

ARROW EXPLORATION CORP.

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 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 and nine months ended September 30, 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	September 30, 2024	December 31, 2023
ASSETS			
Current assets			
Cash		\$ 16,536,801	\$ 12,135,376
Restricted cash and deposits	3	252,149	611,753
Trade and other receivables	4	3,911,713	3,536,936
Taxes receivable	5	2,246,287	4,655,399
Deposits and prepaid expenses		232,676	197,402
Inventory		50,617	492,332
		23,230,243	21,629,198
Non-current assets			
Deferred income taxes		1,575,218	2,031,383
Restricted cash and deposits	3	176,094	243,081
Exploration and evaluation assets	6	1,442,094	-
Property and equipment	7	47,111,748	38,371,361
Total Assets		\$ 73,535,397	\$ 62,275,023
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 7,829,348	\$ 9,747,906
Lease obligation	8	36,323	103,674
Income taxes		5,742,447	3,108,504
		13,608,118	12,960,084
Non-current liabilities			
Lease obligations	8	198,881	216,919
Other liabilities		343,019	345,528
Deferred income taxes		1,306,252	3,269,894
Decommissioning liability	9	5,052,107	3,973,075
Total liabilities		20,508,377	20,765,500
Shareholders' equity			
Share capital	10	73,829,795	73,829,795
Contributed surplus		2,717,118	2,161,945
Deficit		(22,852,850)	(33,945,895)
Accumulated other comprehensive loss		(667,043)	(536,322)
Total shareholders' equity		53,027,020	41,509,523
Total liabilities and shareholders' equity		\$ 73,535,397	\$ 62,275,023

Commitments and contingencies (Note 11)

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 September 30		For the nine months ended September 30	
	Notes	2024	2023	2024	2023
Revenue					
Oil and natural gas		24,031,829	15,884,660	57,592,614	35,487,485
Royalties		(2,731,714)	(1,894,307)	(6,741,212)	(4,223,991)
		<u>21,300,115</u>	<u>13,990,353</u>	<u>50,851,402</u>	<u>31,263,494</u>
Expenses					
Operating		2,252,602	1,829,833	6,797,194	4,338,913
Administrative		2,862,620	1,924,089	9,258,119	6,790,964
Environmental		-	356,857	-	356,857
Share based payments	10	144,050	149,102	555,173	440,360
Financing costs:					
Accretion	9	46,144	34,343	124,883	95,638
Interest		7,333	9,461	24,604	131,697
Other		105,412	89,281	413,249	238,135
Derivative loss		-	(1,191,385)	-	(109,613)
Foreign exchange (gain) loss		277,204	(28,003)	149,817	(109,959)
Depletion and depreciation	7	4,681,591	3,972,850	11,475,258	10,067,403
Impairment loss	7	-	-	1,542,000	-
Other (income) expense		(54,211)	80,580	(220,866)	(138,028)
		<u>10,322,745</u>	<u>7,227,008</u>	<u>30,119,431</u>	<u>22,102,367</u>
Income before taxes		10,977,370	6,763,345	20,731,971	9,161,127
Income taxes					
Current		5,927,455	1,317,437	11,146,403	3,705,305
Deferred		(1,618,578)	(1,707,212)	(1,507,477)	(3,929,618)
		<u>4,308,876</u>	<u>(389,775)</u>	<u>9,638,926</u>	<u>(224,313)</u>
Net income for the period		6,668,493	7,153,120	11,093,045	9,385,440
Other comprehensive loss (income)					
Foreign exchange		95,203	34,103	(130,721)	(77,481)
Total other comprehensive loss (income)		<u>95,203</u>	<u>34,103</u>	<u>(130,721)</u>	<u>(77,481)</u>
Total comprehensive income for the period		6,763,696	7,187,223	10,962,324	9,307,959
Net income per share					
- basic		\$ 0.02	\$ 0.03	\$ 0.04	\$ 0.04
- Diluted		\$ 0.02	\$ 0.02	\$ 0.04	\$ 0.03
Weighted average shares outstanding					
- Basic		285,864,348	237,919,872	285,864,348	230,537,774
- Diluted		288,921,950	295,875,232	291,542,735	295,092,336

The accompanying notes are an integral part of these interim 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	-	-	-	11,093,045	11,093,045
Other comprehensive loss	-	-	(130,721)	-	(130,721)
Total comprehensive income	-	-	(130,721)	11,093,045	10,962,324
Share-based compensation	-	555,173	-	-	555,173
Balance September 30, 2024	\$ 73,829,795	\$ 2,717,118	\$ (667,043)	\$ (22,852,850)	\$ 53,027,020

	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
Issuances of common shares, net	7,023,065	-	-	-	7,023,065
Net income for the period	-	-	-	9,385,440	9,385,440
Other comprehensive loss	-	-	(77,481)	-	(77,481)
Total comprehensive income	-	-	(77,481)	9,385,440	9,307,959
Share-based compensation	-	440,360	-	-	440,360
Balance September 30, 2023	\$ 64,833,800	\$ 2,010,851	\$ (722,853)	\$ (23,453,842)	\$ 42,667,956

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

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

For the nine months ended September 30	2024	2023
Cash flows provided by operating activities		
Net income	\$ 11,093,045	\$ 9,385,440
Items not involving cash:		
Share based payment	555,173	440,360
Deferred income tax	(1,507,477)	(3,929,618)
Depletion and depreciation	11,475,258	10,067,403
Interest on leases	24,604	12,237
Interest on promissory note, net of forgiveness	-	119,460
Accretion	124,883	95,638
Foreign exchange gain	(44,473)	(224,264)
Gain on derivative liability	-	(109,613)
Environmental provision	-	356,857
Impairment loss	1,542,000	-
Changes in non-cash working capital balances:		
Restricted cash	426,591	(37,190)
Trade and other receivables	(374,777)	(229,288)
Taxes receivable	2,409,113	(933,966)
Deposits and prepaid expenses	(35,274)	32,561
Inventory	441,715	(179,840)
Accounts payable and accrued liabilities	610,696	(654,363)
Income tax payable	2,633,943	(312,600)
Settlement of decommissioning obligations	(162,662)	(4,349)
Cash provided by operating activities	<u>29,212,358</u>	<u>13,894,865</u>
Cash flows used in investing activities		
Additions to exploration and evaluation assets	(1,442,094)	(3,182,010)
Additions to property and equipment	(20,750,421)	(13,431,502)
Changes in non-cash working capital	(2,529,254)	1,538,033
Cash flows used in investing activities	<u>(24,721,769)</u>	<u>(15,075,479)</u>
Cash flows (used in) provided by financing activities		
Common shares issued	-	3,025,568
Payment of promissory note, principal and interests	-	(2,018,577)
Lease payments	(49,411)	(54,813)
Cash flows (used in) provided by financing activities	<u>(49,411)</u>	<u>952,178</u>
Effect of changes in the exchange rate on cash	<u>(39,753)</u>	<u>58,658</u>
Increase (decrease) in cash	4,401,425	(169,778)
Cash, beginning of period	<u>12,135,376</u>	<u>13,060,968</u>
Cash, end of period	<u>16,536,801</u>	<u>12,891,190</u>
Supplemental information		
Interest paid	\$ -	\$ 415,026
Taxes paid	\$ 1,430,337	\$ 1,119,208

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

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

September 30, 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 November 26, 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

	September 30, 2024	December 31, 2023
Colombia (i)	\$ 289,957	\$ 312,530
Canada (ii)	138,286	542,304
Sub-total	428,243	854,834
Long-term portion	(176,094)	(243,081)
Current portion of restricted cash and deposits	\$ 252,149	\$ 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 2024, the Company recovered its \$337,031 (CAD \$445,749) deposit related to the Company’s liability rating management (“LMR”). The remaining \$136,286 (2023: \$205,273) pertain to other deposits held in Canada.*

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

September 30, 2024

4. Trade and other receivables

	September 30, 2024	December 31, 2023
Trade receivables, net of advances	\$ 2,598,565	\$ 2,238,918
Other accounts receivable	<u>1,313,148</u>	<u>1,298,018</u>
	<u>\$ 3,911,713</u>	<u>\$ 3,536,936</u>

As at September 30, 2024, other accounts receivable include \$699,859 (December 31, 2023 – \$682,197) receivable from on demand loans with executives and directors.

5. Taxes receivable

	September 30, 2024	December 31, 2023
Value-added tax (VAT) credits recoverable	\$ 1,860,760	\$ 1,703,260
Income tax withholdings and advances, net	<u>385,527</u>	<u>2,952,139</u>
	<u>\$ 2,246,287</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

	September 30, 2024	December 31, 2023
Balance, beginning of the period	\$ -	\$ -
Additions, net	<u>1,442,094</u>	<u>3,212,808</u>
Reclassification to Property and Equipment (Note 7)	<u>-</u>	<u>(3,212,808)</u>
Balance, end of the period	<u>\$ 1,442,094</u>	<u>\$ -</u>

During 2024, the Company incurred in exploration and development costs associated to its Alberta prospect in the Tapir block. 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.
Notes to the Interim Condensed Consolidated Financial Statements
In United States Dollars
(Unaudited)

September 30, 2024

7. Property and Equipment

Cost	Oil and Gas Properties	Right of Use and Other Assets	Total
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	20,757,410	6,908	20,764,318
Adjustment to ROU assets	-	(53,543)	(53,543)
Decommissioning additions	1,131,600	-	1,131,600
Balance, September 30, 2024	\$ 97,181,875	\$ 497,582	\$ 97,679,457
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	11,404,636	70,622	11,475,258
Impairment loss	1,542,000	-	1,542,000
Balance, September 30, 2024	\$ 50,020,956	\$ 297,764	\$ 50,318,720
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	(77,775)	(6,955)	(84,730)
Balance September 30, 2024	\$ (239,012)	\$ (9,977)	\$ (248,989)
Net Book Value			
Balance December 31, 2023	\$ 38,057,308	\$ 314,053	\$ 37,371,361
Balance September 30, 2024	\$ 46,921,907	\$ 189,841	\$ 47,111,748

Canada

As at June 30, 2024, the Company determined there were indicators of impairment in its Canada CGU, mainly due to decreases in current and forward gas prices, 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 \$1,542,000 was included in the interim consolidated statements of operations and comprehensive income for the three and nine months ended September 30, 2024. The following table outlines forecast benchmark prices and exchange rates used in the Company's impairment test as at June 30, 2024:

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

September 30, 2024

Year	Exchange rate \$US / \$Cdn	AECO Spot Gas C\$/MMBtu
2024	0.75	2.24
2025	0.75	2.90
2026	0.75	4.33
2027	0.75	4.34
2028	0.75	4.30
Thereafter (inflation %)		2.0%/yr

The recoverable amount was estimated at their fair value less costs of disposal, based on the net present value of the future cash flows from oil and gas reserves as estimated by the Company's independent reserve evaluator at December 31, 2023, updated to reflect changes in prices forecast, and an internal valuation of undeveloped land. The fair value less costs of disposal used to determine the recoverable amounts are classified as Level 3 fair value measurements as certain key assumptions are not based on observable market data but rather, the Company's best estimate. The Company used a 18.3% (2023: 18.3%) pre-tax discount rate, which took into account risks specific to the Canada CGU. The key assumptions in the internal valuation of undeveloped land were the determination of the transactions considered precedent, the discount applied to the Company's lands and the probability of obtaining extensions on related lands. The Company utilized an average value per acre of \$89.63 in the impairment test as at June 30, 2024.

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 income for the 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. The Company determined there were indicators of impairment in the Capella CGU and 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:

	2024	2023
Obligation, beginning of the period	320,593	\$ 63,751
Additions	-	302,930
Changes to leases	(53,543)	-
Lease payments	(49,411)	(74,211)
Interest	24,587	22,011
Effects of movements in foreign exchange rates	(7,022)	6,112
Obligation, end of the period	235,204	320,593
Current portion	(36,323)	(103,674)
Long-term portion	198,881	216,919

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

September 30, 2024

During 2024, the Company recognized the impact of a change in payment terms of its office lease and recognized a decrease in lease liabilities and ROU assets for \$ 53,543. As at September 30, 2024, the Company has the following future lease obligations:

Less than one year	65,505
2 – 5 years	249,085
Total lease payments	314,590
Amounts representing interest over the term	(79,386)
Present value of the net obligation	235,204

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:

	September 30, 2024	December 31, 2023
Obligation, beginning of the period	3,973,075	\$ 3,303,301
Additions	1,131,600	1,000,889
Change in estimated cash flows	-	(262,066)
Payments or settlements	(160,150)	(19,545)
Dispositions	-	(191,081)
Accretion expense	124,883	127,478
Effects of movements in foreign exchange rates	(17,301)	14,099
Obligation, end of the period	5,052,107	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 (2023: 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. 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 \$6,871,182 (2023: \$5,686,938).

10. Share Capital

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

(b) Issued:

	September 30, 2024		December 31, 2023	
	Shares	Amounts	Shares	Amounts
Common shares				
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 outstanding common shares. 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.

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

September 30, 2024

A summary of the Company stock option plan as at September 30, 2024 and December 31, 2023 and changes during the periods ended on those dates is presented below:

Stock Options	September 30, 2024		December 31, 2023	
	Number of options	Weighted average exercise price (CAD \$)	Number of options	Weighted average exercise price (CAD \$)
Beginning of period	20,531,668	\$0.24	20,590,000	\$0.18
Granted	14,176,108	\$0.41	1,650,000	\$0.27
Expired/Forfeited	(1,433,333)	-	(1,375,000)	\$0.12
Exercised	(7,479,442)	\$0.20	(333,332)	\$0.11
End of period	25,795,001	\$0.32	20,531,668	\$0.24
Exercisable, end of period	3,633,332	\$0.32	9,879,441	\$0.42

Date of Grant	Number Outstanding	Exercise Price (CAD \$)	Weighted Average Remaining Contractual Life	Date of Expiry	Number Exercisable June 30, 2024
October 22, 2018	250,000	\$1.15		Oct. 22, 2028	250,000
May 3, 2019	100,000	\$0.31		May 3, 2029	100,000
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	2,983,336	\$0.13		June 13, 2024 and 2025	-
June 9, 2022	600,001	\$0.28		Dec. 9, 2023, 2024 and 2025	133,333
September 7, 2022	833,334	\$0.26		Mar. 7, 2024, 2025 and 2026	416,666
December 21, 2022	3,652,222	\$0.28		June 21, 2024, 2025 and 2026	-
January 23, 2023	100,000	\$0.32		July 23, 2024, 2025 and 2026	-
September 21, 2023	1,000,000	\$0.33		Mar. 21, 2025, 2026 and 2027	333,333
April 29, 2024	9,543,887	\$0.38		Oct.29 2025, 2026 and 2027	-
September 11, 2024	4,332,221	\$0.48		Mar.11 2026, 2027 and 2028	-
Total	25,795,001	\$0.32	2.19 years		3,633,332

During the three and nine months ended September 30, 2024, the Company recognized \$144,050 and \$555,173, respectively (2023: \$149,102 and \$440,360) as share-based compensation expense, with a corresponding effect in the contributed surplus account.

11. 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 September 30, 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 September 30, 2024:

Block	Less than 1 year	1-3 years	Thereafter	Total
COR-39	-	12,000,000	-	12,000,000
Total	-	12,000,000	-	12,000,000

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

September 30, 2024

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 those individuals.

Letters of Credit

At September 30, 2024, the Company had obligations under Letters of Credit ("LC's") outstanding totaling \$3.0 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, the ANH could decide to cancel the underlying exploration and production contract, 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	April 14, 2025
OMBU	ANH	Carrao Energy	Abandonment	251,450	August 28, 2025
Total				3,023,806	

12. 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.

(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 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 producing companies and 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.

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

September 30, 2024

(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.

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>September 30, 2024</u>	<u>December 31, 2023</u>
Working capital	\$ 9,622,125	\$ 8,669,114

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

September 30, 2024

13. Segmented Information

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 and nine months ended and as at September 30:

Three months ended September 30, 2024	Colombia	Canada	Total
Revenue:			
Oil Sales	\$ 23,981,362	\$ -	\$ 23,981,362
Natural gas and liquid sales		50,467	50,467
Royalties	(2,727,862)	(3,852)	(2,731,714)
Expenses	(7,601,535)	(2,721,210)	(10,322,745)
Impairment loss	-	-	-
Income taxes	(4,308,877)	-	(4,308,877)
Net income (loss)	\$ 9,343,088	\$ (2,674,595)	\$ 6,668,493

Nine months ended September 30, 2024	Colombia	Canada	Total
Revenue:			
Oil Sales	\$ 57,110,675	\$ -	\$ 57,110,675
Natural gas and liquid sales	-	481,939	481,939
Royalties	(6,740,821)	(391)	(6,741,212)
Expenses	(19,447,170)	(9,130,261)	(28,577,431)
Impairment loss	-	(1,542,000)	(1,542,000)
Income taxes	(9,638,926)	-	(9,638,926)
Net income (loss)	\$ 21,283,758	\$ (10,190,713)	\$ 11,093,045

As at September 30, 2024	Colombia	Canada	Total
Current assets	\$ 18,062,588	\$ 5,167,655	\$ 23,230,243
Non-current:			
Deferred income taxes	1,575,218	-	1,575,218
Restricted cash	37,808	138,286	176,094
Exploration and evaluation	1,442,094	-	1,442,094
Property, plant and equipment	46,150,143	961,605	47,111,748
Total Assets	\$ 67,267,851	\$ 6,267,546	\$ 73,535,397

Current liabilities	\$ 11,670,854	\$ 1,937,264	\$ 13,608,118
Non-current liabilities:			
Deferred income taxes	1,306,252	-	1,306,252
Other liabilities	343,019	-	343,019
Lease obligation	-	198,881	198,881
Decommissioning liability	4,507,069	545,038	5,052,107
Total liabilities	\$ 17,827,194	\$ 2,681,183	\$ 20,508,377

Three months ended September 30, 2023	Colombia	Canada	Total
Revenue:			
Oil Sales	\$ 15,496,501	\$ -	\$ 15,496,501
Natural gas and liquid sales	-	388,159	388,159
Royalties	(1,885,968)	(8,339)	(1,894,307)
Expenses	(6,339,173)	(887,835)	(7,227,008)
Income tax recovery	389,775	-	389,775
Net income (loss)	\$ 7,661,135	\$ (508,015)	\$ 7,153,120

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

September 30, 2024

Nine months ended September 30, 2023	Colombia	Canada	Total
Revenue:			
Oil Sales	\$ 34,177,223	\$ -	\$ 34,177,223
Natural gas and liquid sales	-	1,310,262	1,310,262
Royalties	(4,214,621)	(9,370)	(4,223,991)
Expenses	(14,799,562)	(7,302,805)	(22,102,367)
Income tax recovery	224,313	-	224,313
Net income (loss)	\$ 15,387,353	\$ (6,001,913)	\$ 9,385,440
As at September 30, 2023			
Current assets	\$ 17,392,681	\$ 1,259,823	\$ 18,652,504
Non-current:			
Deferred income taxes	1,933,639	-	1,933,639
Restricted cash	37,808	599,985	637,793
Exploration and evaluation	3,182,010	-	3,182,010
Property, plant and equipment	34,003,518	4,345,786	38,349,304
Total Assets	\$ 56,549,656	\$ 6,205,594	\$ 62,755,250
Current liabilities	\$ 7,137,935	\$ 6,183,589	\$ 13,321,524
Non-current liabilities:			
Deferred income taxes	2,198,419	-	2,198,419
Other liabilities	588,393	-	588,393
Lease obligation	-	219,611	219,611
Decommissioning liability	3,202,198	557,149	3,759,347
Total liabilities	\$ 13,126,945	\$ 6,960,349	\$ 20,087,294