

ARROW EXPLORATION CORP.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2024**





MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") as provided by the management of Arrow Exploration Corp. ("Arrow" or the "Company"), is dated as of May 29, 2024 and should be read in conjunction with Arrow's interim condensed (unaudited) consolidated financial statements and related notes as at and for the three months ended March 31, 2024 and 2023. Additional information relating to Arrow, including its annual consolidated financial statements and related notes for the year ended December 31, 2023 and 2022 (the "Annual Financial Statements"), is available under Arrow's profile on www.sedar.com.

Advisories

Basis of Presentation

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and all amounts herein are expressed in United States dollars, unless otherwise noted, and all tabular amounts are expressed in United States dollars, unless otherwise noted. Additional information for the Company may be found on SEDAR at www.sedar.com.

Advisory Regarding Forward-Looking Statements

This MD&A contains certain statements or disclosures relating to Arrow that are based on the expectations of its management as well as assumptions made by and information currently available to Arrow which may constitute forward-looking statements or information ("forward-looking statements") under applicable securities laws. All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that Arrow anticipates or expects may, could or will occur in the future (in whole or in part) should be considered forward-looking statements. In some cases, forward-looking statements can be identified by the use of the words "believe", "continue", "could", "expect", "likely", "may", "outlook", "plan", "potential", "will", "would" and similar expressions. In particular, but without limiting the foregoing, this MD&A contains forward-looking statements pertaining to the following: the COVID-19 pandemic and its impact; tax liability; capital management strategy; capital structure; credit facilities and other debt; performance by Canacol (as defined herein) and the Company in connection with the Note (as defined herein) and letters of credit; Arrow's costless collar structure;; cost reduction initiatives; potential drilling on the Tapir block; capital requirements; expenditures associated with asset retirement obligations; future drilling activity and the development of the Rio Cravo Este structure on the Tapir Block. Statements relating to "reserves" and "resources" are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated and can be profitably produced in the future.

The forward-looking statements contained in this MD&A reflect several material factors and expectations and assumptions of Arrow including, without limitation: current and anticipated commodity prices and royalty regimes; the impact of the COVID-19 pandemic; the financial impact of Arrow's costless collar structure; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; commodity prices; the impact of increasing competition; general economic conditions; availability of drilling and related equipment; receipt of partner, regulatory and community approvals; royalty rates; changes in income tax laws or changes in tax laws and incentive programs; future operating costs; effects of regulation by governmental agencies; uninterrupted access to areas of Arrow's operations and infrastructure; recoverability of reserves; future production rates; timing of drilling and completion of wells; pipeline capacity; that Arrow will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that Arrow's conduct and results of operations will be consistent with its expectations; that Arrow will have the ability to develop its oil and gas properties in the manner currently contemplated; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated; that the estimates of Arrow's



reserves and production volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that Arrow will be able to obtain contract extensions or fulfil the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; and other matters.

Arrow believes the material factors, expectations and assumptions reflected in the forward-looking statements are reasonable at this time but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements including, without limitation: the impact of 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 March 31, 2024	Three months ended March 31, 2023
Net income	3,176,727	2,989,735
Add/(subtract):		
Share based payments	101,278	132,240
Financing costs:		
Accretion on decommissioning obligations	37,376	29,156
Interest	9,769	60,887
Other	199,065	45,682
Depreciation and depletion	3,531,772	2,454,364
Derivative loss	-	(1,354,275)
Income tax expense	2,965,152	-
Adjusted EBITDA ⁽¹⁾	10,021,139	4,357,790
Cash flows provided by operating activities	8,582,288	2,380,195
Minus - Changes in non-cash working capital balances:		
Trade and other receivables	(299,554)	(1,704,944)
Restricted cash	(343,746)	12,266
Taxes receivable	164,078	602,369
Deposits and prepaid expenses	152,963	113,612
Inventory	(92)	117,798
Accounts payable and accrued liabilities	297,211	2,482,665
Income tax payable	(1,342,465)	236,642
Funds flow from operations ⁽¹⁾	7,210,683	4,240,603

⁽¹⁾Non-IFRS measures

The term barrel of oil equivalent (“boe”) is used in this MD&A. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 thousand cubic feet (“Mcf”) of natural gas to one barrel of oil (“bbl”) is used in the MD&A. This conversion ratio of 6:1 is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.



FINANCIAL AND OPERATING HIGHLIGHTS

(in United States dollars, except as otherwise noted)	Three months ended March 31, 2024	Three months ended March 31, 2023
Total natural gas and crude oil revenues, net of royalties	14,404,921	6,992,860
Funds flow from operations ⁽¹⁾	7,210,683	4,240,603
Funds flow from operations ⁽¹⁾ per share –		
Basic(\$)	0.03	0.02
Diluted (\$)	0.02	0.01
Net income	3,176,727	2,989,735
Net income per share –		
Basic (\$)	0.01	0.01
Diluted (\$)	0.01	0.01
Adjusted EBITDA ⁽¹⁾	10,021,139	4,271,726
Weighted average shares outstanding –		
Basic (\$)	285,864,348	222,717,847
Diluted (\$)	292,791,385	288,639,348
Common shares end of period	285,864,348	228,979,841
Capital expenditures	6,281,328	4,271,693
Cash and cash equivalents	11,606,342	12,354,424
Current Assets	20,779,081	15,849,150
Current liabilities	11,258,252	13,315,499
Adjusted working capital ⁽¹⁾	9,520,829	9,325,680
Long-term portion of restricted cash ⁽²⁾	237,814	831,048
Total assets	64,579,940	53,719,944
Operating		
Natural gas and crude oil production, before royalties		
Natural gas (Mcf/d)	1,760	4,221
Natural gas liquids (bbl/d)	4	6
Crude oil (bbl/d)	2,432	434
Total (boe/d)	2,730	1,144
Operating netbacks (\$/boe) ⁽¹⁾		
Natural gas (\$/Mcf)	(\$0.14)	\$0.73
Crude oil (\$/bbl)	\$56.27	\$48.94
Total (\$/boe)	\$50.10	\$20.16

⁽¹⁾Non-IFRS measures – see “Non-IFRS Measures” section within this MD&A

⁽²⁾Long term restricted cash not included in working capital



The Company

Arrow is a junior oil and gas company engaged in the acquisition, exploration and development of oil and gas properties in Colombia and Western Canada. The Company's shares trade on the TSX Venture Exchange and the London AIM exchange under the symbol AXL.

The Company and Arrow Exploration Ltd. entered into an arrangement agreement dated June 1, 2018, as amended, whereby the parties completed a business combination pursuant to a plan of arrangement under the *Business Corporations Act (Alberta)* ("ABCA") on September 28, 2018. Arrow Exploration Ltd. and Front Range's then wholly-owned subsidiary, 2118295 Alberta Ltd., were amalgamated to form Arrow Holdings Ltd., a wholly-owned subsidiary of the Company (the "Arrangement"). On May 31, 2018, Arrow Exploration Ltd. entered in a share purchase agreement, as amended, with Canacol Energy Ltd. ("Canacol"), to acquire Canacol's Colombian oil properties held by its wholly-owned subsidiary Carrao Energy S.A. ("Carrao"). On September 27, 2018, Arrow Exploration Ltd. closed the agreement with Canacol.

On May 31, 2018, Arrow Exploration Ltd., entered into a purchase and sale agreement to acquire a 50% beneficial interest in a contract entered into with Ecopetrol S.A. pertaining to the exploration and production of hydrocarbons in the Tapir block from Samaria Exploration & Production S.A. ("Samaria"). On September 27, 2018, Arrow Exploration Ltd. closed the agreement with Samaria. As at 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.

¹The 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 km² and lies between the Putumayo and Llanos Basins. The primary reservoir target is the Upper Eocene aged Mirador formation. The Capella structure is a large, elongated northeast-southwest fault-related anticline, with approximately 17,500 acres in closure at the Mirador level. The field is located approximately 250 km away from the nearest offloading station at Neiva, where production from Capella is trucked.

The Capella No. 1 discovery well was drilled in July 2008 and was followed by a series of development wells. The Company earned a 10% working interest in the Ombu E&P Contract by paying 100% of all activities associated with the drilling, completion, and testing of the Capella No. 1 well. The Capella field is currently suspended and temporarily shut in.

Fir, Alberta

The Company has an average non-operated 32% WI in 12 gross (3.84 net) sections of oil and natural gas rights and 17 gross (4.5 net) producing natural gas wells at Fir. The wells produce raw natural gas into the Cecilia natural gas plant where it is processed.

Pepper, Alberta

The Company holds a 100% operated WI in 37 sections of Montney P&NG rights on its Pepper asset in West Central Alberta. The 6-26-53-23W5M Montney gas well (West Pepper) is tied into the Galloway gas plant for processing. The 3-21-52-22W5M Montney gas well (East Pepper) is currently tied into the Sundance gas plant for processing. The majority of lands have tenure extending into 2025.

Three Months Ended March 31, 2024 Financial and Operational Highlights

- Arrow recorded \$14,404,921 in revenues, net of royalties, on crude oil sales of 219,160 bbls, 395 bbls of natural gas liquids ("NGL's") and 160,119 Mcf of natural gas sales;
- Funds flow from operations of \$7,210,683;
- Net income of \$3,176,727 and adjusted EBITDA was \$10,021,139;
- Drilled four development wells at its Carrizales Norte field



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	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Oso Pardo	166	80	93	130	138	115
Ombu (Capella)	-	-	-	-	80	238
Rio Cravo Este (Tapir)	1,644	1,326	1,443	1,592	1,004	832
Carrizales Norte (Tapir)	622	621	642	57	-	-
Total Colombia	2,432	2,027	2,178	1,779	1,222	1,185
Fir, Alberta	78	80	81	77	74	79
Pepper, Alberta	220	228	259	313	340	472
TOTAL (Boe/d)	2,730	2,335	2,518	2,169	1,635	1,736

The Company's average production for the three months ended March 31, 2024 was 2,730 boe/d, which consisted of crude oil production in Colombia of 2,432 bbl/d, natural gas production of 1,760 Mcf/d, and minor amounts of natural gas liquids from the Company's Canadian properties. The Company's Q1 2024 production was 17% higher than its Q4 2023 production and 67% higher when compared to Q1 2023.

Average Daily Natural Gas and Oil Production and Sales Volumes

	Three months ended March 31	
	2024	2023
Natural Gas (Mcf/d)		
Natural gas production	1,760	2,459
Natural gas sales	1,760	2,459
Realized Contractual Natural Gas Sales	1,760	2,459
Crude Oil (bbl/d)		
Crude oil production	2,432	1,222
Inventory movements and other	3	(89)
Crude Oil Sales	2,435	1,133
Corporate		
Natural gas production (boe/d)	294	410
Natural gas liquids (bbl/d)	4	4
Crude oil production (bbl/d)	2,432	1,222
Total production (boe/d)	2,730	1,635
Inventory movements and other (boe/d)	3	(89)
Total Corporate Sales (boe/d)	2,733	1,546



During the three months ended March 31, 2024 the majority of production was attributed to Colombia, where most of Company's blocks were producing. In Canada, the Company has two operated and two non-operated properties located in the province of Alberta at Fir, Pepper, Harley and Wapiti.

Natural Gas and Oil Revenues

	Three months ended March 31	
	2024	2023
Natural Gas		
Natural gas revenues	\$ 300,224	\$ 467,876
NGL revenues	26,127	23,145
Royalties	(16,342)	(42,964)
Revenues, net of royalties	310,009	448,057
Oil		
Oil revenues	\$ 16,067,291	\$ 7,473,836
Royalties	(1,972,379)	(929,033)
Revenues, net of royalties	14,094,912	6,544,803
Corporate		
Natural gas revenues	\$ 300,224	\$ 467,876
NGL revenues	26,127	23,145
Oil revenues	16,067,291	7,473,836
Total revenues	16,393,642	7,964,857
Royalties	(1,988,721)	(971,997)
Natural gas and crude oil revenues, net of royalties, as reported	\$ 14,404,921	\$ 6,992,860

Natural gas and crude oil revenues, net of royalties, for the three months ended March 31, 2024 was \$14,404,921 (2023: \$6,992,860) which represents an increase of 106% when compared to the same 2023 period, and 7% higher than Q4 2023. These significant increases are mainly due to increased oil production in Colombia, offset by decrease in revenue in Canada.

Average Benchmark and Realized Prices

	Three months ended March 31		
	2024	2023	Change
Benchmark Prices			
AECO (\$/Mcf)	\$2.55	\$3.28	(22%)
Brent (\$/bbl)	\$84.67	\$79.21	7%
West Texas Intermediate (\$/bbl)	\$76.95	\$76.10	1%
Realized Prices			
Natural gas, net of transportation (\$/Mcf)	\$1.87	\$2.11	(11%)
Natural gas liquids (\$/bbl)	\$66.20	\$66.13	0%
Crude oil, net of transportation (\$/bbl)	\$73.31	\$73.31	0%
Corporate average, net of transport (\$/boe)	\$66.58	\$57.23	16%

(1) Non-IFRS measure



The Company realized prices of \$66.58 per boe during the three months ended March 31, 2024 (2023: \$57.23) due to small increases in oil prices during 2024, except for natural gas prices which decreased during this period.

Operating Expenses

	Three months ended March 31	
	2024	2023
Natural gas & NGL's	306,224	517,653
Crude oil	1,762,787	599,937
Total operating expenses	2,069,011	1,117,590
Natural gas (\$/Mcf)	\$1.91	\$2.34
Crude oil (\$/bbl)	\$8.04	\$5.88
Corporate (\$/boe)⁽¹⁾	\$8.40	\$8.03

⁽¹⁾Non-IFRS measure

During the three months ended March 31, 2024, Arrow incurred in operating expenses of \$2,069,011 (2023: \$1,117,590). This increase is mainly due to increase in production in the Company's Carrizales Norte field in the Tapir block and higher costs of producing heavier oil. The Company's corporate operating expense of \$8.40 per boe (2023: \$8.03) which is slightly higher than Q1 2023.

Operating Netbacks

	Three months ended March 31	
	2024	2023
Natural Gas (\$/Mcf)		
Revenue, net of transportation expense	\$1.87	\$2.11
Royalties	(\$0.10)	(0.19)
Operating expenses	(\$1.91)	(2.34)
Natural gas operating netback⁽¹⁾	(\$0.14)	(\$0.42)
Crude oil (\$/bbl)		
Revenue, net of transportation expense	\$73.31	\$73.31
Royalties	(\$9.00)	(9.11)
Operating expenses	(\$8.04)	(5.88)
Crude oil operating netback⁽¹⁾	\$56.27	\$58.31
Corporate (\$/boe)		
Revenue, net of transportation expense	\$66.58	\$57.23
Royalties	(\$8.08)	(6.98)
Operating expenses	(\$8.40)	(8.03)
Corporate operating netback⁽¹⁾	\$50.10	\$42.21

⁽¹⁾Non-IFRS measure

The operating netbacks of the Company continued within healthy levels during 2024 due increasing production from its Colombian assets and improved crude oil prices, which were offset by decreases in natural gas prices.



General and Administrative Expenses (G&A)

	Three months ended March 31	
	2024	2023
General & administrative expenses	2,937,113	1,752,947
G&A recovered from 3 rd parties	(255,191)	(134,199)
Total G&A	2,681,922	1,618,748
Total G&A per boe	\$10.89	\$11.63

For the three months ended March 31, 2024, G&A expenses before recoveries totaled \$2,937,113 (2023: \$1,752,947), which represent an increase when compared to the same period in 2023, but a decrease when compared with Q4 2023. This variance is mainly due to additional personnel and payment of performance bonuses to employees. Despite these increased expenses, due to the Company's increased production, G&A expenses were reduced, on a per barrel basis, when compared to 2023.

Share-based Compensation

	Three months ended March 31	
	2024	2023
Share-based Compensation expense	101,278	132,240

Share-based compensation expense for the three months ended March 31, 2024 totaled \$101,278 (2023: \$132,240). During 2023, the Company 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. No options were granted during Q1 2024.

Financing Costs

	Three months ended March 31	
	2024	2023
Financing expense paid or payable	208,834	106,570
Non-cash financing costs	37,376	29,156
Net financing costs	246,210	135,726

The finance expense for 2023 represents mostly interest on the promissory note due to Canacol. The non-cash finance cost represents an increase in the present value of the decommissioning obligation for the current periods. The amount of this expense will fluctuate commensurate with the asset retirement obligation as new wells are drilled or properties are acquired or disposed.

Depletion and Depreciation

	Three months ended March 31	
	2024	2023
Depletion and depreciation	3,531,772	2,454,364



Depletion and depreciation expense for the three months ended March 31, 2024 totaled \$3,531,772 (2023: \$2,454,364). 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.

Gain on Derivative Liability

	Three months ended March 31	
	2024	2023
Gain on Derivative Liability	-	(1,354,275)

During the three months ended March 31, 2024, the Company recorded no gain or loss in derivative liability (2023: gain of \$1,354,275) related to the valuation of its outstanding warrants issued during its AIM listing and private placement completed in 2021, which were mostly settled or expired during 2023.

LIQUIDITY AND CAPITAL RESOURCES

Capital Management

The Company's objective is to maintain a capital base sufficient to provide flexibility in the future development of the business and maintain investor, creditor and market confidence. The Company manages its capital structure and makes adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include share capital, debt and adjusted working capital. In order to maintain or adjust the capital structure, from time to time the Company may issue common shares or other securities, sell assets or adjust its capital spending to manage current and projected debt levels.

As at March 31, 2024 the Company has a working capital of \$9,520,829. The Company has maintained a healthy 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 March 31, 2024 the Company's net debt (net cash) was calculated as follows:

	March 31, 2024
Current assets	\$ 20,779,081
Less:	
Accounts payable and accrued liabilities	6,698,702
Income taxes payable	4,450,967
Net debt (Net cash) ⁽¹⁾	\$ (9,629,412)

⁽¹⁾Non-IFRS measure

Working Capital

As at March 31, 2024 the Company's adjusted working capital was calculated as follows:

	March 31, 2024
Current assets:	
Cash	\$ 11,606,342
Restricted cash and deposits	273,274
Trade and other receivables	3,237,382
Taxes receivable	4,819,478
Other current assets	842,605



Less:

Accounts payable and accrued liabilities	6,698,702
Lease obligation	108,583
Income tax payable	4,450,967
Working capital⁽¹⁾	\$ 9,520,829

⁽¹⁾Non-IFRS measure

Debt Capital

As at March 31, 2024 the Company does not have any outstanding debt balance.

Letters of Credit

As at March 31, 2024, 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 March 31, 2024, the Company had 285,864,348 common shares and 17,354,447 stock options outstanding.

CONTRACTUAL OBLIGATIONS

The following table provides a summary of the Company’s cash requirements to meet its financial liabilities and contractual obligations existing at March 31, 2024:

	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.



SUMMARY OF THREE MONTHS RESULTS

	2024	2023				2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Oil and natural gas sales, net of royalties	14,404,921	13,406,513	13,990,353	11,637,968	6,992,860	8,931,562	7,614,336	5,024,604
Net income (loss)	3,176,727	(10,492,053)	7,153,120	(757,416)	2,989,735	2,968,117	2,041,955	768,318
Income (loss) per share –								
basic	0.01	(0.04)	0.03	(0.00)	0.01	0.01	0.02	0.00
diluted	0.01	(0.04)	0.02	(0.00)	0.01	0.01	0.00	0.00
Working capital (deficit)	9,520,829	8,669,114	10,822,475	(2,363,388)	2,619,715	(1,316,665)	7,392,310	5,594,027
Total assets	64,579,940	62,275,023	62,755,250	56,305,530	53,719,944	53,190,248	46,979,259	42,670,153
Net capital expenditures	6,281,329	10,471,447	5,471,561	6,870,258	4,271,693	2,106,463	4,836,860	2,777,611
Average daily production (boe/d)	2,730	2,666	2,518	2,169	1,635	1,736	1,503	980

The Company's oil and natural gas sales have increased 106% in Q1 2024 when compared to Q1 2023 due to increased production in its existing assets and stable 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 May 29, 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
Stock options	9,843,887	CAD \$0.375	Oct. 29 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 2024, the Company has drilled six wells at Carrizales Norte, which have increased overall production, and has spud its first horizontal well. 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.



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.

RISKS AND UNCERTAINTIES

The Company is subject to financial, business and other risks, many of which are beyond its control and which could have a material adverse effect on the business and operations of the Company. Please refer to "Risk Factors" in the MD&A for the year ended December 31, 2022 for a description of the financial, business and other risk factors affecting the Company which are available on SEDAR at www.sedar.com