

# **ARROW EXPLORATION CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
THREE AND NINE MONTHS ENDED SEPTEMBER 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 November 26, 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 nine months ended September 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](http://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](http://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](http://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<br>ended<br>September 30,<br>2024 | Nine months<br>ended<br>September 30,<br>2024 | Three months<br>ended September<br>30, 2023 | Nine months<br>ended September<br>30, 2023 |
|--|--|---|---|--|
| <b>Net income</b>  | 6,668,493                                      | 11,093,045                                    | 7,153,120                                   | 9,385,440                                  |
| <b>Add/(subtract):</b>                                       |  |   |   |  |
| Share based payments   | 144,050  | 555,173                                       | 149,102                                     | 440,360                                    |
| Financing costs:   |  |   |   |  |
| Accretion on decommissioning obligations                     | 46,144   | 124,883                                       | 34,343                                      | 95,638                                     |
| Interest   | 7,333  | 24,604  | 9,461                                       | 131,697                                    |
| Other  | 105,412  | 413,249                                       | 89,281                                      | 238,135                                    |
| Depreciation and depletion                                   | 4,681,591                                      | 11,475,258                                    | 3,972,850                                   | 10,067,403                                 |
| Derivative gain  | -  | -   | (1,191,385)                                 | (109,613)                                  |
| Impairment loss  | -  | 1,542,000                                     | -   | -  |
| Income tax (recovery) expense, current and deferred          | 4,308,877                                      | 9,638,926                                     | (389,775)                                   | (224,313)                                  |
| <b>Adjusted EBITDA <sup>(1)</sup></b>                        | <b>15,961,900</b>                              | <b>34,867,138</b>                             | <b>9,826,997</b>                            | <b>20,024,747</b>                          |
| <b>Cash flows provided by operating activities</b>           | <b>13,495,700</b>                              | <b>29,212,358</b>                             | <b>6,523,732</b>                            | <b>13,894,865</b>                          |
| <b>Minus - Changes in non-cash working capital balances:</b> |  |   |   |  |
| Trade and other receivables                                  | (36,540)                                       | 374,777                                       | 697,291                                     | 229,288                                    |
| Restricted cash  | 921  | (426,591)                                     | (65,890)                                    | 37,190                                     |
| Taxes receivable   | (2,342,660)                                    | (2,409,113)                                   | 765,277                                     | 933,966                                    |
| Deposits and prepaid expenses                                | (79,698)                                       | 35,274  | (68,109)                                    | (32,561)                                   |
| Inventory  | 4,070  | (441,715)                                     | 9,026                                       | 179,840                                    |
| Accounts payable and accrued liabilities                     | (916,510)                                      | (610,696)                                     | 1,192,261                                   | 654,363                                    |
| Income taxes   | (891,311)                                      | (2,633,943)                                   | (362,681)                                   | 312,600                                    |
| <b>Funds flow from operations <sup>(1)</sup></b>             | <b>9,233,972</b>                               | <b>23,100,351</b>                             | <b>8,690,907</b>                            | <b>16,209,551</b>                          |

<sup>(1)</sup>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<br>ended<br>September 30,<br>2024 | Nine months<br>ended<br>September 30,<br>2024 | Three months<br>ended<br>September 30,<br>2023 |
|---|--|---|--|
| Total natural gas and crude oil revenues, net of royalties    | 21,300,115                                     | 50,851,402                                    | 13,990,353                                     |
| Funds flow from operations <sup>(1)</sup>                     | 9,233,972                                      | 23,100,351                                    | 8,690,907                                      |
| Funds flow from operations <sup>(1)</sup> per share –         |  |   |  |
| Basic(\$)   | 0.03   | 0.08  | 0.04   |
| Diluted (\$)  | 0.03   | 0.08  | 0.03   |
| Net income  | 6,668,493                                      | 11,093,045                                    | 7,153,120                                      |
| Net income per share –  |  |   |  |
| Basic (\$)  | 0.02   | 0.04  | 0.03   |
| Diluted (\$)  | 0.02   | 0.04  | 0.02   |
| Adjusted EBITDA <sup>(1)</sup>                                | 15,961,900                                     | 34,867,138                                    | 9,826,997                                      |
| Weighted average shares outstanding –                         |  |   |  |
| Basic (\$)  | 285,864,348                                    | 285,864,348                                   | 237,919,872                                    |
| Diluted (\$)  | 288,921,950                                    | 291,542,735                                   | 295,875,232                                    |
| Common shares end of period                                   | 285,864,348                                    | 285,864,348                                   | 245,526,041                                    |
| Capital expenditures  | 6,945,779                                      | 22,192,515                                    | 5,471,561                                      |
| Cash and cash equivalents                                     | 16,536,801                                     | 16,536,801                                    | 12,891,190                                     |
| Current Assets  | 23,230,243                                     | 23,230,243                                    | 18,652,504                                     |
| Current liabilities   | 13,608,118                                     | 13,608,118                                    | 13,321,524                                     |
| Adjusted working capital <sup>(1)</sup>                       | 9,622,125                                      | 9,622,125                                     | 10,822,475                                     |
| Long-term portion of restricted cash <sup>(2)</sup>           | 176,094  | 176,094                                       | 637,793  |
| Total assets  | 73,535,397                                     | 73,535,397                                    | 62,755,250                                     |
| <b>Operating</b>  |  |   |  |
| <b>Natural gas and crude oil production, before royalties</b> |  |   |  |
| Natural gas (Mcf/d)   | 461  | 1,047   | 2,012  |
| Natural gas liquids (bbl/d)                                   | 5  | 4   | 4  |
| Crude oil (bbl/d)   | 4,042  | 2,960   | 2,178  |
| <b>Total (boe/d)</b>  | <b>4,124</b>                                   | <b>3,139</b>                                  | <b>2,518</b>                                   |
| <b>Operating netbacks (\$/boe) <sup>(1)</sup></b>             |  |   |  |
| Natural gas (\$/Mcf)  | (\$1.48)                                       | (\$0.66)                                      | \$0.18   |
| Crude oil (\$/bbl)  | \$52.00  | \$53.87                                       | \$60.62  |
| <b>Total (\$/boe)</b>   | <b>\$50.76</b>                                 | <b>\$50.70</b>                                | <b>\$52.67</b>                                 |

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

<sup>(2)</sup> 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 September 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      |
|-----------------------|-----------------------|----------------|------------------|----------------|
| <b>COLOMBIA</b>       |                       |                |                  |                |
| Tapir                 | Operated <sup>1</sup> | 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         |
| <b>Total Colombia</b> |                       | <b>217,390</b> |                  | <b>133,994</b> |
| <b>CANADA</b>         |                       |                |                  |                |
| 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            |
| <b>Total Canada</b>   |                       | <b>29,280</b>  |                  | <b>22,519</b>  |
| <b>TOTAL</b>          |                       | <b>246,670</b> |                  | <b>156,513</b> |

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.

<sup>1</sup>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<sup>2</sup> 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 September 30, 2024 Financial and Operational Highlights**

- Arrow recorded \$21,300,115 in revenues, net of royalties, on crude oil sales of 366,988 bbls, 437 bbls of natural gas liquids ("NGL's") and 42,447 Mcf of natural gas sales;
- Funds flow from operations of \$9,233,972;
- Net income of \$6,668,493 and adjusted EBITDA was \$15,961,900;
- Drilled three horizontal wells, and spud an additional one, 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 | Q3 2024      | Q2 2024      | Q1 2024      | Q4 2023      | Q3 2023      | Q2 2023      | Q1 2023      |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Oso Pardo                | 180          | 113          | 166          | 80           | 93           | 130          | 138          |
| Ombu (Capella)           | -            | -            | -            | -            | -            | -            | 80           |
| Rio Cravo Este (Tapir)   | 1,078        | 1,283        | 1,644        | 1,326        | 1,443        | 1,592        | 1,004        |
| Carrizales Norte (Tapir) | 2,784        | 991          | 622          | 621          | 642          | 57           | -            |
| <b>Total Colombia</b>    | <b>4,042</b> | <b>2,387</b> | <b>2,432</b> | <b>2,027</b> | <b>2,178</b> | <b>1,779</b> | <b>1,222</b> |
| Fir, Alberta             | 82           | 77           | 78           | 80           | 81           | 77           | 74           |
| Pepper, Alberta          | -            | 82           | 220          | 228          | 259          | 313          | 340          |
| <b>TOTAL (Boe/d)</b>     | <b>4,124</b> | <b>2,546</b> | <b>2,730</b> | <b>2,335</b> | <b>2,518</b> | <b>2,169</b> | <b>1,635</b> |

The Company's average production for the three months ended September 30, 2024 was 4,124 boe/d, which consisted of crude oil production in Colombia of 4,042 bbl/d, natural gas production of 461 Mcf/d, and minor amounts of natural gas liquids from the Company's Canadian properties. The Company's Q3 2024 production was 62% higher than its Q2 2024 production and 64% higher when compared to Q3 2023.

### Average Daily Natural Gas and Oil Production and Sales Volumes

|   | Three months ended<br>September 30 |              | Nine months ended<br>September 30 |              |
|---|------------------------------------|--------------|-----------------------------------|--------------|
|   | 2024                               | 2023         | 2024                              | 2023         |
| <b>Natural Gas (Mcf/d)</b>                    |                                    |              |                                   |              |
| Natural gas production                        | 461                                | 2,012        | 1,047                             | 2,261        |
| Natural gas sales                             | 461                                | 2,012        | 1,047                             | 2,261        |
| <b>Realized Contractual Natural Gas Sales</b> | <b>461</b>                         | <b>2,012</b> | <b>1,047</b>                      | <b>2,261</b> |
| <b>Crude Oil (bbl/d)</b>                      |                                    |              |                                   |              |
| Crude oil production                          | 4,042                              | 2,178        | 2,960                             | 1,730        |
| Inventory movements and other                 | (53)                               | (8)          | 44                                | (19)         |
| <b>Crude Oil Sales</b>                        | <b>3,989</b>                       | <b>2,170</b> | <b>3,003</b>                      | <b>1,711</b> |
| <b>Corporate</b>                              |                                    |              |                                   |              |
| Natural gas production (boe/d)                | 77                                 | 336          | 175                               | 376          |
| Natural gas liquids (bbl/d)                   | 5                                  | 4            | 4                                 | 4            |
| Crude oil production (bbl/d)                  | 4,042                              | 2,178        | 2,960                             | 1,730        |
| Total production (boe/d)                      | 4,124                              | 2,518        | 3,139                             | 2,110        |
| Inventory movements and other (boe/d)         | (53)                               | (8)          | 44                                | (19)         |
| <b>Total Corporate Sales (boe/d)</b>          | <b>4,071</b>                       | <b>2,510</b> | <b>3,183</b>                      | <b>2,091</b> |

During the three and nine months ended September 30, 2024 the majority of production was attributed to Colombia, where most of Company's blocks were producing. The volumes reported as inventory movements during the nine months ended September 30, 2024 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<br>September 30 |                   | Nine months ended<br>September 30 |                   |
|---|------------------------------------|-------------------|-----------------------------------|-------------------|
|   | 2024                               | 2023              | 2024                              | 2023              |
| <b>Natural Gas</b>  |                                    |                   |                                   |                   |
| Natural gas revenues  | 23,714                             | 361,381           | 403,164                           | 1,242,889         |
| NGL revenues  | 26,753                             | 26,778            | 78,775                            | 67,373            |
| Royalties   | (3,852)                            | (8,339)           | (391)                             | (9,370)           |
| <b>Revenues, net of royalties</b>                           | <b>46,615</b>                      | <b>379,820</b>    | <b>481,548</b>                    | <b>1,300,892</b>  |
| <b>Oil</b>  |                                    |                   |                                   |                   |
| Oil revenues  | 23,981,362                         | 15,496,501        | 57,110,675                        | 34,177,223        |
| Royalties   | (2,727,862)                        | (1,885,968)       | (6,740,821)                       | (4,214,621)       |
| <b>Revenues, net of royalties</b>                           | <b>21,253,500</b>                  | <b>13,610,533</b> | <b>50,369,854</b>                 | <b>29,962,602</b> |
| <b>Corporate</b>  |                                    |                   |                                   |                   |
| Natural gas revenues  | 23,714                             | 361,381           | 403,164                           | 1,242,889         |
| NGL revenues  | 26,753                             | 26,778            | 78,775                            | 67,373            |
| Oil revenues  | 23,981,362                         | 15,496,501        | 57,110,675                        | 34,177,223        |
| Total revenues  | 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)       |
| <b>Natural gas and crude oil revenues, net of royalties</b> | <b>21,300,115</b>                  | <b>13,990,353</b> | <b>50,851,402</b>                 | <b>31,263,494</b> |

Natural gas and crude oil revenues, net of royalties, for the three and nine months ended September 30, 2024 were \$21,300,115 and \$50,851,402, respectively (2023: \$13,990,353 and \$31,263,494), which represents an increase of 52% and 63%, respectively, when compared to the same 2023 periods, and 41% higher than Q2 2024. These significant increases are mainly due to increased oil production in Colombia, despite decreased oil prices, offset by decrease in revenue in Canada.

## Average Benchmark and Realized Prices

|   | Three months ended<br>September 30 |                |             | Nine months ended<br>September 30 |                |             |
|---|------------------------------------|----------------|-------------|-----------------------------------|----------------|-------------|
|   | 2024                               | 2023           | Change      | 2024                              | 2023           | Change      |
| <b>Benchmark Prices</b>   |                                    |                |             |                                   |                |             |
| AECO (C\$/Mcf)  | \$0.70                             | \$2.64         | (73%)       | \$1.48                            | \$2.77         | (47%)       |
| Brent (\$/bbl)  | \$72.87                            | \$92.59        | (21%)       | \$80.18                           | \$82.26        | (3%)        |
| West Texas Intermediate (\$/bbl)                                  | \$75.15                            | \$77.35        | (3%)        | \$77.55                           | \$82.20        | (6%)        |
| <b>Realized Prices</b>  |                                    |                |             |                                   |                |             |
| Natural gas, net of transportation (\$/Mcf)                       | \$0.56                             | \$1.95         | (71%)       | \$1.41                            | \$2.01         | (30%)       |
| Natural gas liquids (\$/bbl)                                      | \$61.24                            | \$67.10        | (9%)        | \$65.56                           | \$63.30        | (4%)        |
| Crude oil, net of transportation (\$/bbl)                         | \$65.35                            | \$77.63        | (16%)       | \$69.66                           | \$73.16        | (5%)        |
| <b>Corporate average, net of transport (\$/boe)<sup>(1)</sup></b> | <b>\$64.04</b>                     | <b>\$68.80</b> | <b>(7%)</b> | <b>\$66.28</b>                    | <b>\$62.14</b> | <b>(7%)</b> |

(1) Non-IFRS measure



The Company realized prices of \$64.04 and \$66.28 per boe during the three and nine months ended September 30, 2024, respectively (2023: \$68.80 and \$62.14), due to overall decrease in oil and natural gas prices during 2024, partially offset by natural gas liquids price, which increased during this period, and increased crude oil weighting.

## Operating Expenses

|   | Three months ended<br>September 30 |                  | Nine months ended<br>September 30 |                  |
|---|------------------------------------|------------------|-----------------------------------|------------------|
|   | 2024                               | 2023             | 2024                              | 2023             |
| Natural gas & NGL's                     | 82,505                             | 319,439          | 592,835                           | 1,302,246        |
| Crude oil                               | 2,170,097                          | 1,510,394        | 6,204,359                         | 3,036,667        |
| <b>Total operating expenses</b>         | <b>2,252,602</b>                   | <b>1,829,833</b> | <b>6,797,194</b>                  | <b>4,338,913</b> |
| Natural gas (\$/Mcf)                    | \$1.95                             | \$1.72           | \$2.07                            | \$2.10           |
| Crude oil (\$/bbl)                      | \$5.91                             | \$7.56           | \$7.57                            | \$6.50           |
| <b>Corporate (\$/boe)<sup>(1)</sup></b> | <b>\$6.00</b>                      | <b>\$7.92</b>    | <b>\$7.82</b>                     | <b>\$7.59</b>    |

<sup>(1)</sup>Non-IFRS measure

During the three and nine months ended September 30, 2024, Arrow incurred operating expenses of \$2,252,602 and \$6,797,194, respectively (2023: \$1,829,833 and \$4,338,913). 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<br>September 30 |                | Nine months ended<br>September 30 |                 |
|--|------------------------------------|----------------|-----------------------------------|-----------------|
|  | 2024                               | 2023           | 2024                              | 2023            |
| <b>Natural Gas (\$/Mcf)</b>                        |                                    |                |                                   |                 |
| Revenue, net of transportation expense             | \$0.56                             | \$1.95         | \$1.41                            | \$2.01          |
| Royalties  | (\$0.09)                           | (\$0.05)       | (\$0.00)                          | (\$0.02)        |
| Operating expenses                                 | (\$1.95)                           | (\$1.72)       | (\$2.07)                          | (\$2.10)        |
| <b>Natural Gas operating netback<sup>(1)</sup></b> | <b>(\$1.48)</b>                    | <b>\$0.18</b>  | <b>(\$0.66)</b>                   | <b>(\$0.11)</b> |
| <b>Crude oil (\$/bbl)</b>                          |                                    |                |                                   |                 |
| Revenue, net of transportation expense             | \$65.35                            | \$77.63        | \$69.66                           | \$73.16         |
| Royalties  | (\$7.44)                           | (\$9.45)       | (\$8.22)                          | (\$9.02)        |
| Operating expenses                                 | (\$5.91)                           | (\$7.56)       | (\$7.57)                          | (\$6.50)        |
| <b>Crude Oil operating netback<sup>(1)</sup></b>   | <b>\$52.00</b>                     | <b>\$60.62</b> | <b>\$53.87</b>                    | <b>\$57.64</b>  |
| <b>Corporate (\$/boe)</b>                          |                                    |                |                                   |                 |
| Revenue, net of transportation expense             | \$64.04                            | \$68.80        | \$66.28                           | \$62.14         |
| Royalties  | (\$7.28)                           | (\$8.21)       | (\$7.76)                          | (\$7.40)        |
| Operating expenses                                 | (\$6.00)                           | (\$7.92)       | (\$7.82)                          | (\$7.59)        |
| <b>Corporate Operating netback<sup>(1)</sup></b>   | <b>\$50.76</b>                     | <b>\$52.67</b> | <b>\$50.70</b>                    | <b>\$47.15</b>  |

<sup>(1)</sup>Non-IFRS measure

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



### General and Administrative Expenses (G&A)

|  | Three months ended<br>September 30 |                  | Nine months ended<br>September 30 |                  |
|--|------------------------------------|------------------|-----------------------------------|------------------|
|  | 2024                               | 2023             | 2024                              | 2023             |
| General & administrative expenses          | 3,057,447                          | 2,069,314        | 9,869,834                         | 7,259,939        |
| G&A recovered from 3 <sup>rd</sup> parties | (194,827)                          | (145,225)        | (611,715)                         | (468,975)        |
| <b>Total G&amp;A</b>                       | <b>2,862,620</b>                   | <b>1,924,089</b> | <b>9,258,119</b>                  | <b>6,790,964</b> |
| <b>Cost per boe</b>                        | <b>\$7.63</b>                      | <b>\$8.33</b>    | <b>\$10.65</b>                    | <b>\$11.89</b>   |

For the three and nine months ended September 30, 2024, G&A expenses before recoveries totaled \$2,862,620 and \$9,258,119, respectively (2023: \$1,924,089 and \$6,790,964). 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<br>September 30 |                | Nine months ended<br>September 30 |                |
|-----------------------------|------------------------------------|----------------|-----------------------------------|----------------|
|                             | 2024                               | 2023           | 2024                              | 2023           |
| <b>Share-based Payments</b> | <b>144,050</b>                     | <b>149,102</b> | <b>555,173</b>                    | <b>440,360</b> |

Share-based compensation expense for the three and nine months ended September 30, 2024 totaled \$144,050 and \$555,173, respectively (2023: \$149,102 and \$440,360). During Q3 2024, the Company granted 4,332,221 new options to its personnel and Directors, which has caused an increase in the share-based payments expenses for 2024, partially offset by reversal of expense associated with forfeited options.

### Financing Costs

|                                   | Three months ended<br>September 30 |                | Nine months ended<br>September 30 |                |
|-----------------------------------|------------------------------------|----------------|-----------------------------------|----------------|
|                                   | 2024                               | 2023           | 2024                              | 2023           |
| Financing expense paid or payable | 112,745                            | 98,742         | 437,853                           | 369,833        |
| Non-cash financing costs          | 46,144                             | 34,343         | 124,883                           | 95,638         |
| <b>Net financing costs</b>        | <b>158,889</b>                     | <b>133,085</b> | <b>562,736</b>                    | <b>465,471</b> |

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<br>September 30 |                  | Nine months ended<br>September 30 |                   |
|-----------------------------------|------------------------------------|------------------|-----------------------------------|-------------------|
|                                   | 2024                               | 2023             | 2024                              | 2023              |
| <b>Depletion and depreciation</b> | <b>4,681,591</b>                   | <b>3,972,850</b> | <b>11,475,258</b>                 | <b>10,067,403</b> |



Depletion and depreciation expense for the three and nine months ended September 30, 2024 totaled \$4,681,591 and \$11,475,258, respectively (2023: \$3,972,850 and \$10,067,403). 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<br>September 30 |      | Nine months ended<br>September 30 |      |
|------------------------|------------------------------------|------|-----------------------------------|------|
|                        | 2024                               | 2023 | 2024                              | 2023 |
| <b>Impairment loss</b> | -                                  | -    | <b>1,542,000</b>                  | -    |

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 September 30, 2024 the Company has a working capital of \$9,622,125. 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 September 30, 2024 the Company’s net debt (net cash) was calculated as follows:

|   | September 30, 2024    |
|---|-----------------------|
| Current assets                            | \$ 23,230,243         |
| <b>Less:</b>                              |                       |
| Accounts payable and accrued liabilities  | 7,829,348             |
| Income taxes payable                      | 5,742,447             |
| <b>Net debt (Net cash) <sup>(1)</sup></b> | <b>\$ (9,658,448)</b> |

<sup>(1)</sup>Non-IFRS measure

### Working Capital

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

|                              | September 30, 2024 |
|------------------------------|--------------------|
| <b>Current assets:</b>       |                    |
| Cash                         | \$ 16,536,801      |
| Restricted cash and deposits | 252,149            |
| Trade and other receivables  | 3,911,713          |
| Taxes receivable             | 2,246,287          |
| Other current assets         | 283,293            |



**Less:**

|  |                     |
|--|---------------------|
| Accounts payable and accrued liabilities | 7,829,348           |
| Lease obligation                         | 36,323              |
| Income tax payable                       | 5,742,447           |
| <b>Working capital<sup>(1)</sup></b>     | <b>\$ 9,622,125</b> |

<sup>(1)</sup>Non-IFRS measure

**Debt Capital**

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

**Letters of Credit**

As at September 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<br>(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   |
| <b>Total</b> |             |               |                    | <b>\$3,023,806</b> |                   |

**Share Capital**

As at September 30, 2024, the Company had 285,864,348 common shares and 25,795,001 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 September 30, 2024:

|   | Less than 1 year | 1-3 years         | Thereafter | Total             |
|---|------------------|-------------------|------------|-------------------|
| <b>Exploration and production contracts</b> | -                | <b>12,000,000</b> | -          | <b>12,000,000</b> |

**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       |             |
|---|------------|------------|------------|--------------|------------|-------------|------------|-------------|
|   | Q3         | Q2         | Q1         | Q4           | Q3         | Q2          | Q1         |             |
| Oil and natural gas sales, net of royalties | 21,300,115 | 15,146,366 | 14,404,921 | 13,406,513   | 13,990,353 | 10,280,280  | 6,992,860  | 8,931,562   |
| Net income (loss)                           | 6,668,493  | 1,247,825  | 3,176,727  | (10,492,053) | 7,153,120  | (757,416)   | 2,989,735  | 2,968,117   |
| Income (loss) per share –                   |            |            |            |              |            |             |            |             |
| basic                                       | 0.02       | 0.00       | 0.01       | (0.04)       | 0.03       | (0.00)      | 0.01       | 0.01        |
| diluted                                     | 0.02       | 0.00       | 0.01       | (0.04)       | 0.02       | (0.00)      | 0.01       | 0.01        |
| Working capital (deficit)                   | 9,622,125  | 6,657,117  | 9,520,829  | 8,669,114    | 10,822,475 | (2,363,388) | 2,619,715  | (1,316,665) |
| Total assets                                | 73,535,397 | 67,864,633 | 64,579,940 | 62,275,023   | 62,755,250 | 56,305,530  | 53,719,944 | 53,190,248  |
| Net capital expenditures                    | 6,945,779  | 8,965,408  | 6,281,329  | 10,471,447   | 5,471,561  | 6,870,258   | 4,271,693  | 2,106,463   |
| Average daily production (boe/d)            | 4,124      | 2,638      | 2,730      | 2,666        | 2,518      | 2,169       | 1,635      | 1,736       |

The Company's oil and natural gas sales have increased 52% in Q3 2024 when compared to Q3 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 November 26, 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 | 250,000     | CAD\$ 1.15     | October 22, 2028             |
| Stock options | 100,000     | 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 | 600,001     | 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 | 100,000     | 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 | 8,543,888   | CAD \$0.375    | Oct. 29 2025, 2026 and 2027  |
| Stock options | 4,332,221   | CAD \$0.475    | Mar. 11 2026, 2027 and 2028  |

## 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 positive cashflows, providing Arrow with the funds required to continue with its capital program for 2024.

During 2024, the Company has drilled thirteen wells at Carrizales Norte, including six horizontal wells, which have increased corporate production. Arrow remains committed to growth and increasing shareholder value.

## 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](http://www.sedar.com)