency Risks

The Company is exposed to foreign exchange and currency risk as a result of fluctuations in exchange rates between Colombian peso and the Canadian dollar. Most of the Corporation's revenues and funds from financing activities are expected to be received in reference to US dollar denominated prices while a portion of its operating, capital, and general and administrative costs are denominated in the Colombian peso and the Canadian dollar.

Competition

Arrow actively competes for reserve acquisitions, exploration leases, licenses and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial and personnel resources than Arrow. Arrow's competitors include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators.

Certain of Arrow's customers and potential customers are themselves exploring for oil and natural gas, and the results of such exploration efforts could affect Arrow's ability to sell or supply oil or gas to these customers in the future. Arrow's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Climate Change

There is growing international concern regarding climate change and there has been a significant increase in focus on the timing and pace of the transition to a lower-carbon economy. Governments, financial institutions, insurance companies, environmental and governance organizations, institutional investors, social and environmental activists, and individuals, are increasingly seeking to implement, among other things, regulatory and policy changes, changes in investment patterns, and modifications in energy consumption habits and trends which, individually and collectively are intended to or have the effect of accelerating the reduction in the global consumption of carbon based energy, the conversion of energy usage to less carbon-intensive forms and the general migration of energy usage away from carbon-based forms of energy. Climate change and its associated impacts may increase the Company's exposure to, and magnitude of, each of the risks identified in this MD&A. Overall, the Company is not able to estimate at this time the degree to which climate change related regulatory, climatic conditions, and climate-related transition risks could impact the Company's financial and operating results. The Company's business, financial condition, results of operations, cash flows, reputation, access to capital, access to insurance, cost of borrowing, access to liquidity and ability to fund business plans may, in particular, without limitation, be adversely impacted as a result of climate change and its associated impacts.

Social License to Operate

Heightened public monitoring and regulation of hydrocarbon resource producers, refiners, distributors and commercial/retail sellers, especially where their activities carry the potential for having negative impacts on communities and the environment, involves varying degrees of risk to the Company's reputation, relations with landowners and regulators, and in extreme cases even the ability to operate. Arrow maintains an active website that complies with Exchange requirements for timely disclosure and together with its press releases and other SEDAR filings, is the primary means of communicating to the general public.

While media attention and public perception remains largely beyond the control of Arrow's executive, employees, contractors and directors, the Company makes every effort in its corporate and field operations to engage all stakeholders in a respectful and transparent manner.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The CEO and CFO, along with participation from other members of management, are responsible for establishing and maintaining adequate Internal Control over Financial Reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial statements prepared in accordance with IFRS. The Company's CEO and CFO, with support of management have assessed the design and operating effectiveness of the Corporation's ICFR as at December 31, 2023 based on criteria described in "Internal Control - Integrated Framework" issued in 2013 by the Committee of Sponsoring Organization of the Treadway Commission. Based on this assessment, it was concluded that the design and operation of the Corporation's ICFR are effective as at December 31, 2023. During the three months ended December 31, 2023, there has been no change in the Corporation's ICFR that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.