ARROW EXPLORATION CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE AND SIX MONTHS ENDED JUNE 30, 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 August 28, 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 and six months ended June 30, 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: global pandemics and their 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 global pandemics; 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 June 30, 2024**	**Six months ended June 30, 2024**	Three months ended June 30, 2023	Six months ended June 30, 2023
Net income (loss)	**1,770,825**	**4,947,551**	(757,416)	2,232,319
Add/(subtract):				
Share based payments	**309,845**	**411,123**	159,018	291,258
Financing costs:				
Accretion on decommissioning obligations	**41,363**	**78,739**	32,139	61,295
Interest	**7,501**	**17,271**	61,349	122,237
Other	**108,773**	**307,837**	103,172	148,854
Depreciation and depletion	**2,738,894**	**6,270,668**	3,640,189	6,094,553
Derivative loss	**-**	**-**	2,436,047	1,081,772
Impairment loss	**1,542,000**	**1,542,000**	-	-
Income taxes, current and deferred	**2,364,898**	**5,330,051**	165,462	165,462
Adjusted EBITDA [1]	**8,884,099**	**18,905,240**	5,839,960	10,197,750
Cash flows provided by operating activities	**7,134,370**	**15,716,658**	4,990,938	7,371,133
Minus - Changes in non-cash working capital balances:				
Trade and other receivables	**710,871**	**411,317**	1,236,941	(468,003)
Restricted cash	**(83,766)**	**(427,512)**	90,814	103,080
Taxes receivable	**(230,531)**	**(66,453)**	(433,680)	168,689
Deposits and prepaid expenses	**(37,991)**	**114,972**	(78,064)	35,548
Inventory	**(445,693)**	**(445,785)**	53,016	170,814
Accounts payable and accrued liabilities	**8,603**	**305,814**	(3,020,563)	(537,898)
Income taxes	**(400,167)**	**(1,742,632)**	438,639	675,281
Funds flow from operations [1]	**6,655,696**	**13,866,379**	3,278,041	7,518,644

[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 June 30, 2024**	**Six months ended June 30, 2024**	Three months ended June 30, 2023
Total natural gas and crude oil revenues, net of royalties	**15,146,366**	**29,551,287**	10,280,280
Funds flow from operations [1]	**6,655,696**	**13,866,379**	3,278,041
Funds flow from operations [1] per share –			
Basic($)	**0.02**	**0.05**	0.01
Diluted ($)	**0.02**	**0.05**	0.01
Net income (loss)	**1,247,825**	**4,424,551**	(757,416)
Net income (loss) per share –			
Basic ($)	**0.00**	**0.02**	(0.00)
Diluted ($)	**0.00**	**0.02**	(0.00)
Adjusted EBITDA [1]	**8,884,099**	**18,905,240**	5,839,960
Weighted average shares outstanding –			
Basic ($)	**285,864,348**	**285,864,348**	230,808,547
Diluted ($)	**292,536,147**	**292,867,527**	295,446,047
Common shares end of period	**285,864,348**	**285,864,348**	234,274,893
Capital expenditures	**8,965,408**	**15,246,736**	6,870,258
Cash and cash equivalents	**10,826,380**	**10,826,380**	10,801,494
Current Assets	**19,975,633**	**19,975,633**	15,159,322
Current liabilities	**13,318,516**	**13,318,516**	17,522,710
Adjusted working capital[1]	**6,657,117**	**6,657,117**	6,341,935
Long-term portion of restricted cash[2]	**174,190**	**174,190**	703,683
Total assets	**67,864,633**	**67,864,633**	56,305,530
Operating			
Natural gas and crude oil production, before royalties			
Natural gas (Mcf/d)	**926**	**1,343**	2,318
Natural gas liquids (bbl/d)	**4**	**4**	3
Crude oil (bbl/d)	**2,387**	**2,409**	1,779
Total (boe/d)	**2,546**	**2,638**	2,169
Operating netbacks ($/boe) [1]			
Natural gas ($/Mcf)	**($1.25)**	**($0.52)**	($0.05)
Crude oil ($/bbl)	**$54.54**	**$55.38**	$53.64
Total ($/boe)	**$51.21**	**$50.66**	$44.21

[1] *Non-IFRS measures – see "Non-IFRS Measures" section within this MD&A*
[2] *Long term restricted cash not included in working capital*

The Company

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

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

On May 31, 2018, Arrow Exploration Ltd., entered into a purchase and sale agreement to acquire a 50% beneficial interest in a contract entered into with Ecopetrol S.A. pertaining to the exploration and production of hydrocarbons in the Tapir block from Samaria Exploration & Production S.A. ("Samaria"). On September 27, 2018, Arrow Exploration Ltd. closed the agreement with Samaria. As at June 30, 2024 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. Both West Pepper and East Pepper wells are currently shut in due to current low natural gas prices in Canada.

Three months ended June 30, 2024 Financial and Operational Highlights

- Arrow recorded $15,146,366 in revenues, net of royalties, on crude oil sales of 233,757 bbls, 370 bbls of natural gas liquids ("NGL's") and 84,269 Mcf of natural gas sales;
- Funds flow from operations of $6,655,696;
- Net income of $1,247,825 and adjusted EBITDA was $8,884,099;
- Drilled three wells (two development and one water injector) at its Carrizales Norte field

RESULTS OF OPERATIONS

The Company increased its production from its new wells at its Carrizales Norte field 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 shut ins in some wells and natural declines.

Average Production by Property

Average Production Boe/d	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Oso Pardo	**113**	166	80	93	130	138
Ombu (Capella)	**-**	-	-	-	-	80
Rio Cravo Este (Tapir)	**1,283**	1,644	1,326	1,443	1,592	1,004
Carrizales Norte (Tapir)	**991**	622	621	642	57	-
Total Colombia	**2,387**	2,432	2,027	2,178	1,779	1,222
Fir, Alberta	**77**	78	80	81	77	74
Pepper, Alberta	**82**	220	228	259	313	340
TOTAL (Boe/d)	**2,546**	2,730	2,335	2,518	2,169	1,635

The Company's average production for the three months ended June 30, 2024 was 2,546 boe/d, which consisted of crude oil production in Colombia of 2,387 bbl/d, natural gas production of 926 Mcf/d, and minor amounts of natural gas liquids from the Company's Canadian properties. The Company's Q2 2024 production was 7% lower than its Q1 2024 production and 17% higher when compared to Q2 2023.

Average Daily Natural Gas and Oil Production and Sales Volumes

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Natural Gas (Mcf/d)				
Natural gas production	**926**	2,318	**1,343**	2,388
Natural gas sales	**926**	2,318	**1,343**	2,388
Realized Contractual Natural Gas Sales	**926**	2,318	**1,343**	2,388
Crude Oil (bbl/d)				
Crude oil production	**2,387**	1,779	**2,409**	1,502
Inventory movements and other	**181**	40	**93**	(24)
Crude Oil Sales	**2,569**	1,819	**2,502**	1,478
Corporate				
Natural gas production (boe/d)	**155**	386	**224**	398
Natural gas liquids(bbl/d)	**4**	4	**4**	4
Crude oil production (bbl/d)	**2,387**	1,779	**2,409**	1,502
Total production (boe/d)	**2,546**	2,169	**2,638**	1,904
Inventory movements and other (boe/d)	**181**	40	**93**	(24)
Total Corporate Sales (boe/d)	**2,728**	2,209	**2,731**	1,880

During the three and six months ended June 30, 2024 the majority of production was attributed to Colombia, where most of Company's blocks were producing. The volumes reported as inventory movements correspond to the sale of 18,990 barrels of oil that were stored at the non-operated Capella field in the OMBU block.

Natural Gas and Oil Revenues

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Natural Gas				
Natural gas revenues	**79,226**	413,632	**379,450**	881,508
NGL revenues	**25,894**	17,450	**52,022**	40,595
Royalties	**19,803**	41,933	**3,461**	(1,032)
Revenues, net of royalties	**124,924**	473,015	**434,933**	921,071
Oil				
Oil revenues	**17,062,022**	11,206,886	**33,129,313**	18,680,723
Royalties	**(2,040,580)**	(1,399,621)	**(4,012,959)**	(2,328,654)
Revenues, net of royalties	**15,021,442**	9,807,265	**29,116,354**	16,352,069
Corporate				
Natural gas revenues	**79,226**	413,632	**379,450**	881,508
NGL revenues	**25,894**	17,450	**52,022**	40,595
Oil revenues	**17,062,022**	11,206,886	**33,129,313**	18,680,723
Total revenues	**17,167,143**	11,637,968	**33,560,785**	19,602,826
Royalties	**(2,020,777)**	(1,357,688)	**(4,009,498)**	(2,329,686)
Natural gas and crude oil revenues, net of royalties	**15,146,366**	10,280,280	**29,551,287**	17,273,140

Natural gas and crude oil revenues, net of royalties, for the three and six months ended June 30, 2024 were $15,145,366 and $29,551,287, respectively (2023: $10,280,280 and $17,273,140), which represents an increase of 47% and 71%, respectively, when compared to the same 2023 periods, and 5% higher than Q1 2024. 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 June 30			Six months ended June 30		
	2024	2023	Change	**2024**	2023	Change
Benchmark Prices						
AECO (C$/Mcf)	**$1.20**	$2.46	(51%)	**$1.87**	$2.85	(34%)
Brent ($/bbl)	**$83.00**	$74.98	11%	**$83.84**	$77.10	9%
West Texas Intermediate ($/bbl)	**$80.55**	$73.75	9%	**$78.75**	$74.90	5%
Realized Prices						
Natural gas, net of transportation ($/Mcf)	**$0.94**	$1.96	(52%)	**$1.55**	$2.04	(24%)
Natural gas liquids ($/bbl)	**$69.96**	$55.33	26%	**$68.02**	$61.01	11%
Crude oil, net of transportation ($/bbl)	**$72.99**	$67.69	8%	**$73.15**	$69.83	5%
Corporate average, net of transport ($/boe)[1]	**$69.39**	$57.89	20%	**$67.99**	$57.62	18%

(1)Non-IFRS measure

The Company realized prices of $69.39 and $67.99 per boe during the three and six months ended June 30, 2024, respectively (2023: $57.89 and $57.62), due to increased in oil prices during 2024, partially offset by natural gas prices which decreased during this period.

Operating Expenses

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Natural gas & NGL's	**204,106**	465,154	**510,330**	982,807
Crude oil	**2,271,476**	926,336	**4,034,263**	1,526,273
Total operating expenses	**2,475,582**	1,391,490	**4,544,593**	2,509,080
Natural gas ($/Mcf)	**$2.42**	$2.21	**$2.09**	$2.27
Crude oil ($/bbl)	**$9.72**	$5.59	**$8.91**	$5.71
Corporate ($/boe)(1)	**$10.01**	$6.92	**$9.21**	$7.37

(1)Non-IFRS measure

During the three and six months ended June 30, 2024, Arrow incurred operating expenses of $2,475,582 and $4,544,593, respectively (2023: $1,391,490 and $2,509,080). This increase in operating costs is mainly due to increased production in the Company's Carrizales Norte field, including production of heavier oil, and $464,900 of additional operating costs corresponding to the Capella inventory volumes sold during Q2 2024.

Operating Netbacks

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Natural Gas ($/Mcf)				
Revenue, net of transportation expense	**$0.94**	$1.96	**$1.55**	$2.03
Royalties	**$0.23**	$0.20	**$0.01**	($0.00)
Operating expenses	**($2.42)**	($2.21)	**($2.09)**	($2.27)
Natural Gas operating netback(1)	**($1.25)**	($0.05)	**($0.52)**	($0.24)
Crude oil ($/bbl)				
Revenue, net of transportation expense	**$72.99**	$67.69	**$73.15**	$69.83
Royalties	**($8.73)**	($8.46)	**($8.86)**	($8.70)
Operating expenses	**($9.72)**	($5.59)	**($8.91)**	($5.71)
Crude Oil operating netback(1)	**$54.54**	$53.64	**$55.38**	$55.42
Corporate ($/boe)				
Revenue, net of transportation expense	**$69.39**	$57.89	**$67.99**	$57.62
Royalties	**($8.17)**	($6.76)	**($8.12)**	($6.85)
Operating expenses	**($10.01)**	($6.92)	**($9.21)**	($7.37)
Corporate Operating netback(1)	**$51.21**	$44.21	**$50.66**	$43.40

(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 June 30		Six months ended June 30	
	2024	2023	**2024**	2023
General & administrative expenses	**3,875,274**	3,437,678	**6,812,387**	5,190,625
G&A recovered from 3rd parties	**(161,697)**	(189,551)	**(416,888)**	(323,750)
Total G&A	**3,713,577**	3,248,127	**6,395,499**	4,866,875
Cost per boe	**$15.01**	$23.34	**$12.96**	$14.31

For the three and six months ended June 30, 2024, G&A expenses before recoveries totaled $3,875,274 and $6,812,387, respectively (2023: $3,437,678 and $5,190,625). This increase 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 June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Share-based Payments	**309,845**	159,018	**411,123**	291,259

Share-based compensation expense for the three and six months ended June 30, 2024 totaled $309,845 and $411,123, respectively (2023: $159,018 and $291,259). During Q2 2024, the Company granted 9,843,887 new options to its personnel and Directors, which has caused an increase in the shared-based payments expenses for 2024.

Financing Costs

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Financing expense paid or payable	**116,274**	164,521	**325,108**	271,091
Non-cash financing costs	**41,363**	32,139	**78,739**	61,295
Net financing costs	**157,637**	196,660	**403,847**	332,386

The finance expense for 2024 is mostly related to financial transactions tax paid in Colombia. Finance expense for 2023 is mostly related to 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 June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Depletion and depreciation	**3,261,894**	3,640,189	**6,793,668**	6,094,553

Depletion and depreciation expense for the three and six months ended June 30, 2024 totaled $3,261,894 and $6,793,668, respectively (2023: $3,640,189 and $6,094,553). 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

	Three months ended June 30		Six months ended June 30	
	2024	2023	**2024**	2023
Impairment loss	**1,542,000**	-	**1,542,000**	-

As at June 30, 2024, 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 recognized a loss of $1,542,000. This impairment loss was mainly caused by decreases in the forecast prices of natural gas.

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 June 30, 2024 the Company has a working capital of $6,657,117. 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 June 30, 2024 the Company's net debt (net cash) was calculated as follows:

		June 30, 2024
Current assets	$	19,975,633
Less:		
Accounts payable and accrued liabilities		8,418,067
Income taxes payable		4,851,136
Net debt (Net cash) (1)	**$**	**(6,706,430)**

(1)Non-IFRS measure

Working Capital

As at June 30, 2024 the Company's adjusted working capital was calculated as follows:

		June 30, 2024
Current assets:		
Cash	$	10,826,380
Restricted cash and deposits		253,132
Trade and other receivables		3,948,253
Taxes receivable		4,588,947
Other current assets		358,921
Less:		
Accounts payable and accrued liabilities		8,418,067
Lease obligation		49,313
Income tax payable		4,851,136
Working capital(1)	**$**	**6,657,117**

(1)Non-IFRS measure

Debt Capital

As at June 30, 2024 the Company does not have any outstanding debt balance.

Letters of Credit

As at June 30, 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.

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	December 30, 2024
CORE – 39	ANH	Carrao Energy	Compliance	$100,000	December 30, 2024
OMBU	ANH	Carrao Energy	Financial Capacity	$436,300	October 14, 2024
Total				**$2,772,356**	

Share Capital

As at June 30, 2024, the Company had 285,864,348 common shares and 26,830,000 stock options outstanding.

CONTRACTUAL OBLIGATIONS

The following table provides a summary of the Company's cash requirements to meet its financial liabilities and contractual obligations existing at June 30, 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	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Oil and natural gas sales, net of royalties	15,146,366	14,404,921	13,406,513	13,990,353	10,280,280	6,992,860	8,931,562	7,614,336
Net income (loss)	1,247,825	3,176,727	(10,492,053)	7,153,120	(757,416)	2,989,735	2,968,117	2,041,955
Income (loss) per share –								
basic	0.00	0.01	(0.04)	0.03	(0.00)	0.01	0.01	0.02
diluted	0.00	0.01	(0.04)	0.02	(0.00)	0.01	0.01	0.00
Working capital (deficit)	6,657,117	9,520,829	8,669,114	10,822,475	(2,363,388)	2,619,715	(1,316,665)	7,392,310
Total assets	67,864,633	64,579,940	62,275,023	62,755,250	56,305,530	53,719,944	53,190,248	46,979,259
Net capital expenditures	8,965,408	6,281,329	10,471,447	5,471,561	6,870,258	4,271,693	2,106,463	4,836,860
Average daily production (boe/d)	2,638	2,730	2,666	2,518	2,169	1,635	1,736	1,503

The Company's oil and natural gas sales have increased 47% in Q2 2024 when compared to Q2 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 August 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	235,000	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	2,983,336	GBP 0.07625	June 13, 2024 and 2025
Stock options	1,200,001	CAD$0.28	Dec. 9, 2024 and 2025
Stock options	833,334	CAD$0.26	Mar. 7, 2025 and 2026
Stock options	3,652,222	GBP 0.1675	June 21, 2024, 2025 and 2026
Stock options	433,333	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 ten wells at Carrizales Norte, which have increased overall production, including three horizontal wells. 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, 2023 for a description of the financial, business and other risk factors affecting the Company which are available on SEDAR at www.sedar.com