

# **ARROW EXPLORATION CORP.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2025 AND 2024  
IN UNITED STATES DOLLARS  
(UNAUDITED)**



**Notice of No Auditor Review of the Interim Condensed Consolidated Financial Statements  
as at and for the three months ended March 31, 2025**

Under National Instrument 51-102, Part 4, subsection 4.3 (3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**Arrow Exploration Corp.**  
**Interim Consolidated Statements of Financial Position**  
**In United States Dollars**  
**(Unaudited)**

As at	Notes	March 31, 2025	December 31, 2024
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 24,946,934	\$ 18,837,784
Restricted cash and deposits	3	283,973	238,141
Trade and other receivables	4	2,037,258	3,830,215
Taxes receivable	5	2,585,007	2,656,926
Deposits and prepaid expenses		254,969	232,730
Inventory		180,667	177,400
		<b>30,288,808</b>	<b>25,973,196</b>
<b>Non-current assets</b>			
Restricted cash and deposits	3	129,849	167,545
Exploration and evaluation assets	6	2,725,849	142,995
Property and equipment	7	57,387,557	54,984,998
<b>Total Assets</b>		<b>\$ 90,532,063</b>	<b>\$ 81,268,734</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 11,992,570	\$ 8,504,332
Lease obligation	8	57,125	44,639
Income taxes		6,817,123	4,294,109
Stock based compensation liability	10	385,656	1,483,947
		<b>19,252,474</b>	<b>14,327,027</b>
<b>Non-current liabilities</b>			
Lease obligations	8	161,313	174,767
Other liabilities		607,708	610,059
Deferred income taxes		8,327,154	6,832,229
Decommissioning liability	9	6,502,195	6,307,659
<b>Total liabilities</b>		<b>34,850,844</b>	<b>28,251,741</b>
<b>Shareholders' equity</b>			
Share capital	10	73,829,795	73,829,795
Contributed surplus		856,093	856,093
Deficit		(18,107,130)	(20,770,894)
Accumulated other comprehensive loss		(897,539)	(898,001)
<b>Total shareholders' equity</b>		<b>55,681,219</b>	<b>53,016,993</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 90,532,063</b>	<b>\$ 81,268,734</b>

Commitments and contingencies (Note 11)

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

On behalf of the Board:

signed "Gage Jull" Director  
Gage Jull

signed "Ian Langley" Director  
Ian Langley

**Arrow Exploration Corp.****Interim Condensed Consolidated Statements of Operations and Comprehensive Income****In United States Dollars****(Unaudited)**

<b>For the three months ended March 31,</b>	<b>Notes</b>	<b>2025</b>	<b>2024</b>
<b>Revenue</b>			
Oil and natural gas	<b>13</b>	<b>22,136,159</b>	16,393,642
Royalties	<b>13</b>	<b>(2,630,034)</b>	(1,988,721)
Total oil and natural gas revenue, net of royalties		<b>19,506,125</b>	14,404,921
<b>Expenses</b>			
Operating		<b>5,356,599</b>	2,069,011
Administrative		<b>2,881,990</b>	2,681,922
Share-based compensation (income) expense	<b>10</b>	<b>(1,101,470)</b>	101,278
Financing costs:			
Accretion	<b>9</b>	<b>68,277</b>	37,376
Interest	<b>8</b>	<b>7,168</b>	9,769
Other		-	120,653
Foreign exchange (gain) loss		<b>(244,212)</b>	(288,739)
Depletion and depreciation	<b>7</b>	<b>6,520,968</b>	3,531,772
Other income, net		<b>(19,801)</b>	-
Total expenses, net		<b>13,469,519</b>	8,263,042
<b>Income before income tax</b>		<b>6,036,606</b>	6,141,879
<b>Income tax expense</b>			
Current		<b>1,877,917</b>	2,505,285
Deferred		<b>1,494,925</b>	459,867
		<b>3,372,842</b>	2,965,152
<b>Net income</b>		<b>2,663,764</b>	3,176,727
<b>Other comprehensive income (loss)</b>			
Foreign exchange		<b>462</b>	(143,318)
<b>Total other comprehensive income (loss)</b>		<b>462</b>	(143,318)
<b>Total comprehensive income</b>		<b>2,664,226</b>	3,033,409
<b>Net income per share:</b>			
Basic		<b>\$ 0.01</b>	\$ 0.01
Diluted		<b>\$ 0.01</b>	\$ 0.01
<b>Weighted average shares outstanding</b>			
Basic		<b>285,864,348</b>	285,864,348
Diluted		<b>294,094,348</b>	292,791,385

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

**Arrow Exploration Corp.**  
**Interim Condensed Statements of Changes in Shareholders' Equity**  
**In United States Dollars**  
**(Unaudited)**

	Share Capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total Equity
Balance January 1, 2025	\$ 73,829,795	\$ 856,093	\$ (898,001)	\$ (20,770,894)	\$ 53,016,993
Net income for the period	-	-	-	2,663,764	2,663,764
Other comprehensive income	-	-	462	-	462
Total comprehensive income	-	-	462	2,663,764	2,664,226
Balance March 31, 2025	\$ 73,829,795	\$ 856,093	\$ (897,539)	\$ (18,107,130)	\$ 55,681,219

	Share Capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total Equity
Balance January 1, 2024	\$ 73,829,795	\$ 2,161,945	\$ (536,322)	\$ (33,945,895)	\$ 41,509,523
Net income for the period	-	-	-	3,176,727	3,176,727
Other comprehensive income	-	-	(143,318)	-	(143,318)
Total comprehensive income	-	-	(143,318)	3,176,727	3,033,409
Share-based compensation	-	101,278	-	-	101,278
Balance March 31, 2024	\$ 73,829,795	\$ 2,263,223	\$ (679,640)	\$ (30,769,168)	\$ 44,644,210

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

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

<b>For the three months ended March 31,</b>	<b>Notes</b>	<b>2025</b>	<b>2024</b>
<b>Cash flows provided by operating activities:</b>			
Net income		\$ 2,663,764	\$ 3,176,727
Items not involving cash:			
Deferred taxes		1,494,925	459,867
Share-based compensation (income) expense	10	(1,101,470)	101,278
Depletion and depreciation	7	6,520,968	3,531,772
Interest on leases	8	7,168	9,769
Accretion	9	68,277	37,376
Unrealized foreign exchange (gain) loss		91,921	(35,877)
Payment of asset decommissioning obligations		-	(70,229)
Changes in non-cash working capital balances:			
Restricted cash and deposits		(8,136)	343,746
Trade and other receivables		1,792,957	299,554
Taxes receivable		71,920	(164,078)
Deposits and prepaid expenses		(22,238)	(152,963)
Inventory		(3,268)	92
Income tax payable		2,523,014	1,342,465
Accounts payable and accrued liabilities		330,382	(297,211)
Cash provided by operating activities		14,430,184	8,582,288
<b>Cash flows used in investing activities:</b>			
Additions to exploration and evaluation assets	6	(2,582,854)	(578,082)
Additions to property and equipment	7	(8,796,326)	(5,703,246)
Changes in non-cash working capital		3,157,859	(2,751,994)
Cash flows used in investing activities		(8,221,321)	(9,033,322)
<b>Cash flows used in financing activities:</b>			
Lease payments	8	(8,327)	(20,486)
Cash flows used in financing activities		(8,327)	(20,486)
Effect of changes in the exchange rate on cash		(91,386)	(57,514)
Increase (decrease) in cash		6,109,150	(529,034)
Cash, beginning of period		18,837,784	12,135,377
Cash, end of period		24,946,934	11,606,342
<b>Supplemental information</b>			
Interest paid		\$ -	\$ -
Taxes paid		\$ -	\$ -

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

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

**March 31, 2025**

**1. Corporate Information**

Arrow Exploration Corp. ("Arrow" or "the Company") is a public junior oil and gas company engaged in the acquisition, exploration and development of oil and gas properties in Colombia and in Western Canada. The Company's shares trade on the TSX Venture Exchange and the AIM Market of the London Stock Exchange plc under the symbol AXL. The head office of Arrow is located at 203, 2303 – 4th Street SW, Calgary, Alberta, Canada, T2S 2S7 and the registered office is located at 600, 815 8th Avenue SW, Calgary, Alberta, Canada, T2P 3P2.

**2. Basis of Presentation**

**Statement of compliance**

These interim condensed consolidated financial statements (the "Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. These Financial Statements were authorized for issue by the board of directors of the Company on May 29, 2025. They do not contain all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements as at December 31, 2024.

These Financial Statements have been prepared on the historical cost basis, except for financial assets and liabilities recorded in accordance with IFRS 9. The Financial Statements have been prepared using the same accounting policies and methods as the consolidated financial statements for the year ended December 31, 2024. In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2024.

**3. Restricted Cash and deposits**

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Colombia (i)	\$ <b>283,973</b>	\$ 275,949
Canada	<b>129,849</b>	129,737
Sub-total	<b>413,822</b>	405,686
Long-term portion	<b>(129,849)</b>	(167,545)
Current portion of restricted cash and deposits	\$ <b>283,973</b>	\$ 238,141

(i) This balance is comprised of a deposit held as collateral to guarantee abandonment expenditures related to the Tapir, OMBU and Santa Isabel blocks.

**4. Trade and other receivables**

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

**March 31, 2025**

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Trade receivables, net of advances	\$ <b>507,472</b>	\$ 1,926,176
Other accounts receivable	<b>1,529,786</b>	1,904,039
	<b>\$ 2,037,258</b>	<b>\$ 3,830,215</b>

As at March 31, 2025, other accounts receivable include \$699,851 (December 31, 2024 – \$699,880) receivable from on demand loans with executives and directors.

**5. Taxes receivable**

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Value-added tax (VAT) credits recoverable	\$ <b>2,104,919</b>	\$ 1,738,536
Income tax withholdings and advances, net	<b>480,088</b>	918,390
	<b>\$ 2,585,007</b>	<b>\$ 2,656,926</b>

The VAT recoverable balance pertains to non-compensated value-added tax credits originated in Colombia as operational and capital expenditures are incurred. The Company is entitled to compensate or claim for the reimbursement of these VAT credits.

**6. Exploration and Evaluation**

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Balance, beginning of the period	\$ <b>142,995</b>	\$ -
Additions	<b>2,582,854</b>	3,818,279
Reclassification to Property and Equipment (Note 8)	-	(3,675,284)
Balance, end of the period	<b>\$ 2,725,849</b>	<b>\$ 142,995</b>

During 2024, the Company incurred in exploration and development costs associated to its Alberta Llanos prospect in the Tapir block, and determined the technical feasibility and commercial viability of these assets, transferring \$3,675,284 to its property and equipment. An impairment test on these assets was prepared and no losses were identified as a result of such tests.

**7. Property and Equipment**

<b>Cost</b>	<b>Oil and Gas Properties</b>	<b>Right of Use and Other Assets</b>	<b>Total</b>
Balance, December 31, 2023	\$ 75,292,865	\$ 544,217	\$ 75,837,082
Additions	27,295,956	6,908	27,302,864
Adjustment to ROU assets	-	(53,543)	(53,543)



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

**March 31, 2025**

Transfers from exploration of evaluation assets	3,675,284	-	3,675,284
Decommissioning adjustment	2,702,058	-	2,702,058
Balance, December 31, 2024	\$108,966,163	\$ 497,582	\$109,463,745
Additions	8,796,326	-	8,796,326
Decommissioning adjustment	127,036	-	127,036
Balance, March 31, 2025	\$117,889,525	\$ 497,582	118,387,107

<b>Accumulated depletion and depreciation and impairment</b>	<b>Oil and Gas Properties</b>	<b>Right of Use and Other Assets</b>	<b>Total</b>
Balance, December 31, 2023	\$ 37,074,320	\$ 227,142	\$ 37,301,462
Depletion and depreciation	17,448,880	86,935	17,535,815
Impairment reversal	(662,753)	-	(662,753)
Balance, December 31, 2024	\$ 53,860,447	\$ 314,077	\$ 54,174,524
Depletion and depreciation	6,504,952	16,016	6,520,968
Balance, March 31, 2025	\$ 60,365,399	\$ 330,093	\$ 60,695,492

**Foreign exchange**

Balance December 31, 2023	\$ (161,237)	\$ (3,022)	\$ (164,259)
Effects of movements in foreign exchange rates	(122,332)	(17,632)	(139,964)
Balance, December 31, 2024	\$ (283,569)	\$ (20,654)	\$ (304,223)
Effects of movements in foreign exchange rates	6	159	165
Balance, March 31, 2025	\$ (283,563)	\$ (20,495)	\$ (304,058)

**Net Book Value**

Balance December 31, 2024	\$ 54,822,147	\$ 162,851	\$ 54,984,998
Balance March 31, 2025	\$ 57,240,563	\$ 146,994	\$ 57,387,557

**Canada**

As at March 31, 2025, no indicators of impairment were identified in the Company's property and equipment. As at December 31, 2024, the Company determined there were indicators of impairment reversal in its Canada CGU. Management determined the recoverable amount of its Canada CGU using the fair value less costs of disposal approach.

**8. Lease Obligations**

A reconciliation of the discounted lease obligation is set forth below:

	<b>2025</b>	<b>2024</b>
Obligation, beginning of the period	\$ 219,406	\$ 320,593
Changes to leases	-	(53,543)
Lease payments	(8,327)	(57,807)
Interest	7,168	31,846
Effects of movements in foreign exchange rates	191	(21,683)
Obligation, end of the period	218,438	219,406
Current portion	(57,125)	(44,639)
Long-term portion	161,313	174,767

**Arrow Exploration Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
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**(Unaudited)**

**March 31, 2025**

During 2024, the Company recognized the impact of a change in payment terms of its office lease and recognized a decrease in lease liabilities and ROU assets for \$ 53,543. As at March 31, 2025, the Company has the following future lease obligations:

Less than one year	<b>71,852</b>
2 – 5 years	<b>215,231</b>
Total lease payments	<b>287,083</b>
Amounts representing interest over the term	<b>(68,645)</b>
Present value of the net obligation	<b>218,438</b>

**9. Decommissioning Liability**

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the decommissioning of oil and gas properties:

	<b>March 31, 2025</b>	December 31, 2024
Obligation, beginning of the period	<b>6,307,659</b>	3,973,075
Additions	<b>406,095</b>	1,467,282
Change in estimated cash flows	<b>(279,060)</b>	843,978
Payments or settlements	-	(110,263)
Accretion expense	<b>68,277</b>	178,296
Effects of movements in foreign exchange rates	<b>(776)</b>	(44,709)
Obligation, end of the period	<b>6,502,195</b>	6,307,659

The obligation was calculated using a risk-free discount rate range of 2.50% to 3.75% in Canada (2024: 1.25% to 4.50%) and between 4.43% and 4.60% in Colombia (2024: 4.30% and 4.60%) with an inflation rate of 2.0% and 1.90%, respectively (2024: 2.0% and 1.9%). The majority of costs are expected to occur between 2026 and 2038. The undiscounted amount of cash flows, required over the estimated reserve life of the underlying assets, to settle the obligation, adjusted for inflation, is estimated at \$8,204,727 (2024: \$8,155,704).

**10. Share Capital**

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

(b) Issued:

	<b>March 31, 2025</b>		December 31, 2024	
<b>Common shares</b>	<b>Shares</b>	<b>Amounts</b>	Shares	Amounts
Balance at beginning and end of the period	<b>285,864,348</b>	<b>73,829,795</b>	285,864,348	73,829,795

(c) Stock options:

The Company has a stock option plan that provides for the issuance to its directors, officers and employees options to purchase non-transferable common shares not exceeding 10% of the outstanding common shares. The exercise price is based on the closing price of the Company's common shares on the day prior to the day of the grant. A summary of the Company stock option plan as at March 31, 2025 and December 31, 2024 and changes during the periods ended on those dates is presented below:

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

**March 31, 2025**

Stock Options	March 31, 2025		December 31, 2024	
	Number of options	Weighted average exercise price (CAD \$)	Number of options	Weighted average exercise price (CAD \$)
Beginning of period	25,795,002	\$0.24	20,531,668	\$0.18
Granted	-	-	14,176,108	\$0.27
Expired/Forfeited	-	-	(2,433,333)	\$0.12
Exercised	-	-	(7,479,441)	\$0.11
End of period	25,795,002	\$0.24	25,795,002	\$0.24
Exercisable, end of period	8,492,778	\$0.32	8,442,778	\$0.42

Date of Grant	Number Outstanding	Exercise Price (CAD \$)	Weighted Average Remaining Contractual Life	Date of Expiry	Number Exercisable March 31, 2025
October 22, 2018	250,000	\$1.15	3.81	Oct. 22, 2028	250,000
May 3, 2019	100,000	\$0.31	4.34	May 3, 2029	100,000
March 20, 2020	1,200,000	\$0.05	5.22	Mar. 20, 2030	1,200,000
April 13, 2020	1,200,000	\$0.05	5.28	April 13, 2030	1,200,000
December 13, 2021	2,983,336	\$0.13	0.45	June 13, 2024 and 2025	2,983,336
June 9, 2022	600,001	\$0.28	0.74	Dec. 9, 2023, 2024 and 2025	133,333
September 7, 2022	833,334	\$0.26	0.68	Mar. 7, 2024, 2025 and 2026	416,666
December 21, 2022	3,652,222	\$0.28	1.94	June 21, 2024, 2025 and 2026	1,826,110
January 23, 2023	100,000	\$0.32	1.06	July 23, 2024, 2025 and 2026	50,000
September 21, 2023	1,000,000	\$0.33	1.22	Mar. 21, 2025, 2026 and 2027	333,333
April 29, 2024	8,543,888	\$0.38	1.83	Oct.29 2025, 2026 and 2027	-
September 11, 2024	4,332,221	\$0.48	2.19	Mar.11 2026, 2027 and 2028	-
<b>Total</b>	<b>25,795,002</b>	<b>\$0.32</b>	<b>1.87 years</b>		<b>8,492,778</b>

For the three months ended March 31, 2025, the Company has recognized shared-based compensation income of \$1,101,470 (2024: expense of \$101,278) corresponding to the progressive vesting and fair market value of options, reducing its stock based compensation liability in the same amount (2024: increasing contributed surplus).

## **11. Commitments and Contingencies**

### **Exploration and Production Contracts**

The Company has entered into a number of exploration contracts in Colombia which require the Company to fulfill work program commitments and issue financial guarantees related thereto (see Letters of Credit section below). Presented below are the Company's exploration and production contractual commitments at March 31, 2025:

Block	Less than 1 year	1-3 years	Thereafter	Total
COR-39	-	12,000,000	-	12,000,000
<b>Total</b>	<b>-</b>	<b>12,000,000</b>	<b>-</b>	<b>12,000,000</b>

### **Contingencies**

From time to time, the Company may be involved in litigation or has claims sought against it in the normal course of business operations.

**Arrow Exploration Corp.**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
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**(Unaudited)**

**March 31, 2025**

Management of the Company is not currently aware of any claims or actions that would materially affect the Company's reported financial position or results from operations. Under the terms of certain agreements and the Company's by-laws the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company, to the extent permitted by law, against any and all damages, liabilities, costs, charges or expenses suffered by or incurred by those individuals.

**Letters of Credit**

At March 31, 2025, the Company had obligations under Letters of Credit ("LC's") outstanding totaling \$3.1 million to guarantee work commitments on exploration blocks and other contractual commitments. In the event the Company fails to secure the renewal of the letters of credit underlying the ANH guarantees, the ANH could decide to cancel the underlying exploration and production contract, as applicable.

**Current Outstanding Letters of Credit**

<b>Contract</b>	<b>Beneficiary</b>	<b>Issuer</b>	<b>Type</b>	<b>Amount (US \$)</b>	<b>Renewal Date</b>
SANTA ISABEL	ANH	Carrao Energy	Abandonment	621,158	April 14, 2026
	ANH	Carrao Energy	Financial Capacity	1,672,162	June 30, 2025
COR – 39	ANH	Carrao Energy	Compliance	100,000	June 30, 2025
OMBU	ANH	Carrao Energy	Financial Capacity	436,300	October 14, 2025
OMBU	ANH	Carrao Energy	Abandonment	265,782	August 28, 2025
<b>Total</b>				<b>3,095,402</b>	

**12. Risk Management**

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to commodity price, credit and foreign exchange risks. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

(a) Commodity price risk

The Company's principal operation is the production and sale of crude oil and natural gas. Fluctuations in prices of these commodities directly impact the Company's financial performance. Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Lower commodity prices can also impact the Company's ability to raise capital. Commodity prices for crude oil are impacted by world economic events that dictate the levels of supply and demand. There were no derivative contracts during 2025.

(b) Credit Risk

Credit risk reflects the risk of financial loss to the Company if a customer or counterparty to a contract fails to fulfill their contractual obligations. It arises mostly from the Company's cash balances and accounts receivable. The Company's cash balances are held with six counterparties, large reputable financial institutions, and management has therefore concluded that credit associated is low. The majority of the Company's account receivable balances relate to petroleum and natural gas sales. The Company's policy is to enter into agreements with customers that are well established entities in the oil and gas industry such that the level of risk is mitigated. In Colombia, a significant portion of the sales is with producing companies and commodities trader under existing sale/offtake agreements with prepayment provisions and priced using the Brent benchmark. The Company's trade account receivables primarily relate to sales of crude oil and natural gas, which are normally collected within 25 days (in Canada) and up to 15 days (in Colombia) after the month of production.

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

**March 31, 2025**

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Other accounts receivable mainly relate to balances owed by the Company's partner in one of its blocks, and are mainly recoverable through joint billings. The Company has historically not experienced any significant collection issues with its customers and partners.

(c) Market Risk

Market risk is comprised of two components: foreign currency exchange risk and interest rate risk.

i) Foreign Currency Exchange Risk

The Company operates on an international basis and therefore foreign exchange risk exposures arise from transactions denominated in currencies other than the United States dollar. The Company is exposed to foreign currency fluctuations as it holds cash and incurs expenditures in exploration and evaluation and administrative costs in foreign currencies.

The Company incurs expenditures in Canadian dollars, United States dollars, British Pounds and the Colombian peso and is exposed to fluctuations in exchange rates in these currencies. There are no exchange rate contracts in place.

ii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not currently exposed to interest rate risk.

(d) Liquidity Risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset.

The Company's approach to managing its liquidity risk is to ensure, within reasonable means, sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions, without incurring unacceptable losses or jeopardizing the Company's business objectives. The Company prepares annual capital expenditure budgets which are monitored regularly and updated as considered necessary. Petroleum and natural gas production is monitored daily to provide current cash flow estimates and the Company utilizes authorizations for expenditures on projects to manage capital expenditures. Any funding shortfall may be met in a number of ways, including, but not limited to, the issuance of new debt or equity instruments, further expenditure reductions and/or the introduction of joint venture partners.

(e) Capital Management

The Company's objective is to maintain a capital base sufficient to provide flexibility in the future development of the business and maintain investor, creditor and market confidence. The Company manages its capital structure and makes adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include share capital, bank debt (when available), promissory notes and working capital, defined as current assets less current liabilities. From time to time the Company may issue common shares or other securities, sell assets or adjust its capital spending to manage current and projected debt levels. The Company adjusts its capital structure based on its net debt level. Net debt is a non-GAAP measure and is defined as the principal amount of its outstanding debt, less working capital items. The Company prepares annual budgets, which are updated as necessary including current and forecast crude oil prices, changes in capital structure, execution of the Company's business plan and general industry conditions. The annual budget is approved by the Board of Directors. The Company's capital includes the following:

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

**March 31, 2025**

	<b>March 31, 2025</b>	<b>December 31, 2024</b>
Working capital	<b>\$11,036,334</b>	<b>\$ 11,646,169</b>

**13. Segmented Information**

The Company has two reportable operating segments: Colombia and Canada. The Canada segment is also considered the corporate segment. The following tables show information regarding the Company's segments for the years ended as at March 31:

<b>Three months ended March 31, 2025</b>	<b>Colombia</b>	<b>Canada</b>	<b>Total</b>
<b>Revenue:</b>			
Oil Sales	\$ 21,850,288	\$ -	\$ 21,850,288
Natural gas and liquid sales	-	285,871	285,871
Royalties	(2,620,671)	(9,363)	(2,630,034)
Expenses	(11,911,128)	(1,558,391)	(13,469,519)
Income taxes	(3,372,842)	-	(3,372,842)
<b>Net income (loss)</b>	<b>\$ 3,945,647</b>	<b>\$ (1,281,883)</b>	<b>\$ 2,663,764</b>
<b>Capital expenditures for the period</b>	<b>\$ 9,895,072</b>	<b>\$ 1,484,108</b>	<b>\$ 11,379,180</b>
<b>Total Assets as at March 31, 2025</b>	<b>\$ 83,377,874</b>	<b>\$ 7,154,189</b>	<b>\$ 90,532,063</b>
<b>Total liabilities as at March 31, 2025</b>	<b>\$ 30,422,878</b>	<b>\$ 4,427,966</b>	<b>\$ 34,850,844</b>
<b>Three months ended March 31, 2024</b>	<b>Colombia</b>	<b>Canada</b>	<b>Total</b>
<b>Revenue:</b>			
Oil Sales	\$ 16,067,291	\$ -	\$ 16,067,291
Natural gas and liquid sales	-	326,351	326,351
Royalties	(1,972,379)	(16,342)	(1,988,721)
Expenses	(5,586,708)	(2,676,335)	(8,263,042)
Income taxes	(2,965,152)	-	(2,965,152)
<b>Net income (loss)</b>	<b>\$ 5,543,052</b>	<b>\$ (2,366,326)</b>	<b>\$ 3,176,727</b>
<b>Capital expenditures for the period</b>	<b>\$ 6,281,043</b>	<b>\$ 285</b>	<b>\$ 6,281,328</b>
<b>Total Assets as at December 31, 2024</b>	<b>\$ 58,524,885</b>	<b>\$ 6,055,055</b>	<b>\$ 64,579,940</b>
<b>Total liabilities as at December 31, 2024</b>	<b>\$ 17,234,936</b>	<b>\$ 2,610,794</b>	<b>\$ 19,935,730</b>

**14. Subsequent event**

During May 2025, The Company has entered into a two-year crude prepayment agreement with an integrated energy major to market its oil production in Colombia. The agreement provides access to \$20 million US in funding in year one and \$15 million in funding in year two. The interest rate is SOFR + 4% for the first \$10 million and SOFR + 5% for amounts exceeding \$10 million.