

# **ARROW EXPLORATION CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2024**





## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") as provided by the management of Arrow Exploration Corp. ("Arrow" or the "Company"), is dated as of April 28, 2025 and should be read in conjunction with Arrow's annual consolidated financial statements and related notes as at and for years ended December 31, 2024 and 2023. Additional information relating to Arrow 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; 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 or Carrizales Norte 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 ended December 31, 2024	Year ended December 31, 2024	Three months ended December 31, 2023	Year ended December 31, 2023
<b>Net (loss) income</b>	2,081,956	13,175,001	(10,492,053)	(1,106,613)
<b>Add/(subtract):</b>				
Share based payments	925,491	1,480,664	151,094	591,454
Financing costs:				
Accretion on decommissioning obligations	53,414	178,296	31,840	127,478
Interest	7,242	31,846	9,420	141,117
Other	(82,799)	330,450	79,540	317,676
Depreciation and depletion	6,060,557	17,535,815	2,119,374	12,186,777
(Gain) loss on derivative liability	-	-	(932,379)	(1,041,992)
Impairment (reversal) of oil and gas properties	(2,204,753)	(662,753)	11,799,740	11,799,740
Income tax expense, current and deferred	6,435,936	16,074,862	4,365,846	4,141,532
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>13,277,044</b>	<b>48,144,181</b>	<b>7,132,422</b>	<b>27,157,169</b>
<b>Cash flows provided by operating activities</b>	<b>10,312,230</b>	<b>39,524,589</b>	<b>2,581,686</b>	<b>16,476,551</b>
<b>Minus - Changes in non-cash working capital balances:</b>				
Trade and other receivables	(81,499)	293,278	772,704	1,001,992
Restricted cash	(22,557)	(449,148)	(1,138)	36,052
Taxes receivable	410,640	(1,998,473)	2,920,256	3,854,222
Deposits and prepaid expenses	54	35,328	72,504	39,943
Inventory	126,783	(314,932)	(393,185)	(213,345)
Accounts payable and accrued liabilities	325,475	(285,221)	(239,606)	414,757
Income tax payable	1,448,338	(1,185,605)	(1,932,188)	(1,619,588)
<b>Funds flow from operations <sup>(1)</sup></b>	<b>12,519,464</b>	<b>35,619,816</b>	<b>3,781,033</b>	<b>19,990,584</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 ended December 31, 2024	Year ended December 31, 2024	Three months ended December 31, 2023	Year ended December 31, 2023
Total natural gas and crude oil revenues, net of royalties	22,873,626	73,725,028	13,406,513	44,670,006
Funds flow from operations <sup>(1)</sup>	12,519,464	35,619,816	3,781,033	19,990,584
Funds flow from operations <sup>(1)</sup> per share –				
Basic(\$)	0.04	0.12	0.01	0.08
Diluted (\$)	0.04	0.12	0.01	0.07
Net income (loss)	2,081,956	13,175,001	(10,492,053)	(1,106,613)
Net income (loss) per share –				
Basic (\$)	0.01	0.05	(0.04)	(0.00)
Diluted (\$)	0.01	0.05	(0.04)	(0.00)
Adjusted EBITDA <sup>(1)</sup>	13,277,044	48,144,181	7,132,422	27,157,169
Weighted average shares outstanding:				
Basic	285,864,348	285,864,348	278,144,305	242,537,228
Diluted	290,029,866	291,226,740	291,404,032	289,903,094
Common shares end of period	285,864,348	285,864,348	285,864,348	285,864,348
Capital expenditures	8,928,725	31,121,240	10,471,447	27,084,959
Cash and cash equivalents	18,837,784	18,837,784	12,135,376	12,135,376
Current assets	25,973,196	25,973,196	21,629,198	21,629,198
Current liabilities	14,327,027	14,327,027	12,960,084	12,960,084
Adjusted working capital <sup>(1)</sup>	11,646,169	11,646,169	8,669,114	8,669,114
Non-current restricted cash and deposits <sup>(2)</sup>	167,545	167,545	854,834	854,834
Total assets	81,268,734	81,268,734	62,275,023	62,275,023
<b>Operating</b>				
<b>Natural gas and crude oil production, before royalties</b>				
Natural gas (Mcf/d)	1,332	1,119	1,819	2,150
Natural gas liquids (bbl/d)	5	5	4	4
Crude oil (bbl/d)	4,511	3,351	2,027	1,805
<b>Total (boe/d)</b>	<b>4,738</b>	<b>3,542</b>	<b>2,335</b>	<b>2,167</b>
<b>Operating netbacks (\$/boe) <sup>(1)</sup></b>				
Natural gas (\$/Mcf)	(\$0.71)	(\$0.68)	(\$0.21)	(\$0.13)
Crude oil (\$/bbl)	\$42.80	\$50.13	\$45.91	\$53.97
<b>Total (\$/boe)</b>	<b>\$40.63</b>	<b>\$47.33</b>	<b>\$40.49</b>	<b>\$45.17</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, and during 2024 Carrao changed its name to Arrow Exploration Switzerland GmbH.

On May 31, 2018, Arrow Exploration Ltd., entered into a purchase and sale agreement to acquire a 50% beneficial interest in a contract entered into with Ecopetrol S.A. pertaining to the exploration and production of hydrocarbons in the Tapir block from Samaria Exploration & Production S.A. ("Samaria"). On September 27, 2018, Arrow Exploration Ltd. closed the agreement with Samaria. As at December 31, 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>				
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
Ante Creek	Operated	2,560	100%	2,560
<b>Total Canada</b>		<b>31,200</b>		<b>24,439</b>
<b>TOTAL</b>		<b>248,590</b>		<b>158,433</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 have been in intermittent production during 2024.

### **Year ended December 31, 2024 Financial and Operational Highlights**

- Arrow recorded \$73,725,028 in revenues, net of royalties, on crude oil sales of 1,236,940 bbls, 1,655 bbls of natural gas liquids ("NGL's") and 409,410 Mcf of natural gas sales;
- Funds flow from operations of \$35,619,816;
- Net income of \$13,175,001 and adjusted EBITDA was \$48,144,480;



### Three Months Ended December 31, 2024 Financial and Operational Highlights

- Arrow recorded \$22,873,626 in revenues, net of royalties, on crude oil sales of 417,034 bbls, 453 bbls of natural gas liquids (“NGL’s”) and 122,574 Mcf of natural gas sales;
- Funds flow from operations of \$12,519,464;
- Net income of \$2,081,956 and adjusted EBITDA was \$13,277,044;

### Annual 2024 Reserve Highlights

- 2,384 Mboe of Proved Developed Producing Reserves, net increase of 92% when compared to 2023;
- 5,805 Mboe of Proved Reserves, net increase of 10% when compared to 2023;
- 13,618 Mboe of Proved plus Probable Reserves, net increase of 15% when compared to 2023;
- Proved reserves estimated net present value, before income taxes, of US\$115 million using a 10% discount rate;
- Proved plus Probable Reserves estimated net present value, before income taxes, of US\$285 million using a 10% discount rate

### RESULTS OF OPERATIONS

The Company increased its production from its new wells at its Carrizales Norte and Alberta Llanos fields in the Tapir block. These have allowed the Company to continue to improve its operating results and EBITDA. There has also been a decrease in the Company’s natural gas production in Canada due to shut ins in some wells and natural declines.

### Average Production by Property

Average Production Boe/d	YTD 2024	Q4 2024	Q3 2024	Q2 2024	Q1 2024	YTD 2023	Q4 2023
Oso Pardo	153	154	180	113	166	110	80
Ombu (Capella)	-	-	-	-	-	20	-
Rio Cravo Este (Tapir)	1,294	1,178	1,078	1,283	1,644	1,342	1,326
Carrizales Norte (Tapir)	1,897	3,153	2,784	991	622	332	621
Alberta Llanos	7	26	-	-	-	-	-
<b>Total Colombia</b>	<b>3,351</b>	<b>4,511</b>	4,042	2,387	2,432	1,805	2,027
Fir, Alberta	81	88	82	77	78	78	80
Pepper, Alberta	110	139	-	82	220	284	228
<b>TOTAL (Boe/d)</b>	<b>3,542</b>	<b>4,738</b>	4,124	2,546	2,730	2,167	2,335

The Company’s average production for the three months and year ended December 31, 2024 was 4,738 and 3,542 boe/d, respectively, which consisted of crude oil production in Colombia of 4,511 and 3,351 bbl/d, respectively, natural gas production of 1,332 and 1,119 Mcf/d, respectively, and minor amounts of natural gas liquids. The Company’s Q4 2024 production was 15% higher than its Q3 2024 production and 103% higher than Q4 2023.

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

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
<b>Natural Gas (Mcf/d)</b>				
Natural gas production	1,332	1,819	1,119	2,150
Natural gas sales	1,332	1,819	1,119	2,150
<b>Realized Contractual Natural Gas Sales</b>	<b>1,332</b>	1,819	<b>1,119</b>	2,150





	Three months ended		Year ended	
	December 31		December 31	
	2024	2023	2024	2023
<b>Crude Oil (bbl/d)</b>				
Crude oil production	4,511	2,027	3,351	1,805
Inventory movements and other	22	284	38	58
<b>Crude Oil Sales<sup>(1)</sup></b>	<b>4,533</b>	<b>2,311</b>	<b>3,389</b>	<b>1,862</b>
<b>Corporate</b>				
Natural gas production (boe/d)	222	303	186	358
Natural gas liquids(bbl/d)	5	4	5	4
Crude oil production (bbl/d)	4,511	2,027	3,351	1,805
Total production (boe/d)	4,738	2,335	3,542	2,167
Inventory movements and other (boe/d)	22	284	38	58
<b>Total Corporate Sales (boe/d)</b>	<b>4,760</b>	<b>2,619</b>	<b>3,580</b>	<b>2,225</b>

(1) Royalties paid in kind reduce the Company's crude oil sales volumes

During the three months and year ended December 31, 2024 the majority of production was attributed to Colombia, where all of Company's blocks were producing, except for Capella. During Q4 2024, the Company started to pay in kind its Tapir Block royalties payable to the ANH. The volumes reported as inventory movements during the year ended December 31, 2024 correspond mostly to the sale of 18,990 barrels of oil stored at the non-operated Capella field in the OMBU block.

### Natural Gas and Oil Revenues

	Three months ended		Year ended	
	December 31		December 31	
	2024	2023	2024	2023
<b>Natural Gas</b>				
Natural gas revenues	148,255	280,797	551,419	1,523,686
NGL revenues	29,791	25,964	108,566	93,336
Royalties	(6,138)	(7,751)	(6,529)	(17,121)
<b>Revenues, net of royalties</b>	<b>171,908</b>	<b>299,010</b>	<b>653,456</b>	<b>1,599,901</b>
<b>Oil</b>				
Oil revenues	23,788,524	14,802,541	80,899,199	48,979,764
Royalties	(1,086,806)	(1,695,037)	(7,827,627)	(5,909,659)
<b>Revenues, net of royalties</b>	<b>22,701,718</b>	<b>13,107,504</b>	<b>73,071,572</b>	<b>43,070,105</b>
<b>Corporate</b>				
Natural gas revenues	148,255	280,797	551,419	1,523,686
NGL revenues	29,791	25,964	108,566	93,336
Oil revenues	23,788,524	14,802,541	80,899,199	48,979,764
Total revenues	23,966,570	15,109,301	81,559,184	50,596,786
Royalties	(1,092,944)	(1,702,788)	(7,834,156)	(5,926,780)
<b>Natural gas and crude oil revenues, net of royalties</b>	<b>22,873,626</b>	<b>13,406,513</b>	<b>73,725,028</b>	<b>44,670,006</b>



Natural gas and crude oil revenues, net of royalties, for the three months and year ended December 31, 2024 were \$22,873,626 and \$73,725,028, respectively (2023: \$13,406,513 and \$44,670,006), which represents an increase of 71% and 65%, respectively, when compared to the same 2023 periods, and 8% higher than Q3 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 December 31			Year ended December 31		
	2024	2023	Change	2024	2023	Change
<b>Benchmark Prices</b>						
AECO (C\$/Mcf)	\$1.50	\$2.34	(36%)	\$1.48	\$2.68	(45%)
Brent (\$/bbl)	\$73.13	\$77.32	(5%)	\$78.42	\$81.03	(3%)
West Texas Intermediate (\$/bbl)	\$70.30	\$78.35	(10%)	\$75.70	\$77.60	(2%)
<b>Realized Prices</b>						
Natural gas, net of transportation (\$/Mcf)	\$1.21	\$1.68	(28%)	\$1.35	\$1.94	(31%)
Natural gas liquids (\$/bbl)	\$65.73	\$68.30	(4%)	\$65.60	\$64.61	2%
Crude oil, net of transportation (\$/bbl)	\$57.04	\$69.61	(18%)	\$65.40	\$72.05	(9%)
<b>Corporate average, net of transport (\$/boe)<sup>(1)</sup></b>	<b>\$54.73</b>	<b>\$62.72</b>	<b>(13%)</b>	<b>\$62.41</b>	<b>\$62.31</b>	<b>0%</b>

(1) Non-IFRS measure

The Company realized prices of \$54.73 and \$62.41 per boe during the three months and year ended December 31, 2024, respectively (2023: \$62.72 and \$62.31), due to overall decrease in oil and natural gas prices during 2024 and increase production of heavier oil which is sold at larger discounts when compared to lighter oil. This elements were partially offset by increases in natural gas liquids during some 2024 periods.

### Operating Expenses

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
Natural gas & NGL's	229,574	308,311	822,409	1,610,557
Crude oil	4,851,408	3,343,948	11,055,768	6,380,615
<b>Total operating expenses</b>	<b>5,080,982</b>	<b>3,652,259</b>	<b>11,878,177</b>	<b>7,991,172</b>
Natural gas (\$/Mcf)	\$1.87	\$1.84	\$2.01	\$2.05
Crude oil (\$/bbl)	\$11.63	\$15.73	\$8.94	\$9.39
<b>Corporate (\$/boe)<sup>(1)</sup></b>	<b>\$11.60</b>	<b>\$15.16</b>	<b>\$9.09</b>	<b>\$9.84</b>

(1) Non-IFRS measure

During the three months and year ended December 31, 2024, Arrow incurred operating expenses of \$5,080,982 and \$11,878,177, respectively (2023: \$3,652,259 and \$7,991,172). This increase in operating costs is mainly due to increased production in the Company's Carrizales Norte and Alberta Llanos fields, including production of heavier oil, workovers and \$464,900 of additional operating costs corresponding to the Capella inventory volumes sold during Q2 2024.



## Operating Netbacks

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
<b>Natural Gas (\$/Mcf)</b>				
Revenue, net of transportation expense	\$1.21	\$1.68	\$1.35	\$1.94
Royalties	(\$0.05)	(0.05)	(\$0.02)	(0.02)
Operating expenses	(\$1.87)	(1.84)	(\$2.01)	(2.05)
<b>Natural Gas operating netback<sup>(1)</sup></b>	<b>(\$0.71)</b>	<b>(\$0.21)</b>	<b>(\$0.68)</b>	<b>(\$0.13)</b>
<b>Crude oil (\$/bbl)</b>				
Revenue, net of transportation expense	\$57.04	\$69.61	\$65.40	\$72.05
Royalties	(\$2.61)	(7.97)	(\$6.33)	(8.69)
Operating expenses	(\$11.63)	(15.73)	(\$8.94)	(9.39)
<b>Crude Oil operating netback<sup>(1)</sup></b>	<b>\$42.80</b>	<b>\$45.91</b>	<b>\$50.13</b>	<b>\$53.97</b>
<b>Corporate (\$/boe)</b>				
Revenue, net of transportation expense	\$54.73	\$62.72	\$62.41	\$62.31
Royalties	(\$2.50)	(7.07)	(\$5.99)	(7.30)
Operating expenses	(\$11.60)	(15.16)	(\$9.09)	(9.84)
<b>Corporate Operating netback<sup>(1)</sup></b>	<b>\$40.63</b>	<b>\$40.49</b>	<b>\$47.33</b>	<b>\$45.17</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 December 31		Year ended December 31	
	2024	2023	2024	2023
General & administrative expenses	4,000,268	3,347,336	13,870,102	10,607,275
G&A recovered from 3 <sup>rd</sup> parties	(373,888)	(196,436)	(985,603)	(665,411)
<b>Total G&amp;A</b>	<b>3,626,380</b>	<b>3,150,900</b>	<b>12,884,499</b>	<b>9,941,864</b>
<b>Cost per boe</b>	<b>\$8.28</b>	<b>\$13.08</b>	<b>\$9.86</b>	<b>\$12.24</b>

For the three months and year ended December 31, 2024, G&A expenses before recoveries totaled \$4,000,268 and \$13,870,102, respectively (2023: \$3,347,336 and \$10,607,275). 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 December 31		Year ended December 31	
	2024	2023	2024	2023
<b>Share-based Payments</b>	<b>925,491</b>	<b>151,094</b>	<b>1,480,664</b>	<b>591,454</b>



Share-based compensation expense for the three months and year ended December 31, 2024 totaled \$925,491 and \$1,480,664, respectively (2023: \$151,094 and \$591,454), and due to an amendment in the stock option plan that allows stock option holders to select an equity or cash settlement, the Company started recognition of its stock based compensation plan as a liability plan, recognizing \$1,480,664 (2023: \$591,454) as share-based compensation expense, with a corresponding effect in stock based compensation liability.

### Financing Costs

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
	Financing expense paid or payable	(75,557)	(155,820)	362,296
Non-cash financing costs	53,414	31,840	178,296	127,478
<b>Net financing costs</b>	<b>(\$22,143)</b>	<b>\$123,980</b>	<b>\$540,592</b>	<b>\$693,022</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, offset by interest income generated by time deposits. 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 December 31		Year ended December 31	
	2024	2023	2024	2023
	<b>Depletion and depreciation</b>	<b>6,060,556</b>	<b>2,119,374</b>	<b>17,535,815</b>

Depletion and depreciation expense for the three months and year ended December 31, 2024 totaled \$6,060,556 and \$17,835,815, respectively (2023: \$2,119,374 and \$12,186,777). 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 (reversal) of oil and gas properties, net

	Three months ended December 31		Year ended December 31	
	2024	2023	2024	2023
	<b>Impairment (reversal) of oil and gas properties, net</b>	<b>(2,204,753)</b>	<b>11,799,740</b>	<b>(662,753)</b>

As at December 31, 2024, the Company reviewed its cash-generating units ("CGU") for property and equipment and determined that there were indicators of impairment reversal in its Canada CGU and recognized a gain of \$662,753 (2023: there were indicators of impairment in its Canada CGU and recognized loss of \$11,799,740). This impairment reversal was mainly caused by increases in the Company's natural gas reserves. As of June 2024, the Company recognized an impairment loss of \$1,542,000 associated with its Canada CGU due to significant decreases in natural gas prices.



## Income Taxes

	Three months ended		Years ended	
	December 31		December 31	
	2024	2023	2024	2023
Current income tax expense	(665,259)	3,392,115	10,481,144	7,097,419
Deferred income tax expense (recovery)	7,101,195	973,731	5,593,718	(2,955,887)
<b>Total income tax expense</b>	<b>6,435,936</b>	<b>4,365,846</b>	<b>16,074,862</b>	<b>4,141,532</b>

During 2024, the Company recognized a total income tax expense of \$16,074,862 (2023: \$4,141,532) which consisted on \$10,481,144 of current income tax expense (2023: \$7,097,419) and an expense of \$5,593,718 of deferred income tax (2023: recovery of \$2,955,887). This increase is mainly caused by the continuous increase of the Company's net taxable income, especially in Colombia, and realization of previously recognized deferred tax assets.

## 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 December 31, 2024 the Company has a working capital of \$11,646,169. 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 December 31, 2024 the Company's net debt (net cash) was calculated as follows:

	December 31, 2024
Current assets	\$ 25,973,196
<b>Less:</b>	
Accounts payable and accrued liabilities	(8,504,332)
Income taxes payable	(4,294,109)
<b>Net debt (Net cash) <sup>(1)</sup></b>	<b>\$ (13,174,755)</b>

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

### Working Capital

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

	December 31, 2024
<b>Current assets:</b>	
Cash	\$ 18,837,784
Restricted cash and deposits	238,141
Trade and other receivables	3,830,215
Taxes receivable	2,656,926
Other current assets	410,130



**Less:**

Accounts payable and accrued liabilities	8,504,332
Lease obligation	44,639
Income tax payable	4,294,109
Stock based compensation liability	1,483,947
<b>Working capital<sup>(1)</sup></b>	<b>\$ 11,646,169</b>

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

**Debt Capital**

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

**Letters of Credit**

As at December 31, 2024, the Company had obligations under Letters of Credit (“LC’s”) outstanding totaling \$3 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	621,158	April 14, 2026
	ANH	Carrao Energy	Financial Capacity	1,672,162	June 30, 2025
CORE – 39	ANH	Carrao Energy	Compliance	100,000	June 30, 2025
OMBU	ANH	Carrao Energy	Financial Capacity	436,300	October 14, 2025
	ANH	Carrao Energy	Abandonment	265,782	August 28, 2025
<b>Total</b>				<b><u>\$3,095,402</u></b>	

**Share Capital**

As at December 31, 2024, the Company had 285,864,348 common shares and 25,795,002 stock options outstanding.

**RELATED PARTIES**

The following table summarizes the Company’s Directors and executives compensation paid during the year ended December 31, 2024:

Director	Salary or Annual Fee	Bonus	Other Benefits	Stock-Based Compensation	Total
G. Jull	455,400	1,222,500	17,699	260,845	<b>1,956,444</b>
M. Abbott	455,400	1,312,500	15,010	290,000	<b>2,072,910</b>
J. McFarlane	455,400	1,222,500	15,382	260,845	<b>1,954,127</b>
G. Carnie	72,600	-	-	34,075	<b>106,675</b>
R. Sharma	72,600	-	-	8,519	<b>81,119</b>
A. Zaidi	72,600	-	-	-	<b>72,600</b>
Ian Langley	72,600	-	-	-	<b>72,600</b>
<b>Total</b>	<b>1,656,600</b>	<b>3,757,500</b>	<b>48,091</b>	<b>854,284</b>	<b>6,316,475</b>

Performance bonuses to executives totaled in aggregate \$3,757,000 and were payable on meeting a number of operational performance criteria. During 2023, the Company granted loans to some of its executives and Directors in the form of promissory notes, which are due on demand and bear interest at the average Bank of Canada Interbank Rate (currently 5%). The current aggregate balance receivable of these loans is \$699,880, including interest of \$57,413 (2023: \$9,650) as other account receivables.



As of December 31, 2024, Directors and officers of the Company have the following outstanding stock options:

Director	Stock Options Available
G. Jull	5,415,000
M. Abbott	5,615,001
J. McFarlane	5,415,000
G. Carnie	1,300,000
R. Sharma	1,965,001
A. Zaidi	1,400,000
Ian Langley	1,300,000
<b>Total</b>	<b>22,410,002</b>

### CONTRACTUAL OBLIGATIONS

The following table provides a summary of the Company's cash requirements to meet its financial liabilities and contractual obligations existing at December 31, 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>

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			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Oil and natural gas sales, net of royalties	22,873,626	21,300,115	15,146,366	14,404,921	13,406,513	13,990,353	10,280,280	6,992,860
Net income (loss)	2,081,956	6,668,493	1,247,825	3,176,727	(10,492,053)	7,153,120	(757,416)	2,989,735
Income (loss) per share – basic	0.01	0.02	0.00	0.01	(0.04)	0.03	(0.00)	0.01
diluted	0.01	0.02	0.00	0.01	(0.04)	0.02	(0.00)	0.01
Working capital (deficit)	11,646,169	9,622,125	6,657,117	9,520,829	8,669,114	10,822,475	(2,363,388)	2,619,715
Total assets	81,268,734	73,535,397	67,864,633	64,579,940	62,275,023	62,755,250	56,305,530	53,719,944
Net capital expenditures	8,928,725	6,945,779	8,965,408	6,281,329	10,471,447	5,471,561	6,870,258	4,271,693
Average daily production (boe/d)	4,738	4,124	2,638	2,730	2,666	2,518	2,169	1,635

The Company's oil and natural gas sales have increased 71% in Q4 2024 when compared to Q4 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 April 28, 2025 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 efficiently deployed the capital raised and generated on successful drilling campaigns at Rio Cravo, Carrizales Norte and a discovery at Alberta Llanos on the Tapir Block. These successful campaigns have translated into production growth and positive cashflows, providing Arrow with the funds required to expand its capital program for 2025. In 2025 the Company plans another year of production growth with a balanced program of both development and low risk exploration drilling on the Tapir Block. The Company has a strong balance sheet, with no debt and cash flow from operations which will fund the 2025 program.

During 2024, the Company drilled 11 oil wells at Carrizales Norte, including six horizontals, a discovery well at the new Alberta Llanos field, 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. The following is a discussion of the accounting estimates that are critical to the consolidated financial statements.

**Crude oil and natural gas assets - reserves estimates** – Arrow retained independent third-party petroleum engineers to evaluate its crude oil and natural gas reserves, prepare an evaluation report, and report to the Reserves Committee of the Board of Directors. The process of estimating crude oil and natural gas reserves is subjective and involves a significant number of decisions and assumptions in evaluating available geological, geophysical, engineering and economic data. These estimates will change over time as additional data from ongoing development and production activities becomes available and as economic conditions affecting crude oil and natural gas prices and costs change. Reserves can be classified as proved, probable or possible with decreasing levels of likelihood that the reserves will be ultimately produced. Reserve estimates are a key input to the Company's depletion calculations and impairment tests. Property, plant and equipment within each area are depleted using the unit-of-production method based on proved and probable reserves using estimated future prices and costs. In addition, the costs subject to depletion include an estimate of future costs to be incurred in developing proved and probable reserves. A revision in reserve estimates or future development costs could result in the recognition of higher depletion charged to net income.

Under the IFRS, the carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment or impairment reversal. If any such indication exists, the estimated recoverable amount is calculated. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").





The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves. Exploration and evaluation (“E&E”) assets will be allocated to the related CGU’s to assess for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets (oil and natural gas interests in property, plant and equipment). An impairment loss is recognized in income if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Reserve, revenue, royalty and operating cost estimates and the timing of future cash flows are all critical components of the impairment test. Revisions of these estimates could result in a write-down of the carrying amount of crude oil and natural gas properties.

**Decommissioning obligations** – The Company recognizes the estimated fair value of the decommission liability in the period in which it is incurred and records a corresponding increase in the carrying value of the related asset. The future asset retirement obligation is an estimate based on the Company’s ownership interest in wells and facilities and reflects estimated costs to complete the abandonment and reclamation as well as the estimated timing of the costs to be incurred in future periods. Estimates of the costs associated with abandonment and reclamation activities require judgement concerning the method, timing and extent of future retirement activities. The capitalized amount is depleted on a unit-of-production method over the life of the proved and probable reserves. The liability amount is increased each reporting period due to the passage of time and this accretion amount is charged to earnings in the period, which is included as a financing expense. Actual costs incurred on settlement of the decommissioning liability are charged against the liability. Judgements affecting current and annual expense are subject to future revisions based on changes in technology, abandonment timing, costs, discount rates and the regulatory environment.

**Income taxes** – Arrow follows the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Current tax is the expect tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting period, and any adjustment to tax payable in respect to previous periods.

Tax interpretations and legislation in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty and interpretations can impact net income through current tax arising from the changes in the deferred income tax asset and liabilities.

**Provisions and contingencies** - The Company recognizes provisions based on an assessment of its obligations and available information. Any matters not included as provisions are uncertain in nature and cannot be reasonably estimated. The Company makes assumptions to determine whether obligations exist and to estimate the amount of obligations that we believe exist. In estimating the final outcome of litigation, assumptions are made about factors including experience with similar matters, past history, precedents, relevant financial, scientific, and other evidence and facts specific to the matter. This determines whether a provision or disclosure in the financial statements is needed.

## 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 as described in Note 3 of the Annual Financial Statements.

## 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. A summary of certain risk factors relating to our business are disclosed below.



### **Unstable Oil and Gas Industry**

Recent market events and conditions, constant changes oil and natural gas supply, actions taken by the Organization of Petroleum Exporting Countries (OPEC), slowing growth in China and other emerging economies, market volatility and disruptions in Asia, and sovereign debt levels in various countries, have caused significant weakness and volatility in commodity prices. These events and conditions have caused a significant volatility in the valuation of oil and gas companies and a variable confidence in the oil and gas industry. Lower commodity prices may also affect the volume and value of the Company's reserves especially as certain reserves become uneconomic. In addition, in a low commodity prices environment might affect the Company's cash flow. As a result, the Company may not be able to replace its production with additional reserves and both the Company's production and reserves could be reduced on a year over year basis. Given the current market conditions, the Company may have difficulty raising additional funds or if it is able to do so, it may be on unfavourable and highly dilutive terms.

### **Prices, Markets and Marketing of Crude Oil and Natural Gas**

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of Arrow. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the volume of Arrow's oil and gas reserves. Arrow might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in Arrow's future net production revenue, causing a reduction in its oil and gas acquisition and development activities.

In addition to establishing markets for its oil and natural gas, Arrow must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by Arrow will be affected by numerous factors beyond its control. Arrow will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by Arrow. The ability of Arrow to market its natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. Arrow will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

### **Substantial Capital Requirements; Liquidity**

Arrow's cash flow from its production and sales of petroleum and natural gas may not, at all times be sufficient to fund its ongoing activities. From time to time, Arrow may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause Arrow to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If Arrow's revenues from its production of petroleum and natural gas decrease as a result of lower oil and natural gas prices or otherwise, it may affect Arrow's ability to expend the necessary capital to replace its reserves or to maintain its production. If Arrow's funds from operations are not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional financing will be available to meet these requirements or available on terms acceptable to Arrow.

Arrow's lenders will be provided with security over substantially all of the assets of Arrow. If Arrow becomes unable to pay its debt service charges or otherwise commits an event of default, such as bankruptcy, these lenders may foreclose on or sell Arrow's properties. The proceeds of any such sale would be applied to satisfy amounts owed to Arrow's lenders and other creditors and only the remainder, if any, would be available to Arrow shareholders. Arrow monitors and updates its cash projection models on a regular basis which assists in the timing decision of capital expenditures. Farm-outs of projects may be arranged if capital constraints are an issue or if the risk profile dictates that the Company wishes to hold a lesser working interest position. Equity, if available and if on reasonable terms, may be utilized to help fund Arrow's capital program.



### **Access to Capital**

Access to capital has become limited during these times of economic uncertainty. To the extent the external sources of capital become limited or unavailable, Arrow's ability to make the necessary capital investments to maintain or expand oil and gas reserves may be impaired.

### **Risks of Foreign Operations Generally**

Most of Arrow's oil and gas properties and operations are located in a foreign jurisdiction. As such, Arrow's operations may be adversely affected by changes in foreign government policies and legislation or social instability and other factors which are not within the control of Arrow, including, but not limited to, nationalization, expropriation of property without fair compensation, renegotiation or nullification of existing concessions and contracts, the imposition of specific drilling obligations and the development and abandonment of fields, changes in energy policies or the personnel administering them, changes in oil and natural gas pricing policies, the actions of national labour unions, currency fluctuations and devaluations, exchange controls, economic sanctions and royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which Arrow's operations are conducted, as well as risks of loss due to civil strife, acts of war, terrorism, guerrilla activities and insurrections. Arrow's operations may also be adversely affected by laws and policies of Colombia and Canada affecting foreign trade, taxation and investment.

If Arrow's operations are disrupted and/or the economic integrity of its projects is threatened for unexpected reasons, its business may be harmed. Prolonged problems may threaten the commercial viability of its operations. In addition, there can be no assurance that contracts, licenses, license applications or other legal arrangements will not be adversely affected by changes in governments in foreign jurisdictions, the actions of government authorities or others, or the effectiveness and enforcement of such arrangements. In the event of a dispute arising in connection with Arrow's operations in Colombia, Arrow may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. Arrow may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, Arrow's exploration, development and production activities in Colombia could be substantially affected by factors beyond the Company's control, any of which could have a material adverse effect on Arrow.

Acquiring interests and conducting exploration and development operations in foreign jurisdictions often require compliance with numerous and extensive procedures and formalities. These procedures and formalities may result in unexpected or lengthy delays in commencing important business activities. In some cases, failure to follow such formalities or obtain relevant evidence may call into question the validity of the entity or the actions taken. Management is unable to predict the effect of additional corporate and regulatory formalities which may be adopted in the future including whether any such laws or regulations would materially increase Arrow's cost of doing business or affect its operations in any area. Arrow believes that management's experience operating both in Colombia and in other international jurisdictions helps reduce these risks. In Colombia, the government has a long history of democracy and an established legal framework that, in Arrow's opinion, minimizes political risks.

### **Social risks**

The Company's activities are subject to social risks, including protests or blockades by groups located near some of the Company's operations. Despite the fact that the Company is committed to operating in a socially responsible manner, the Company may face opposition from local communities and non-governmental organizations with respect to its current and future projects, which could adversely affect the Company's business, results of operations and financial condition. No certainty can be given that the Company will be able to reach an agreement with the different communities or special interest groups, such as environmentalists and ethnic communities. Reaching such an agreement may also incur unanticipated costs. The Company could also be exposed to similar delays due to opposition from local communities in other countries where the Company carries out its activities.



### **Russia-Ukraine Conflict**

On February 24, 2022, Russian military forces launched a full-scale military invasion of Ukraine. In response, Ukrainian military personnel and civilians are actively resisting the invasion. Many countries throughout the world have provided aid to the Ukraine in the form of financial aid and in some cases military equipment and weapons to assist in their resistance to the Russian invasion. The North Atlantic Treaty Organization (“NATO”) has also mobilized forces to NATO member countries that are close to the conflict as deterrence to further Russian aggression in the region. The outcome of the conflict is uncertain and is likely to have wide ranging consequences on the peace and stability of the region and the world economy. Certain countries including Canada and the United States, have imposed strict financial and trade sanctions against Russia and such sanctions may have far reaching effects on the global economy. In addition, the German government paused the certification process for the 1,200 km Nord Stream 2 natural gas pipeline that was built to carry natural gas from Russia to Germany. As Russia is a major exporter of oil and natural gas, the disruption of supplies of oil and natural gas from Russia could cause a significant worldwide supply shortage of oil and natural gas and significantly impact pricing of oil and gas worldwide. A lack of supply and high prices of oil and natural gas could have a significant adverse impact on the world economy. The long-term impacts of the conflict and the sanctions imposed on Russia remain uncertain.

### **Alternatives to/Changing Demand for Petroleum Products**

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices will reduce the demand for crude oil, natural gas and other liquid hydrocarbons.

The Company cannot predict the impact of changing demand for oil and natural gas products and any major changes would have a material adverse effect on the Company’s business, financial condition, results of operations and cash flow.

### **Exploration, Development and Production Risks**

Oil and natural gas exploration involves a high degree of risk, for which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that expenditures made on future exploration by Arrow will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressured zones, tools lost in the hole and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. The long-term commercial success of Arrow will depend on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that Arrow will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, Arrow may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and natural reservoir performance declines cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition. Arrow attempts to minimize exploration, development and production risks by utilizing a technical team with extensive experience to assure the highest probability of success in its drilling efforts.



The collaboration of a team of seasoned veterans in the oil and gas business, each with a unique expertise in the various upstream to downstream technical disciplines of prospect generation to operations, provides the best assurance of competency, risk management and drilling success. A full cycle economic model is utilized to evaluate all hydrocarbon prospects. Detailed geological and geophysical techniques are regularly employed including 3D seismic, petrography, sedimentology, petrophysical log analysis and regional geological evaluation.

### **Governmental Regulation**

The oil and gas business is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possible expropriation or cancellation of contract rights, as well as with respect to prices, taxes, export quotas, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for oil and natural gas, increase Arrow's costs and have a material adverse effect on Arrow.

### **Global Pandemic**

Arrow's business, financial condition and results of operations could be materially and adversely affected by the outbreak of epidemics, pandemics and other public health crises in geographic areas in which we have operations, suppliers, customers or employees. The past COVID-19 pandemic, and actions that may be taken by governmental authorities in response thereto, has resulted, and may continue to result in, among other things: increased volatility in financial markets and foreign currency exchange rates; disruptions to global supply chains; labour shortages; reductions in trade volumes; temporary operational restrictions and restrictions on gatherings greater than a certain number of individuals, shelter-in-place declarations and quarantine orders, business closures and travel bans; an overall slowdown in the global economy; political and economic instability; and civil unrest. A prolonged period of affected demand for, and prices of, these commodities, and any applicable storage constraints, could also result in us voluntarily curtailing or shutting in production and a decrease in our refined product volumes and refinery utilization rates, which could adversely impact our business, financial condition and results of operations. Arrow is also subject to risks relating to the health and safety of our people, as well as the potential for a slowdown or temporary suspension of our operations in locations impacted by an outbreak, increased labour and fuel costs, and regulatory changes. Such a suspension in operations could also be mandated by governmental authorities in response to a pandemic. This could negatively impact Arrow's production volumes and revenues for a sustained period of time, which would adversely impact our business, financial condition and results of operations.

### **Credit Exposure**

Recent economic conditions have increased the risk that certain counterparties for the Company's oil and gas sales and our joint venture partners may fail to pay. Arrow mitigates these increased risks through diversification and a review process of the credit worthiness of our counterparties. Arrow's policy to mitigate credit risk associated with product sales is to maintain marketing relationships with large, established and reputable purchasers that are considered creditworthy. Arrow has not experienced any collection issues with its petroleum and natural gas marketers. Joint venture receivables are typically collected within two to three months of the joint venture bill being issued to the partner. Arrow attempts to mitigate the risk from joint venture receivables by obtaining partner approval of significant capital and operating expenditures prior to expenditure and in certain circumstances may require cash deposits in advance of incurring financial obligations on behalf of joint venture partners.

### **Health, Safety and Environment**

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial/state and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities.



Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. There are potential risks to the environment inherent in the business activities of the Company. Arrow has developed and implemented policies and procedures to mitigate health, safety and environment (HS&E) risks. Arrow mitigates HS&E risks by maintaining its wells and complying with all regulations. Regular field inspections are also carried out to ensure that all field personnel and third party contractors comply with all company and regulatory guidelines. An action plan has been developed to ensure inactive wells are suspended properly and abandoned in a timely fashion. The above noted policies and procedures are designed to protect and maintain the environment and to ensure that the employees, contractors, subcontractors and the public at large are kept safe at all times.

### **Foreign Exchange and Currency Risks**

The Company is exposed to foreign exchange and currency risk as a result of fluctuations in exchange rates between Colombian peso and the Canadian dollar. Most of the Company's revenues and funds from financing activities are expected to be received in reference to US dollar denominated prices while a portion of its operating, capital, and general and administrative costs are denominated in the Colombian peso and the Canadian dollar.

### **Sanctions by the United States on Colombia**

Colombia is among several nations whose eligibility to receive foreign aid from the United States is dependent on its progress in stemming the production and transit of illegal drugs, which is subject to an annual certification by the President of the United States of America. Although Colombia has received a current certification, there can be no assurance that, in the future, Colombia will receive certification or a national interest waiver. The failure to receive certification or a national interest waiver may result in any of the following: all bilateral aid, except anti-narcotics and humanitarian aid, would be suspended; the Export-Import Bank of the United States and the Overseas Private Investment Company would not approve financing for new projects in Colombia; United States representatives at multilateral lending institutions would be required to vote against all loan requests from Colombia, although such votes would not constitute vetoes, and the President of the United States and Congress would retain the right to apply future economic and trade sanctions. Each of these outcomes could result in adverse economic consequences in Colombia, could further heighten the political and economic risks associated with operations there, and could threaten the Company's ability to obtain any necessary financing to develop its Colombian properties. There can be no assurance that the United States will not impose sanctions on Colombia in the future, nor can the effect in Colombia that these sanctions might cause be accurately predicted.

### **Economic and Political Developments in Colombia**

The Company's core properties and projects are located in Colombia. As such, it is subject to certain risks, including currency fluctuations, possible political or economic instability. The quality of the Company's assets, financial condition and results of operations significantly depend on macroeconomic and political conditions prevailing in Colombia (such as price instabilities, currency fluctuations, inflation, interest rates, regulation, taxation, social instabilities, political unrest and other developments in or affecting Colombia) over which the Company has no control. In addition, the Company's exploration and production activities may be affected in varying degrees by political stability and government regulations relating to the natural gas industry. Decreases in the growth rate of the Colombian economy, periods of negative growth, material increases in inflation or interest rates or significant fluctuations in the exchange rate could result in lower demand for, or affect the pricing of, the Company's services and products.

In the past, Colombia has experienced periods of weak economic activity and deterioration in economic conditions. There is no assurance that such conditions will not return or that such conditions will not have a material adverse effect on the Company's business, financial condition or results of operations. The Company's financial condition and results of operations may also be affected by changes in the political climate in Colombia to the extent that such changes affect the nation's economic policies, growth, stability or regulatory environment, including any changes in Colombian tax regulations.





Exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, wealth taxes, expropriation of property, environmental legislation and site safety. There can be no assurance that the government of Colombia will continue to pursue business friendly and open-market economic policies or policies that stimulate economic growth and social stability. Any changes in Colombia's economy or the government's economic policies, in particular as they relate to the oil and gas industry, may have a negative impact on the Company's business, financial condition and results of operations.

### **Violence and Instability in Colombia**

Colombia has experienced periods of violence over the past five decades, primarily due to armed conflict between government forces, guerrillas, paramilitary groups and drug cartels. Insurgents activity continues in many parts of the country, despite the Colombian government efforts and security policies. Any possible escalation of the violence associated with these activities may have a negative impact on the Colombian economy and the Company's operations. Within the framework of total peace, the Colombian government has been attempting to advance peace dialogues with different armed groups to achieve peace in the territories through the solution of the armed conflict in Colombia. Among the organized armed structures of high impact crime with which the Government has been attempting to advance peace talks and/or dialogue approaches are: Ejército de Liberación Nacional (ELN), Disidencias de las FARC, Estado Mayor Central, Segunda Marquetalia, Autodefensas Gaitanistas de Colombia (AGC), Autodefensas Conquistadoras de la Sierra Nevada, Criminal Gangs of Medellín, Quibdó and Buenaventura. President Petro has promoted several cease fires with most of the aforementioned groups which have not achieved reduction of violence or actual progress in peace dialogues. Currently most of the cease fires have been ended by the government and in some cases criminal judiciary processes against outlaw peace negotiators have been reactivated. In January 2025, intensified combats between ELN and FARC dissidents related to territorial and drug trafficking control, increased exponentially homicide and internal displacement in the northeastern Catatumbo region resulting in a humanitarian crisis. President Gustavo Petro declared an internal state of emergency in the affected northeastern Catatumbo region and suspended peace negotiations with ELN.

This state of emergency enabled the Executive to issue legislative decrees including special and temporary taxes, all of which are being reviewed by the Constitutional Court. The Colombian government's biggest challenge is perceived to be ensuring that the negotiations lead to a long-lasting peace and that demobilized members of the FARC and ELN rejoin civilian life, rather than regrouping in criminal bands. Continuing attempts to reduce or prevent guerrilla activity may not be successful and guerrilla activity may disrupt the Company's operations in the future. The Company may not be able to establish or maintain the safety of its operations and personnel in Colombia and this violence may affect its operations in the future. Continued or heightened security concerns in Colombia could also result in a significant loss to Arrow and/or costs exceeding current expectations.

### **Competition**

Arrow actively competes for reserve acquisitions, exploration leases, licenses and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial and personnel resources than Arrow. Arrow's competitors include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators. Certain of Arrow's customers and potential customers are themselves exploring for oil and natural gas, and the results of such exploration efforts could affect Arrow's ability to sell or supply oil or gas to these customers in the future. Arrow's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

### **Climate Change**

There is growing international concern regarding climate change and there has been a significant increase in focus on the timing and pace of the transition to a lower-carbon economy. Governments, financial institutions, insurance companies, environmental and governance organizations, institutional investors, social and environmental activists, and individuals, are



increasingly seeking to implement, among other things, regulatory and policy changes, changes in investment patterns, and modifications in energy consumption habits and trends which, individually and collectively are intended to or have the effect of accelerating the reduction in the global consumption of carbon based energy, the conversion of energy usage to less carbon-intensive forms and the general migration of energy usage away from carbon-based forms of energy. Climate change and its associated impacts may increase the Company's exposure to, and magnitude of, each of the risks identified in this MD&A. Overall, the Company is not able to estimate at this time the degree to which climate change related regulatory, climatic conditions, and climate-related transition risks could impact the Company's financial and operating results. The Company's business, financial condition, results of operations, cash flows, reputation, access to capital, access to insurance, cost of borrowing, access to liquidity and ability to fund business plans may, in particular, without limitation, be adversely impacted as a result of climate change and its associated impacts.

### **Social License to Operate**

Heightened public monitoring and regulation of hydrocarbon resource producers, refiners, distributors and commercial/retail sellers, especially where their activities carry the potential for having negative impacts on communities and the environment, involves varying degrees of risk to the Company's reputation, relations with landowners and regulators, and in extreme cases even the ability to operate. Arrow maintains an active website that complies with Exchange requirements for timely disclosure and together with its press releases and other SEDAR filings, is the primary means of communicating to the general public. While media attention and public perception remains largely beyond the control of Arrow's executive, employees, contractors and directors, the Company makes every effort in its corporate and field operations to engage all stakeholders in a respectful and transparent manner.

### **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The CEO and CFO, along with participation from other members of management, are responsible for establishing and maintaining adequate Internal Control over Financial Reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial statements prepared in accordance with IFRS. The Company's CEO and CFO, with support of management have assessed the design and operating effectiveness of the Company's ICFR as at December 31, 2024 based on criteria described in "Internal Control - Integrated Framework" issued in 2013 by the Committee of Sponsoring Organization of the Treadway Commission. Based on this assessment, it was concluded that the design and operation of the Company's ICFR are effective as at December 31, 2024. During the three months ended December 31, 2024, there has been no change in the Company's ICFR that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.