

# **ARROW EXPLORATION CORP.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2024 AND 2023  
IN UNITED STATES DOLLARS  
(UNAUDITED)**



**Notice of No Auditor Review of the Interim Condensed Consolidated Financial Statements  
as at and for the three months ended March 31, 2024**

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**Arrow Exploration Corp.**  
**Interim Consolidated Statements of Financial Position**  
**In United States Dollars**  
**(Unaudited)**

As at	Notes	March 31, 2024	December 31, 2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 11,606,342	\$ 12,135,376
Restricted cash and deposits	3	273,274	611,753
Trade and other receivables	4	3,237,382	3,536,936
Taxes receivable	5	4,819,478	4,655,399
Deposits and prepaid expenses		350,365	197,402
Inventory		492,240	492,332
		<b>20,779,081</b>	<b>21,629,198</b>
<b>Non-current assets</b>			
Deferred income taxes		2,157,575	2,031,383
Restricted cash and deposits	3	237,814	243,081
Exploration and evaluation assets	6	578,082	-
Property and equipment	7	40,827,388	38,371,361
<b>Total Assets</b>		<b>\$ 64,579,940</b>	<b>\$ 62,275,023</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 6,698,702	\$ 9,747,906
Lease obligation	8	108,583	103,674
Income taxes		4,450,967	3,108,504
		<b>11,258,252</b>	<b>12,960,084</b>
<b>Non-current liabilities</b>			
Lease obligations	8	193,136	216,919
Other liabilities		345,528	345,528
Deferred income taxes		3,855,953	3,269,894
Decommissioning liability	9	4,282,861	3,973,075
<b>Total liabilities</b>		<b>19,935,730</b>	<b>20,765,500</b>
<b>Shareholders' equity</b>			
Share capital	11	73,829,795	73,829,795
Contributed surplus		2,263,223	2,161,945
Deficit		(30,769,168)	(33,945,895)
Accumulated other comprehensive loss		(679,640)	(536,322)
<b>Total shareholders' equity</b>		<b>44,644,210</b>	<b>41,509,523</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 64,579,940</b>	<b>\$ 62,275,023</b>

**Commitments and contingencies (Note 12)**

The accompanying notes are an integral part of these interim consolidated financial statements.

On behalf of the Board:

signed "Gage Jull" Director  
Gage Jull

signed "Ian Langley" Director  
Ian Langley

**Arrow Exploration Corp.**  
**Interim Condensed Consolidated Statements of Operations and Comprehensive Income**  
**In United States Dollars**  
**(Unaudited)**

For the three months ended March 31,	Notes	2024	2023
<b>Revenue</b>			
Oil and natural gas	14	\$ 16,393,642	\$ 7,964,857
Royalties	14	(1,988,721)	(971,997)
Total oil and natural gas revenue, net of royalties		14,404,921	6,992,860
<b>Expenses</b>			
Operating		2,069,011	1,117,590
Administrative		2,681,922	1,619,470
Share-based compensation expense	11	101,278	132,240
Financing costs:			
Accretion	9	37,376	29,156
Interest	8	9,769	60,887
Other		199,065	45,682
Foreign exchange (gain) loss		(288,739)	(40,816)
Depletion and depreciation	7	3,531,772	2,454,364
Gain on derivative liability	10	-	(1,354,275)
Other expenses (income)		(78,412)	(61,173)
Total expenses, net		8,263,042	4,003,125
<b>Income before income tax</b>		<b>6,141,879</b>	<b>2,989,735</b>
<b>Income tax expense</b>			
Current	14	2,505,285	-
Deferred	14	459,867	-
		2,965,152	-
<b>Net income</b>		<b>3,176,727</b>	<b>2,989,735</b>
<b>Other comprehensive income (loss)</b>			
Foreign exchange		(143,318)	(18,420)
<b>Total other comprehensive income (loss)</b>		<b>(143,318)</b>	<b>(18,420)</b>
<b>Total comprehensive income</b>		<b>\$ 3,033,409</b>	<b>\$ 2,971,315</b>
<b>Net income per share:</b>			
Basic		\$ 0.01	\$ 0.01
Diluted		\$ 0.01	\$ 0.01
<b>Weighted average shares outstanding</b>			
Basic		285,864,348	222,717,847
Diluted		292,791,385	288,639,348

The accompanying notes are an integral part of these consolidated financial statements.

**Arrow Exploration Corp.**  
**Interim Condensed Statements of Changes in Shareholders' Equity**  
**In United States Dollars**  
**(Unaudited)**

	Share Capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total Equity
Balance January 1, 2024	\$ 73,829,795	\$ 2,161,945	\$ (536,322)	\$ (33,945,895)	\$ 41,509,523
Net income for the period	-	-	-	3,176,727	3,176,727
Other comprehensive income	-	-	(143,318)	-	(143,318)
Total comprehensive income	-	-	(143,318)	3,176,727	3,033,409
Share-based compensation	-	101,278	-	-	101,278
Balance March 31, 2024	\$ 73,829,795	\$ 2,263,223	\$ (679,640)	\$ (30,769,168)	\$ 44,644,210

	Share Capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total Equity
Balance January 1, 2023	\$ 57,810,735	\$ 1,570,491	\$ (645,372)	\$ (32,839,282)	\$ 25,896,572
Net income for the period	-	-	-	2,989,735	2,989,735
Other comprehensive loss	-	-	(18,420)	-	(18,420)
Total comprehensive income	-	-	(18,420)	2,989,735	2,971,315
Issuances of common shares, net	2,635,484	-	-	-	2,635,484
Share-based compensation	-	132,240	-	-	132,240
Balance March 31, 2023	\$ 60,446,219	\$ 1,702,731	\$ (663,792)	\$ (29,849,547)	\$ 31,635,611

The accompanying notes are an integral part of these consolidated financial statements.

**Arrow Exploration Corp.**  
**Interim Condensed Consolidated Statements of Cash Flows**  
**In United States Dollars**  
**(Unaudited)**

<b>For the three months ended March 31,</b>	<b>2024</b>	<b>2023</b>
<b>Cash flows provided by operating activities:</b>		
Net income	\$ 3,176,727	\$ 2,989,735
Items not involving cash:		
Deferred taxes	459,867	-
Share-based compensation	11      101,278	132,240
Depletion and depreciation	7      3,531,772	2,454,364
Interest on leases	8      9,769	1,596
Interest on promissory note	-	60,887
Accretion	9      37,376	29,156
Unrealized foreign exchange loss	(35,877)	(73,101)
Gain on derivative liability	10      -	(1,354,275)
Payment of asset decommissioning obligations	9      (70,229)	-
Changes in non-cash working capital balances:		
Restricted cash and deposits	343,746	(12,266)
Trade and other receivables	299,554	1,704,944
Taxes receivable	(164,078)	(602,369)
Deposits and prepaid expenses	(152,963)	(113,612)
Inventory	92	(117,798)
Income tax payable	1,342,465	(2,482,665)
Accounts payable and accrued liabilities	(297,211)	(236,642)
Cash provided by operating activities	<b>8,582,288</b>	<b>2,380,195</b>
<b>Cash flows used in investing activities:</b>		
Additions to exploration and evaluation assets	6      (578,082)	(972,692)
Additions to property and equipment	7      (5,703,246)	(3,299,001)
Changes in non-cash working capital	(2,751,994)	(11,916)
Cash flows used in investing activities	<b>(9,033,322)</b>	<b>(4,283,609)</b>
<b>Cash flows provided by (used in) financing activities:</b>		
Issuances of common shares	11      -	1,147,827
Lease payments	8      (20,486)	(11,586)
Cash flows provided by (used in) financing activities	<b>(20,486)</b>	<b>1,136,241</b>
Effect of changes in the exchange rate on cash	(57,514)	60,628
<b>(Decrease) increase in cash</b>	<b>(529,034)</b>	<b>(706,545)</b>
Cash, beginning of period	12,135,377	13,060,969
<b>Cash, end of period</b>	<b>11,606,342</b>	<b>12,354,424</b>
<b>Supplemental information</b>		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

**Arrow Exploration Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**In United States Dollars**  
**(Unaudited)**

**March 31, 2024**

**1. Corporate Information**

Arrow Exploration Corp. (“Arrow” or “the Company”) is a public junior oil and gas company engaged in the acquisition, exploration and development of oil and gas properties in Colombia and in Western Canada. The Company’s shares trade on the TSX Venture Exchange and the AIM Market of the London Stock Exchange plc under the symbol AXL. The head office of Arrow is located at 203, 2303 – 4th Street SW, Calgary, Alberta, Canada, T2S 2S7 and the registered office is located at 600, 815 8th Avenue SW, Calgary, Alberta, Canada, T2P 3P2.

**2. Basis of Presentation**

**Statement of compliance**

These interim condensed consolidated financial statements (the “Financial Statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting. These Financial Statements were authorized for issue by the board of directors of the Company on May 29, 2024. They do not contain all disclosures required by International Financial Reporting Standards (“IFRS”) for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements as at December 31, 2023.

These Financial Statements have been prepared on the historical cost basis, except for financial assets and liabilities recorded in accordance with IFRS 9. The Financial Statements have been prepared using the same accounting policies and methods as the consolidated financial statements for the year ended December 31, 2023, except for the adoption of new accounting standards effective January 1, 2024. In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2023.

**Adoption of New Accounting Standards**

The Company adopted amendments to IAS 1 Presentation of Financial Statements, issued by the IASB, related to the presentation of liabilities as current or non-current and classification and disclosure of liabilities with covenants. These amendments were adopted by the Company from January 1, 2024 but they did not have a material impact on the interim consolidated financial statements.

**3. Restricted Cash and deposits**

	March 31, 2024	December 31, 2023
Colombia (i)	\$ 311,082	\$ 312,530
Canada (ii)	200,006	542,304
Sub-total	511,088	854,834
Long-term portion	(237,814)	(243,081)
Current portion of restricted cash and deposits	\$ 273,274	\$ 611,753

(i) This balance is comprised of a deposit held as collateral to guarantee abandonment expenditures related to the Tapir and Santa Isabel blocks.

(ii) During Q1 2024, the Company was able to recover its \$337,031 (CAD \$445,749) deposit related to the Company’s liability rating management (“LMR”). This deposit was held by a Canadian chartered bank with interest paid to the Company on

**Arrow Exploration Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
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**March 31, 2024**

*a monthly basis based on the bank's deposit rate. The remaining \$200,006 (2023: \$205,273) pertain to commercial deposits with customers, lease and other deposits held in Canada.*

**4. Trade and other receivables**

	<b>March 31, 2024</b>	December 31, 2023
Trade receivables, net of advances	\$ 2,394,419	\$ 2,238,918
Other accounts receivable	<u>842,963</u>	<u>1,298,018</u>
	<u>\$ 3,237,382</u>	<u>\$ 3,536,936</u>

As at March 31, 2024, other accounts receivable include \$680,976 (December 31, 2023 – \$682,197) receivable from on demand loans with executives and directors.

**5. Taxes receivable**

	<b>March 31, 2024</b>	December 31, 2023
Value-added tax (VAT) credits recoverable	\$ 2,087,691	\$ 1,703,260
Income tax withholdings and advances, net	<u>2,731,787</u>	<u>2,952,139</u>
	<u>\$ 4,819,478</u>	<u>\$ 4,655,399</u>

The VAT recoverable balance pertains to non-compensated value-added tax credits originated in Colombia as operational and capital expenditures are incurred. The Company is entitled to compensate or claim for the reimbursement of these VAT credits.

**6. Exploration and Evaluation**

	<b>March 31, 2024</b>	December 31, 2023
Balance, beginning of the period	\$ -	\$ -
Additions, net	578,082	3,212,808
Reclassification to Property and Equipment (Note 8)	<u>-</u>	<u>(3,212,808)</u>
Balance, end of the period	<u>\$ 578,082</u>	<u>\$ -</u>

During 2023, the Company incurred in geological and geophysical costs in its Carrizales Norte prospect located in its Tapir block, and determined the technical feasibility and commercial viability of these assets, transferring \$3,212,808 to its property and equipment. An impairment test on these assets was prepared and no losses were identified as a result of such tests.



**Arrow Exploration Corp.**  
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**7. Property and Equipment**

<b>Cost</b>	<b>Oil and Gas Properties</b>	<b>Right of Use and Other Assets</b>	<b>Total</b>
Balance, December 31, 2022	\$ 47,545,026	\$ 234,156	\$ 47,779,182
Additions	23,907,357	310,061	24,217,418
Dispositions	(111,151)	-	(111,151)
Transfers from exploration and evaluation assets	3,212,808	-	3,212,808
Decommissioning adjustment	738,825	-	738,825
Balance, December 31, 2023	\$ 75,292,865	\$ 544,217	\$ 75,837,082
Additions	5,703,481	-	5,703,481
Decommissioning adjustment	368,679	-	368,679
Balance, March 31, 2024	\$ 81,365,025	\$ 544,217	\$ 81,909,242

**Accumulated depletion and depreciation and impairment**

Balance, December 31, 2022	\$ 13,153,709	\$ 161,236	\$ 13,314,945
Depletion and depreciation	12,120,871	65,906	12,186,777
Impairment loss of oil and gas properties	11,799,740	-	11,799,740
Balance, December 31, 2023	\$ 37,074,320	\$ 227,142	\$ 37,301,462
Depletion and depreciation	3,503,305	28,267	3,531,772
Balance, March 31, 2024	\$ 40,577,825	\$ 255,409	\$ 40,833,234

**Foreign exchange**

Balance December 31, 2022	\$ (249,908)	\$ (8,719)	\$ (258,627)
Effects of movements in foreign exchange rates	88,671	5,697	94,368
Balance December 31, 2023	\$ (161,237)	\$ (3,022)	\$ (164,259)
Effects of movements in foreign exchange rates	(76,781)	(7,580)	(84,361)
Balance March 31, 2024	\$ (238,018)	\$ (10,602)	\$ (248,620)

**Net Book Value**

Balance December 31, 2023	\$ 38,057,308	\$ 314,053	\$ 37,371,361
Balance March 31, 2024	\$ 40,459,183	\$ 278,206	\$ 40,827,388

**Canada**

As at December 31, 2023, the Company determined there were indicators of impairment in its Canada CGU, mainly due to decreases in forward gas prices and revision of reserves, and prepared estimates of its fair value less costs of disposal of its Canada CGU. It was determined that carrying value of its Canada CGU exceeded its recoverable amount and, therefore, an impairment loss of \$1,248,400 was included in the consolidated statements of operations and comprehensive (loss) income for the three months and year ended December 31, 2023.

**Colombia**

During 2023, the Agencia Nacional de Hidrocarburos ("ANH") approved the suspension of the obligations and operations of the OMBU contract due to *force majeure* circumstances generated by the blockades and social unrest around the Capella field. The suspension was for an initial term of three months and has been extended until August 2024. At December 31, 2023, the Company determined there were indicators of impairment in the Capella CGU based on updates from the operator once access to the field was restored in late 2023 causing

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**Notes to the Interim Condensed Consolidated Financial Statements**  
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**March 31, 2024**

uncertainty in timing and resources required to resume operations, as well as the extent of which operations may be able to be resumed. The Company has recorded an impairment loss of \$10,551,340 corresponding to the full carrying value of the Capella CGU as at December 31, 2023.

**8. Lease Obligations**

A reconciliation of the discounted lease obligation is set forth below:

	<b>2024</b>	<b>2023</b>
Obligation, beginning of the year	<b>320,593</b>	\$ 63,751
Additions	-	302,930
Lease payments	<b>(20,486)</b>	(74,211)
Interest	<b>9,769</b>	22,011
Effects of movements in foreign exchange rates	<b>(8,157)</b>	6,112
Obligation, end of the year	<b>301,719</b>	320,593
Current portion	<b>(108,583)</b>	(103,674)
Long-term portion	<b>193,316</b>	216,919

As at March 31, 2024, the Company has the following future lease obligations:

Less than one year	<b>108,771</b>
2 – 5 years	<b>291,186</b>
Total lease payments	<b>399,957</b>
Amounts representing interest over the term	<b>(98,238)</b>
Present value of the net obligation	<b>301,719</b>

**9. Decommissioning Liability**

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the decommissioning of oil and gas properties:

	<b>December 31, 2023</b>	<b>December 31, 2023</b>
Obligation, beginning of the year	<b>3,973,075</b>	\$ 3,303,301
Additions	<b>368,679</b>	1,000,889
Change in estimated cash flows	-	(262,066)
Payments or settlements	<b>(70,229)</b>	(19,545)
Dispositions	-	(191,081)
Accretion expense	<b>37,376</b>	127,478
Effects of movements in foreign exchange rates	<b>(26,040)</b>	14,099
Obligation, end of the year	<b>4,282,861</b>	3,973,075

The obligation was calculated using a risk-free discount rate range of 1.25% to 4.50% in Canada (2023: 1.25% to 4.50%) and between 4.00% and 4.29% in Colombia (2022: 4.00% and 4.29%) with an inflation rate of 2.5% and 2.6%, respectively (2023: 2.5% and 2.6%). The majority of costs are expected to occur between 2024 and 2038.

**Arrow Exploration Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
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The undiscounted amount of cash flows, required over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated at \$6,092,913 (2023: \$5,686,938).

**10. Derivative liability**

Derivative liability includes warrants issued and outstanding as follows:

	March 31, 2024		December 31, 2023	
	Number	Amounts	Number	Amounts
<b>Warrants</b>				
Balance beginning of the period	-	\$ -	67,837,418	\$ 9,540,423
Exercised	-	-	(67,462,418)	(8,539,257)
Expired	-	-	(375,000)	(50,589)
Fair value adjustment	-	-	-	(1,041,992)
Foreign exchange	-	-	-	91,415
Balance end of the period	-	\$ -	-	\$ -

There are no warrants outstanding nor exercisable at March 31, 2024 or December 31, 2023.

**11. Share Capital**

(a) Authorized: Unlimited number of common shares without par value

(b) Issued:

	March 31, 2024		December 31, 2023	
	Shares	Amounts	Shares	Amounts
<b>Common shares</b>				
Balance beginning of the period	285,864,348	73,829,795	218,401,931	57,810,735
Issued from warrants exercised	-	-	67,462,417	16,019,060
Balance at end of the period	285,864,348	73,829,795	285,864,348	73,829,795

(b) Stock options:

The Company has a stock option plan that provides for the issuance to its directors, officers, employees and consultants options to purchase a number of non-transferable common shares not exceeding 10% of the common shares that are outstanding. The exercise price is based on the closing price of the Company's common shares on the day prior to the day of the grant. A summary of the Company stock option plan as at March 31, 2024 and December 31, 2023 and changes during the periods ended on those dates is presented below:

	March 31, 2024		December 31, 2023	
	Number of options	Weighted average exercise price (CAD \$)	Number of options	Weighted average exercise price (CAD \$)
<b>Stock Options</b>				
Beginning of period	20,531,668	\$0.24	20,590,000	\$0.18
Granted	-	-	1,650,000	\$0.27
Expired/Forfeited	-	-	(1,375,000)	\$0.12
Exercised	3,177,221	\$18.32	(333,332)	\$0.11
End of period	17,354,447	\$0.24	20,531,668	\$0.24
Exercisable, end of period	6,918,887	\$0.25	9,879,441	\$0.42

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**Notes to the Interim Condensed Consolidated Financial Statements**  
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<b>Date of Grant</b>	<b>Number Outstanding</b>	<b>Exercise Price (CAD \$)</b>	<b>Weighted Average Remaining Contractual Life</b>	<b>Date of Expiry</b>	<b>Number Exercisable March 31, 2024</b>
October 22, 2018	750,000	\$1.15		Oct. 22, 2028	750,000
May 3, 2019	270,000	\$0.31		May 3, 2029	270,000
March 20, 2020	1,200,000	\$0.05		Mar. 20, 2030	1,200,000
April 13, 2020	1,200,000	\$0.05		April 13, 2030	1,200,000
December 13, 2021	5,150,002	\$0.13		June 13, 2024 and 2025	2,166,666
June 9, 2022	1,533,335	\$0.28		Dec. 9, 2023, 2024 and 2025	-
September 7, 2022	833,334	\$0.26		Mar. 7, 2024, 2025 and 2026	-
December 21, 2022	4,951,110	\$0.28		June 21, 2024, 2025 and 2026	1,298,888
January 23, 2023	466,666	\$0.32		July 23, 2024, 2025 and 2026	33,333
September 21, 2023	1,000,000	\$0.33		Mar. 21, 2025, 2026 and 2027	-
<b>Total</b>	<b>17,354,447</b>	<b>\$0.23</b>	<b>2.05 years</b>		<b>6,918,887</b>

During the three months ended March 31, 2024, the Company recognized \$101,278 (2023: \$132,240) as share-based compensation expense, with a corresponding effect in the contributed surplus account.

**12. Commitments and Contingencies**

**Exploration and Production Contracts**

The Company has entered into a number of exploration contracts in Colombia which require the Company to fulfill work program commitments and issue financial guarantees related thereto. In aggregate, the Company has outstanding exploration commitments at March 31, 2024 of \$12 million. The Company has made an application to the ANH to mutually cancel its COR-39 contract. Presented below are the Company's exploration and production contractual commitments at December 31, 2023:

<b>Block</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>Thereafter</b>	<b>Total</b>
COR-39	-	12,000,000	-	12,000,000
<b>Total</b>	<b>-</b>	<b>12,000,000</b>	<b>-</b>	<b>12,000,000</b>

**Contingencies**

From time to time, the Company may be involved in litigation or has claims sought against it in the normal course of business operations. Management of the Company is not currently aware of any claims or actions that would materially affect the Company's reported financial position or results from operations. Under the terms of certain agreements and the Company's by-laws the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by the individuals as a result of their service.

**Letters of Credit**

At March 31, 2024, the Company had obligations under Letters of Credit ("LC's") outstanding totaling \$2.8 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.

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**Current Outstanding Letters of Credit**

<b>Contract</b>	<b>Beneficiary</b>	<b>Issuer</b>	<b>Type</b>	<b>Amount (US \$)</b>	<b>Renewal Date</b>
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
<b>Total</b>				<b>\$2,772,356</b>	

**13. Risk Management**

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.

(a) Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Lower commodity prices can also impact the Company's ability to raise capital. Commodity prices for crude oil are impacted by world economic events that dictate the levels of supply and demand. There were no derivative contracts during 2024 and 2023.

(b) Credit Risk

Credit risk reflects the risk of loss if counterparties do not fulfill their contractual obligations. The majority of the Company's account receivable balances relate to petroleum and natural gas sales. The Company's policy is to enter into agreements with customers that are well established and well financed entities in the oil and gas industry such that the level of risk is mitigated. In Colombia, a significant portion of the sales is with a producing company and a commodities trader under existing sale/offtake agreements with prepayment provisions and priced using the Brent benchmark. The Company's trade account receivables primarily relate to sales of crude oil and natural gas, which are normally collected within 25 days (in Canada) and up to 15 days (in Colombia) after the month of production.

Other accounts receivable mainly relate to balances owed by the Company's partner in one of its blocks, and are mainly recoverable through joint billings. The Company has historically not experienced any collection issues with its customers and partners.

(c) Market Risk

Market risk is comprised of two components: foreign currency exchange risk and interest rate risk.

i) Foreign Currency Exchange Risk

The Company operates on an international basis and therefore foreign exchange risk exposures arise from transactions denominated in currencies other than the United States dollar. The Company is exposed to foreign currency fluctuations as it holds cash and incurs expenditures in exploration and evaluation and administrative costs in foreign currencies. The Company incurs expenditures in Canadian dollars, United States dollars, British Pounds and the Colombian peso and is exposed to fluctuations in exchange rates in these currencies. There are no exchange rate contracts in place.

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ii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not currently exposed to interest rate risk.

(d) Liquidity Risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset.

The Company's approach to managing its liquidity risk is to ensure, within reasonable means, sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions, without incurring unacceptable losses or jeopardizing the Company's business objectives. The Company prepares annual capital expenditure budgets which are monitored regularly and updated as considered necessary. Petroleum and natural gas production is monitored daily to provide current cash flow estimates and the Company utilizes authorizations for expenditures on projects to manage capital expenditures. Any funding shortfall may be met in a number of ways, including, but not limited to, the issuance of new debt or equity instruments, further expenditure reductions and/or the introduction of joint venture partners.

(e) 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, bank debt (when available), promissory notes and working capital, defined as current assets less current liabilities. From time to time the Company may issue common shares or other securities, sell assets or adjust its capital spending to manage current and projected debt levels. The Company adjusts its capital structure based on its net debt level. Net debt is defined as the principal amount of its outstanding debt, less working capital items. The Company prepares annual budgets, which are updated as necessary including current and forecast crude oil prices, changes in capital structure, execution of the Company's business plan and general industry conditions. The annual budget is approved by the Board of Directors. The Company's capital includes the following:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Working capital	<u>\$ 9,520,829</u>	<u>\$ 8,669,114</u>

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**14. Segmented Information**

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The Company has two reportable operating segments: Colombia and Canada. The Company, through its operating segments, is engaged primarily in oil exploration, development and production, and the acquisition of oil and gas properties. The Canada segment is also considered the corporate segment. The following tables show information regarding the Company's segments for the three months ended and as at March 31:

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Three months ended March 31, 2024	Colombia	Canada	Total
<b>Revenue:</b>			
Oil Sales	\$ 16,067,291	\$ -	\$ 16,067,291
Natural gas and liquid sales	-	326,351	326,351
Royalties	(1,972,379)	(16,342)	(1,988,721)
Expenses	(5,586,708)	(2,676,335)	(8,263,042)
Income taxes	(2,965,152)	-	(2,965,152)
<b>Net income (loss)</b>	<b>\$ 5,543,052</b>	<b>\$ (2,366,326)</b>	<b>\$ 3,176,727</b>

As at March 31, 2024	Colombia	Canada	Total
<b>Current assets</b>	<b>\$ 17,668,035</b>	<b>\$ 3,111,046</b>	<b>\$ 20,779,081</b>
<b>Non-current:</b>			
Deferred income taxes	2,157,575	-	2,157,575
Restricted cash	37,808	200,006	237,814
Exploration and evaluation	578,082	-	578,082
Property, plant and equipment	38,083,385	2,744,003	40,827,388
<b>Total Assets</b>	<b>\$ 58,524,885</b>	<b>\$ 6,055,055</b>	<b>\$ 64,579,940</b>
<b>Current liabilities</b>	<b>\$ 9,414,634</b>	<b>\$ 1,843,618</b>	<b>\$ 11,258,252</b>
<b>Non-current liabilities:</b>			
Deferred income taxes	3,855,953	-	3,855,953
Other liabilities	345,528	-	345,528
Lease obligation	-	193,136	193,136
Decommissioning liability	3,708,821	574,040	4,282,861
<b>Total liabilities</b>	<b>\$ 17,234,936</b>	<b>\$ 2,610,794</b>	<b>\$ 19,935,730</b>

Three months ended March 31, 2023	Colombia	Canada	Total
<b>Revenue:</b>			
Oil Sales	\$ 7,473,836	\$ -	\$ 7,473,836
Natural gas and liquid sales	-	491,021	491,021
Royalties	(929,033)	(42,964)	(971,997)
Expenses	(3,190,316)	(812,809)	(4,003,125)
<b>Net income (loss)</b>	<b>\$ 3,354,487</b>	<b>\$ (364,752)</b>	<b>\$ 2,989,735</b>

As at March 31, 2023	Colombia	Canada	Total
<b>Current assets</b>	<b>\$ 14,119,230</b>	<b>\$ 1,815,983</b>	<b>\$ 15,935,213</b>
<b>Non-current:</b>			
Deferred income taxes	872,286	-	872,286
Restricted cash	37,808	573,888	611,696
Exploration and evaluation	972,692	-	972,692
Property, plant and equipment	30,678,708	4,649,349	35,328,057
<b>Total Assets</b>	<b>\$ 46,680,724</b>	<b>\$ 7,039,220</b>	<b>\$ 53,719,944</b>
<b>Current liabilities</b>	<b>\$ 3,755,781</b>	<b>\$ 9,559,718</b>	<b>\$ 13,315,499</b>
<b>Non-current liabilities:</b>			
Deferred income taxes	5,066,684	-	5,066,684
Other liabilities	80,484	-	80,484
Lease obligation	-	11,307	11,307
Decommissioning liability	2,869,359	741,000	3,610,359
<b>Total liabilities</b>	<b>\$ 13,189,670</b>	<b>\$ 14,104,006</b>	<b>\$ 22,084,333</b>