ARROW EXPLORATION CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE MONTHS ENDED MARCH 31, 2025

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 May 29, 2025 and should be read in conjunction with Arrow's interim condensed (unaudited) consolidated financial statements and related notes as at and for the three months ended March 31 2025 and 2024. Additional information relating to Arrow, including its annual consolidated financial statements and related notes as at and for years ended December 31, 2024 and 2023 (the "Annual Financial Statements"), is available under Arrow's profile on www.sedar.com.

Advisories

Basis of Presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and all amounts herein are expressed in United States dollars, unless otherwise noted, and all tabular amounts are expressed in United States dollars, unless otherwise noted. Additional information for the Company may be found on SEDAR at www.sedar.com.

Advisory Regarding Forward-Looking Statements

This MD&A contains certain statements or disclosures relating to Arrow that are based on the expectations of its management as well as assumptions made by and information currently available to Arrow which may constitute forward-looking statements or information ("forward-looking statements") under applicable securities laws. All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that Arrow anticipates or expects may, could or will occur in the future (in whole or in part) should be considered forward-looking statements. In some cases, forward-looking statements can be identified by the use of the words "believe", "continue", "could", "expect", "likely", "may", "outlook", "plan", "potential", "will", "would" and similar expressions. In particular, but without limiting the foregoing, this MD&A contains forward-looking statements pertaining to the following: global pandemics and their impact; tax liability; capital management strategy; capital structure; credit facilities and other debt; 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, Carrizales Norte and Alberta Llanos structures on the Tapir Block. Statements relating to "reserves" and "resources" are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated and can be profitably produced in the future.

The forward-looking statements contained in this MD&A reflect several material factors and expectations and assumptions of Arrow including, without limitation: current and anticipated commodity prices and royalty regimes; the impact of the global pandemics; the financial impact of Arrow's costless collar structure; availability of skilled labour; timing and amount of capital expenditures; future exchange rates; commodity prices; the impact of increasing competition; general economic conditions; availability of drilling and related equipment; receipt of partner, regulatory and community approvals; royalty rates; changes in income tax laws or changes in tax laws and incentive programs; future operating costs; effects of regulation by governmental agencies; uninterrupted access to areas of Arrow's operations and infrastructure; recoverability of reserves; future production rates; timing of drilling and completion of wells; pipeline capacity; that Arrow will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that Arrow's conduct and results of operations will be consistent with its expectations; that Arrow will have the ability to develop its oil and gas properties in the manner currently contemplated; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated; that the estimates of Arrow's *reserves and production volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects; that Arrow will be able to obtain contract extensions or fulfil the contractual obligations required to retain its rights to explore, develop and exploit any of its undeveloped properties; and other matters.*

Arrow believes the material factors, expectations and assumptions reflected in the forward-looking statements are reasonable at this time but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements including, without limitation: the impact of general economic conditions; volatility in commodity prices; industry conditions including changes in laws and regulations including adoption of new environmental laws and regulations, and changes in how they are interpreted and enforced; competition; lack of availability of qualified personnel; the results of exploration and development drilling and related activities; obtaining required approvals of regulatory authorities; counterparty risk; risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities; commodity price volatility; fluctuations in foreign exchange or interest rates; environmental risks; changes in income tax laws or changes in tax laws and incentive programs; changes to pipeline capacity; ability to secure a credit facility; ability to access sufficient capital from internal and external sources; risk that Arrow's evaluation of its existing portfolio of development and exploration opportunities is not consistent with future results; that production may not necessarily be indicative of long term performance or of ultimate recovery; and certain other risks detailed from time to time in Arrow's public disclosure documents including, without limitation, those risks identified in Arrow's 2018 AIF, a copy of which is available on Arrow's SEDAR profile at www.sedar.com. Readers are cautioned that the foregoing list of factors is not exhaustive and are cautioned not to place undue reliance on these forward-looking statements.

Non-IFRS Measures

The Company uses non-IFRS measures to evaluate its performance which are measures not defined in IFRS. Working capital, funds flow from operations, realized prices, operating netback, adjusted EBITDA, and net debt as presented do not have any standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures for other entities. The Company considers these measures as key measures to demonstrate its ability to generate the cash flow necessary to fund future growth through capital investment, and to repay its debt, as the case may be. These measures should not be considered as an alternative to, or more meaningful than net income or cash provided by (used in) operating activities or net income and comprehensive income as determined in accordance with IFRS as an indicator of the Company's performance. The Company's determination of these measures may not be comparable to that reported by other companies.

Adjusted working capital is calculated as current assets minus current liabilities, excluding non-cash liabilities; funds from operations is calculated as cash flows provided by operating activities adjusted to exclude changes in non-cash working capital balances; realized price is calculated by dividing gross revenue by gross production, by product, in the applicable period; operating netback is calculated as total natural gas and crude revenues minus royalties, transportation costs and operating expenditures; adjusted EBITDA is calculated as net income adjusted for interest, income taxes, depreciation, depletion, amortization and other similar non-recurring or non-cash charges; and net debt (net cash) is defined as the principal amount of its outstanding debt, less working capital items excluding non-cash liabilities.

The Company also presents funds from operations per share, whereby per share amounts are calculated using weighted-average shares outstanding consistent with the calculation of net income per share.

A reconciliation of the non-IFRS measures is included as follows:

(in United States dollars)	**Three months ended March 31, 2025**	Three months ended March 31, 2024
Net income	**2,663,764**	3,176,727
Add/(subtract):		
Share based payments	**(1,101,470)**	101,278
Financing costs:		
Accretion on decommissioning obligations	**68,277**	37,376
Interest	**7,168**	9,769
Other	**-**	199,065
Depreciation and depletion	**6,520,968**	3,531,772
Income tax expense	**3,372,842**	2,965,152
Adjusted EBITDA (1)	**11,531,548**	10,021,139
Cash flows provided by operating activities	**14,430,184**	8,582,288
Minus - Changes in non-cash working capital balances:		
Trade and other receivables	**(1,792,957)**	(299,554)
Restricted cash	**8,136**	(343,746)
Taxes receivable	**(71,920)**	164,078
Deposits and prepaid expenses	**22,238**	152,963
Inventory	**3,268**	(92)
Accounts payable and accrued liabilities	**(2,523,014)**	297,211
Income tax payable	**(330,382)**	(1,342,465)
Funds flow from operations (1)	**9,745,553**	7,210,683

(1) Non-IFRS measures

The term barrel of oil equivalent ("boe") is used in this MD&A. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 thousand cubic feet ("Mcf") of natural gas to one barrel of oil ("bbl") is used in the MD&A. This conversion ratio of 6:1 is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

FINANCIAL AND OPERATING HIGHLIGHTS

(in United States dollars, except as otherwise noted)	**Three months ended March 31, 2025**	Three months ended March 31, 2024
Total natural gas and crude oil revenues, net of royalties	**19,506,125**	14,404,921
Funds flow from operations [1]	**9,745,553**	7,210,683
Funds flow from operations [1] per share –		
Basic($)	**0.03**	0.03
Diluted ($)	**0.03**	0.02
Net income	**2,663,764**	3,176,727
Net income per share –		
Basic ($)	**0.01**	0.01
Diluted ($)	**0.01**	0.01
Adjusted EBITDA [1]	**11,531,548**	10,021,139
Weighted average shares outstanding –		
Basic ($)	**285,864,348**	285,864,348
Diluted ($)	**294,094,348**	292,791,385
Common shares end of period	**285,864,348**	285,864,348
Capital expenditures	**11,379,180**	6,281,328
Cash and cash equivalents	**24,946,934**	11,606,342
Current Assets	**30,288,808**	20,779,081
Current liabilities	**19,252,474**	11,258,252
Adjusted working capital [1]	**11,036,334**	9,520,829
Long-term portion of restricted cash and deposits [2]	**129,849**	237,814
Total assets	**90,532,063**	64,579,940
Operating		
Natural gas and crude oil production, before royalties		
Natural gas (Mcf/d)	**1,851**	1,760
Natural gas liquids (bbl/d)	**6**	4
Crude oil (bbl/d)	**3,770**	2,432
Total (boe/d)	**4,085**	2,730
Operating netbacks ($/boe) [1]		
Natural gas ($/Mcf)	**($1.00)**	($0.14)
Crude oil ($/bbl)	**$42.29**	$56.27
Total ($/boe)	**$38.66**	$50.10

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

The Company

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

The Company and Arrow Exploration Ltd. entered into an arrangement agreement dated June 1, 2018, as amended, whereby the parties completed a business combination pursuant to a plan of arrangement under the *Business Corporations Act (*Alberta*)* ("ABCA") on September 28, 2018. Arrow Exploration Ltd. and Front Range's then wholly-owned subsidiary, 2118295 Alberta Ltd., were amalgamated to form Arrow Holdings Ltd., a wholly-owned subsidiary of the Company (the "Arrangement"). On May 31, 2018, Arrow Exploration Ltd. entered in a share purchase agreement, as amended, with Canacol Energy Ltd. ("Canacol"), to acquire Canacol's Colombian oil properties held by its wholly-owned subsidiary Carrao Energy S.A. ("Carrao"). On September 27, 2018, Arrow Exploration Ltd. closed the agreement with Canacol, 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 March 31, 2025 the Company held an interest in four oil blocks in Colombia and oil and natural gas leases in five areas in Canada as follows:

		Gross Acres	Working Interest	Net Acres
COLOMBIA				
Tapir	Operated[1]	65,125	50%	32,563
Oso Pardo	Operated	672	100%	672
Ombu	Non-operated	56,482	10%	5,648
COR-39	Operated	95,111	100%	95,111
Total Colombia		**217,390**		**133,994**
CANADA				
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
KEHO	Operated	8,163	100%	8,163
Total Canada		**39,363**		**32,602**
TOTAL		**256,753**		**166,596**

The Company's primary producing assets are located in Colombia in the Tapir, Oso Pardo and Ombu blocks, with natural gas production in Canada at Fir and Pepper, Alberta.

Llanos Basin

Within the Llanos Basin, the Company is engaged in the exploration, development and production of oil within the Tapir block. In the Llanos Basin most oil accumulations are associated with three-way dip closure against NNE-SSW trending normal faults and can have pay within multiple reservoirs. The Tapir block contain large areas not yet covered by 3D seismic, and in Management's opinion offer substantial exploration upside.

[1]The Company's interest in the Tapir block is held through a private contract with Petrolco, who holds a 50% participating interest in, and is the named operator of, the Tapir contract with Ecopetrol. The formal assignment to the Company is subject to Ecopetrol's consent. The Company is the *de facto* operator pursuant to certain agreements with Petrolco (details of which are set out in Paragraph 16.13 of the Company's AIM Admission Document dated October 20, 2021).

Middle Magdalena Valley ("MMV") Basin

Oso Pardo Field

The Oso Pardo Field is located in the Santa Isabel Block in the MMV Basin. It is a 100% owned property operated by the Company. The Oso Pardo field is located within a Production Licence covering 672 acres. Three wells have been drilled to date within the licensed area.

Ombu E&P Contract – Capella Conventional Heavy Oil Discovery

The Caguan Basin covers an area of approximately 60,000 km^2 and lies between the Putumayo and Llanos Basins. The primary reservoir target is the Upper Eocene aged Mirador formation. The Capella structure is a large, elongated northeast-southwest fault-related anticline, with approximately 17,500 acres in closure at the Mirador level. The field is located approximately 250 km away from the nearest offloading station at Neiva, where production from Capella is trucked.

The Capella No. 1 discovery well was drilled in July 2008 and was followed by a series of development wells. The Company earned a 10% working interest in the Ombu E&P Contract by paying 100% of all activities associated with the drilling, completion, and testing of the Capella No. 1 well. The Capella field is currently suspended and temporarily shut in.

Fir, Alberta

The Company has an average non-operated 32% WI in 12 gross (3.84 net) sections of oil and natural gas rights and 17 gross (4.5 net) producing natural gas wells at Fir. The wells produce raw natural gas into the Cecilia natural gas plant where it is processed.

Pepper, Alberta

The Company holds a 100% operated WI in 37 sections of Montney P&NG rights on its Pepper asset in West Central Alberta. The 6-26-53-23W5M Montney gas well (West Pepper) is tied into the Galloway gas plant for processing. The 3-21-52-22W5M Montney gas well (East Pepper) is currently tied into the Sundance gas plant for processing. The majority of lands have tenure extending into 2025.

Three Months Ended March 31, 2025 Financial and Operational Highlights

- Arrow recorded $19,506,125 in revenues, net of royalties, on crude oil sales of 337,697 bbls, 554 bbls of natural gas liquids ("NGL's") and 166,590 Mcf of natural gas sales;
- Funds flow from operations of $9,745,553;
- Net income of $2,663,764 and adjusted EBITDA was $11,531,548;

RESULTS OF OPERATIONS

During Q1 2025, the Company's production has decreased due to natural declines and increasing water cuts across its fields in the Tapir block. Production growth is expected once the Company develops water handling capability and executes on the 2025 budget. Nevertheless, the Company has maintained good operating results and healthy EBITDA.

Average Production by Property

Average Production Boe/d	Q1 2025	Year 2024	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Oso Pardo	**126**	**153**	**154**	180	113	166
Ombu (Capella)	**-**	**-**	**-**	-	-	-
Rio Cravo Este (Tapir)	**1,118**	**1,294**	**1,178**	1,078	1,283	1,644
Carrizales Norte (Tapir)	**2,321**	**1,897**	**3,153**	2,784	991	622
Alberta Llanos	**205**	**7**	**26**	-	-	-
Total Colombia	**3,770**	**3,351**	**4,511**	4,042	2,387	2,432
Fir, Alberta	**105**	**81**	**88**	82	77	78
Pepper, Alberta	**210**	**110**	**139**	-	82	220
TOTAL (Boe/d)	**4,085**	**3,542**	**4,738**	4,124	2,546	2,730

The Company's average production for the three months ended March 31, 2025 was 4,085 boe/d which consisted of crude oil production in Colombia of 3,770 bbl/d, natural gas production of 1,851 Mcf/d, and minor amounts of natural gas liquids. The Company's Q1 2025 production was 50% higher than its Q1 2024 production and 14% lower than Q4 2024 due to natural declines and water handling capability.

Average Daily Natural Gas and Oil Production and Sales Volumes

	Three months ended March 31	
	2025	2024
Natural Gas (Mcf/d)		
Natural gas production	**1,851**	1,760
Natural gas sales	**1,851**	1,760
Realized Contractual Natural Gas Sales	**1,851**	1,760
Crude Oil (bbl/d)		
Crude oil production	**3,770**	2,432
Inventory movements and other	**(18)**	3
Crude Oil Sales	**3,752**	2,435
Corporate		
Natural gas production (boe/d)	**309**	294
Natural gas liquids(bbl/d)	**6**	4
Crude oil production (bbl/d)	**3,770**	2,432
Total production (boe/d)	**4,085**	2,730
Inventory movements and other (boe/d)	**(18)**	3
Total Corporate Sales (boe/d)	**4,067**	2,733

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

During the three months ended March 31, 2025 the majority of production was attributed to Colombia, where all of Company's blocks were producing, except for Capella.

Natural Gas and Oil Revenues

	Three months ended March 31	
	2025	2024
Natural Gas		
Natural gas revenues	**$ 251,517**	$ 300,224
NGL revenues	**34,354**	26,127
Royalties	**(9,363)**	(16,342)
Revenues, net of royalties	**276,508**	310,009
Oil		
Oil revenues	**$ 21,850,288**	$ 16,067,291
Royalties	**(2,620,671)**	(1,972,379)
Revenues, net of royalties	**19,229,617**	14,094,912
Corporate		
Natural gas revenues	**$ 251,517**	$ 300,224
NGL revenues	**34,354**	26,127
Oil revenues	**21,850,288**	16,067,291
Total revenues	**22,136,159**	16,393,642
Royalties	**(2,630,034)**	(1,988,721)
Natural gas and crude oil revenues, net of royalties, as reported	**$ 19,506,125**	$ 14,404,921

Natural gas and crude oil revenues, net of royalties, for the three months ended March 31, 2025 were $19,506,125 (2024: $14,404,921), which represents an increase of 35% when compared to Q1 2024, and 16% lower than Q4 2024. The increase is mainly due to increased oil production in Colombia from 2024 to 2025, offset by decrease in revenue in Canada, and the decrease from Q4 2024 is mainly due to natural declines and increased water cut in some wells located in the Tapir block.

Average Benchmark and Realized Prices

	Three months ended March 31		
	2025	2024	Change
Benchmark Prices			
AECO (C$/Mcf)	**$2.19**	$2.55	(14%)
Brent ($/bbl)	**$71.47**	$84.67	(16%)
West Texas Intermediate ($/bbl)	**$71.40**	$76.95	(7%)
Realized Prices			
Natural gas, net of transportation ($/Mcf)	**$1.51**	$1.87	(19%)
Natural gas liquids ($/bbl)	**$62.02**	$66.20	(61%)
Crude oil, net of transportation ($/bbl)	**$64.70**	$73.31	(12%)
Corporate average, net of transport ($/boe)	**$60.48**	$66.58	(9%)

(1)Non-IFRS measure

The Company realized prices of $60.48 per boe during the three months ended March 31, 2025 (2024: $66.58), due to overall decrease in oil and natural gas prices during 2025 and increase production of heavier oil which is sold at larger discounts when compared to lighter oil.

Operating Expenses

	Three months ended March 31	
	2025	2024
Natural gas & NGL's	**408,878**	306,224
Crude oil	**4,947,721**	1,762,787
Total operating expenses	**5,356,599**	2,069,011
Natural gas ($/Mcf)	**$2.45**	$1.91
Crude oil ($/bbl)	**$14.65**	$8.04
Corporate ($/boe)(1)	**$14.63**	$8.40

(1)Non-IFRS measure

During the three months ended March 31, 2025, Arrow incurred operating expenses of $5,356,599 (2024: $2,069,011). This increase in operating costs is mainly due to increased production in the Company's Carrizales Norte and Alberta Llanos fields, including trucking water production to disposal wells at Company owned disposal wells or third-party disposal facilities. The Company is developing water pipelines additional disposal wells and fields to bring down costs associated with water disposal.

Operating Netbacks

	Three months ended March 31	
	2025	2024
Natural Gas ($/Mcf)		
Revenue, net of transportation expense	**$1.51**	$1.87
Royalties	**($0.06)**	($0.10)
Operating expenses	**($2.45)**	($1.91)
Natural gas operating netback(1)	**($1.00)**	($0.14)
Crude oil ($/bbl)		
Revenue, net of transportation expense	**$64.70**	$73.31
Royalties	**($7.76)**	($9.00)
Operating expenses	**($14.65)**	($8.04)
Crude oil operating netback(1)	**$42.29**	$56.27
Corporate ($/boe)		
Revenue, net of transportation expense	**$60.48**	$66.58
Royalties	**($7.19)**	($8.08)
Operating expenses	**($14.63)**	($8.40)
Corporate operating netback(1)	**$38.66**	$50.10

(1)Non-IFRS measure

The operating netbacks of the Company for the three months ended March 31, 2025 have been affected by decreases in crude oil and natural gas prices, and increasing operating costs from its Tapir fields, which have experienced increased water production. The Company is developing alternatives to dispose of trucking water for disposal with both disposal wells and fields to address the increase in water handling costs.

General and Administrative Expenses (G&A)

	Three months ended March 31	
	2025	2024
General and Administrative expenses, gross	**2,984,975**	2,937,113
G&A recovered from 3rd parties	**(102,985)**	(255,191)
Total G&A	**2,881,990**	2,681,922
Total G&A per boe	**$7.87**	$10.89

For the three months ended March 31, 2025, G&A expenses before recoveries totaled $2,984,975 (2024: $2,937,113). G&A expenses were steady when compared to Q1 2024 and, due to the Company's increased production, G&A expenses were reduced, on a per barrel basis, when compared to 2024.

Share-based Compensation

	Three months ended March 31	
	2025	2024
Share-based Compensation (income) expense	**(1,101,470)**	101,278

Share-based compensation income for the three months ended March 31, 2025 totaled $1,101,470 (2024: expense of $101,278) due to fair market valuation of this obligation with a corresponding effect in stock based compensation liability.

Financing Costs

	Three months ended March 31	
	2025	2024
Financing expense paid or payable	**7,168**	130,422
Non-cash financing costs	**68,277**	37,376
Net financing costs	**$75,445**	167,798

The finance expense for 2025 is mostly related to lease obligation interest and financial transactions tax paid in Colombia. The non-cash finance cost represents the accretion in the present value of the decommissioning obligation for the period. 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 March 31	
	2025	2024
Depletion and depreciation	**6,520,968**	3,531,772

Depletion and depreciation expense for the three months ended March 31, 2025 totaled $6,520,968 (2024: $3,531,772). This 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.

Income Tax Expense

	Three months ended March 31	
	2025	2024
Current income tax	**1,877,917**	2,505,285
Deferred income tax	**1,494,925**	459,867
Net income tax expense	**3,372,842**	2,965,152

The Company recognized a net income tax expense of $3,372,842 (2024: $2,965,152) which consisted on $1,877,917 of current income tax expense (2024: $2,505,285) and an expense of $1,494,925 of deferred income tax (2024: $459,867). This increase is mainly caused by the continuous increase of the Company's net taxable income, especially in Colombia.

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. 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 March 31, 2025 the Company has a working capital of $11,036,334 which has been maintained at healthy levels for several reporting periods and has allowed the company to use its operational cash flows to settle its obligations and to continue growing in part due to the relative stability in energy commodity prices. As at March 31, 2025 the Company's net debt (net cash) was calculated as follows:

		March 31, 2025
Current assets	$	30,288,808
Less:		
Accounts payable and accrued liabilities		(11,992,570)
Income taxes payable		(6,817,123)
Net debt (Net cash) (1)	**$**	**(11,479,115)**

(1)Non-IFRS measure

Working Capital

As at March 31, 2025 the Company's adjusted working capital was calculated as follows:

		March 31, 2025
Current assets:		
Cash	$	24,946,934
Restricted cash and deposits		283,973
Trade and other receivables		2,037,258
Taxes receivable		2,585,007
Other current assets		435,636

Less:	
Accounts payable and accrued liabilities	(11,992,570)
Lease obligation	(57,125)
Income tax payable	(6,817,123)
Stock based compensation liability	(385,656)
Working capital[(1)]	**$ 11,036,334**

(1) *Non-IFRS measure*

Debt Capital

As at March 31, 2025 the Company does not have any outstanding debt balance.

Letters of Credit

As at March 31, 2025, 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
Total				**$3,095,402**	

Share Capital

As at March 31, 2025, the Company had 285,864,348 common shares and 25,795,002 stock options outstanding.

CONTRACTUAL OBLIGATIONS

The following table provides a summary of the Company's cash requirements to meet its financial liabilities and contractual obligations existing at March 31, 2025:

	Less than 1 year	1-3 years	Thereafter	Total
Exploration and production contracts	**-**	**12,000,000**	**-**	**12,000,000**

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, which represents the totality of the Company's current commitments.

SUMMARY OF THREE MONTHS RESULTS

	2025	2024				2023		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Oil and natural gas sales, net of royalties	19,506,125	22,873,626	21,300,115	15,146,366	14,404,921	13,406,513	13,990,353	10,280,280
Net income (loss)	2,663,764	2,081,956	6,668,493	1,247,825	3,176,727	(10,492,053)	7,153,120	(757,416)
Income (loss) per share –								
basic	0.01	0.01	0.02	0.00	0.01	(0.04)	0.03	(0.00)
diluted	0.01	0.01	0.02	0.00	0.01	(0.04)	0.02	(0.00)

Working capital (deficit)	11,036,334	11,646,169	9,622,125	6,657,117	9,520,829	8,669,114	10,822,475	(2,363,388)
Total assets	90,532,063	81,268,734	73,535,397	67,864,633	64,579,940	62,275,023	62,755,250	56,305,530
Net capital expenditures	11,379,180	8,928,725	6,945,779	8,965,408	6,281,329	10,471,447	5,471,561	6,870,258
Average daily production (boe/d)	4,085	4,738	4,124	2,638	2,730	2,666	2,518	2,169

The Company's oil and natural gas sales have increased 35% in Q1 2025 when compared to Q1 2024 due to increased production in its existing assets and stable commodity prices, but decreased 16% when compared to Q4 2024 due to declines and increase in water cuts. 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 May 29, 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 generated on successful drilling campaigns at Rio Cravo, Carrizales Norte and 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. 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.

SUBSEQUENT EVENTS

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.

CRITICAL ACCOUNTING ESTIMATES

A summary of the Company's critical accounting estimates is contained in Note 3 Annual Financial Statements. These accounting policies are subject to estimates and key judgements about future events, many of which are beyond Arrow's control.

SUMMARY OF MATERIAL ACCOUNTING POLICIES

A summary of the Company's material accounting policies is included in note 3 of the Annual Financial Statements. These accounting policies are consistent with those of the previous financial year.

RISKS AND UNCERTAINTIES

The Company is subject to financial, business and other risks, many of which are beyond its control and which could have a material adverse effect on the business and operations of the Company. Please refer to "Risk Factors" in the MD&A for the year ended December 31, 2024 for a description of the financial, business and other risk factors affecting the Company which are available on SEDAR at www.sedar.com