

ARROW EXPLORATION CORP.

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2026 AND 2025
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, 2026**

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, 2026	December 31, 2025
ASSETS			
Current assets			
Cash		\$ 14,215,687	\$ 11,208,824
Restricted cash and deposits	3	286,106	258,006
Trade and other receivables	4	14,237,298	14,533,377
Taxes receivable	5	8,745,770	7,637,342
Deposits and prepaid expenses		284,827	135,221
Inventory		100,387	108,533
		37,870,075	33,881,303
Non-current assets			
Restricted cash and deposits	3	249,840	273,257
Exploration and evaluation assets	6	4,454,522	3,437,965
Property and equipment	7	68,972,907	67,810,032
Total Assets		\$ 111,547,344	\$ 105,402,557
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 31,871,164	\$ 31,494,615
Lease obligation	8	46,504	67,734
Income taxes		80,146	-
Stock based compensation liability	10	610,230	495,619
		32,608,044	32,057,968
Non-current liabilities			
Lease obligations	8	103,674	132,952
Stock based compensation liability	10	374,434	116,350
Other liabilities		851,364	855,363
Deferred income taxes		8,156,187	7,930,871
Decommissioning liability	9	10,489,649	9,863,781
Total liabilities		52,583,352	50,957,285
Shareholders' equity			
Share capital	10	73,829,795	73,829,795
Contributed surplus		856,093	856,093
Deficit		(14,106,826)	(19,328,296)
Accumulated other comprehensive loss		(1,615,070)	(912,320)
Total shareholders' equity		58,963,992	54,445,272
Total liabilities and shareholders' equity		\$ 111,547,344	\$ 105,402,557

Commitments and contingencies (Note 11)

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

On behalf of the Board:

signed "Gage Jull" Director
Gage Jull

signed "Ian Langley" Director
Ian Langley

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

For the three months ended March 31,	Notes	2026	2025
Revenue			
Oil and natural gas	13	26,819,632	22,136,159
Royalties	13	(3,321,316)	(2,630,034)
Total oil and natural gas revenue, net of royalties		23,498,316	19,506,125
Expenses			
Operating		6,235,033	5,356,599
Administrative		3,249,483	2,881,990
Share-based compensation (recovery) expense	10	922,796	(1,101,470)
Financing costs:			
Accretion	9	88,429	68,277
Interest	8	5,638	7,168
Foreign exchange (gain) loss		6,244	(244,212)
Depletion and depreciation	7	6,176,288	6,520,968
Other income, net		(52,900)	(19,801)
Total expenses, net		16,631,011	13,469,519
Income before income tax		6,867,305	6,036,606
Income tax expense			
Current		1,420,519	1,877,917
Deferred		225,316	1,494,925
		1,645,835	3,372,842
Net income		5,221,470	2,663,764
Other comprehensive income (loss)			
Foreign exchange		(702,750)	462
Total other comprehensive income (loss)		(702,750)	462
Total comprehensive income		4,518,720	2,664,226
Net income per share:			
Basic		\$ 0.02	\$ 0.01
Diluted		\$ 0.02	\$ 0.01
Weighted average shares outstanding			
Basic		285,864,348	285,864,348
Diluted		288,231,960	294,094,348

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, 2026	\$ 73,829,795	\$ 856,093	\$ (912,320)	\$ (19,328,296)	\$ 54,445,272
Net income for the period	-	-	-	5,221,470	5,221,470
Other comprehensive loss	-	-	(702,750)	-	(702,750)
Total comprehensive income	-	-	(702,750)	5,221,470	4,518,720
Balance March 31, 2026	\$ 73,829,795	\$ 856,093	\$ (1,615,070)	\$ (14,106,826)	\$ 58,963,992

	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

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

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

For the three months ended March 31,	Notes	2026	2025
Cash flows provided by operating activities:			
Net income		\$ 5,221,470	\$ 2,663,764
Items not involving cash:			
Deferred taxes		225,316	1,494,925
Share-based compensation (recovery) expense	10	922,796	(1,101,470)
Depletion and depreciation	7	6,176,288	6,520,968
Interest on leases	8	5,638	7,168
Accretion	9	88,429	68,277
Unrealized foreign exchange (gain) loss		(543,316)	91,921
Payment of asset decommissioning obligations	9	(1,723)	-
Settlement of other liabilities		(3,999)	-
Payment of share based compensation		(533,676)	-
Changes in non-cash working capital balances:			
Restricted cash and deposits		(4,683)	(8,136)
Trade and other receivables		296,080	1,792,957
Taxes receivable		(1,108,427)	71,920
Deposits and prepaid expenses		(149,606)	(22,238)
Inventory		8,146	(3,268)
Income tax payable		80,146	2,523,014
Accounts payable and accrued liabilities		2,984,687	330,382
Cash provided by operating activities		13,663,566	14,430,184
Cash flows used in investing activities:			
Additions to exploration and evaluation assets	6	(1,016,557)	(2,582,854)
Additions to property and equipment	7	(6,865,778)	(8,796,326)
Changes in non-cash working capital		(2,608,138)	3,157,859
Cash flows used in investing activities		(10,490,473)	(8,221,321)
Cash flows used in financing activities:			
Lease payments	8	(22,559)	(8,327)
Cash flows used in financing activities		(22,559)	(8,327)
Effect of changes in the exchange rate on cash		(143,671)	(91,386)
Increase in cash		3,006,863	6,109,150
Cash, beginning of period		11,208,824	18,837,784
Cash, end of period		14,215,687	24,946,934
Supplemental information			
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, 2026

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 26, 2026. 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, 2025.

These Financial Statements have been prepared on the historical cost basis, except for derivative financial instruments (when applicable) that are measured at fair value and specifically noted within the notes to these Financial Statements, which have been prepared using the same accounting policies and methods as the consolidated financial statements for the year ended December 31, 2025, except as noted below. 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, 2025.

Adoption of amendments to accounts standards

On May 30, 2024, the IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* that clarify the recognition and derecognition of certain financial assets and liabilities, including an exception for those settled via electronic cash transfer systems. New disclosure requirements are introduced for instruments with terms that can change cash flows and for equity instruments designated at fair value through other comprehensive income. The amendments are effective for reporting periods beginning on or after January 1, 2026 and had no material impact on the Company’s Financial Statements.

3. Restricted Cash and deposits

	March 31, 2026	December 31, 2025
Colombia (i)	\$ 406,515	\$ 399,174
Canada	<u>129,431</u>	<u>132,089</u>
Sub-total	<u>535,946</u>	531,263
Long-term portion	<u>(249,840)</u>	<u>(273,257)</u>
Current portion of restricted cash and deposits	<u>\$ 286,106</u>	<u>\$ 258,006</u>

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- (i) *This balance is comprised of a deposit held as collateral to guarantee abandonment expenditures related to its Colombian blocks.*

4. Trade and other receivables

	March 31, 2026	December 31, 2025
Trade receivables, net of advances	\$ 520,468	\$ 190,485
Joint venture receivable	12,447,774	12,237,489
Other accounts receivable	1,269,056	2,105,403
	<u>\$ 14,237,298</u>	<u>\$ 14,533,377</u>

As at March 31, 2026, other accounts receivable include \$738,147 (December 31, 2025 – \$733,990) receivable from on demand loans with executives and directors.

5. Taxes receivable

	March 31, 2026	December 31, 2025
Value-added tax (VAT) credits recoverable	\$ 4,745,062	\$ 3,727,152
Income tax withholdings and advances, net	4,000,708	3,910,190
	<u>\$ 8,745,770</u>	<u>\$ 7,637,342</u>

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

6. Exploration and Evaluation

	March 31, 2026	December 31, 2025
Balance, beginning of the period	\$ 3,437,965	\$ 142,995
Additions, net	1,016,557	12,986,203
Reclassification to Property and Equipment (Note 7)	-	(6,775,054)
Exploration expense and abandonment costs	-	(2,916,179)
Balance, end of the period	<u>\$ 4,454,522</u>	<u>\$ 3,437,965</u>

During 2026, the Company incurred exploration and development costs associated with its Icaico prospect in the Tapir block. During 2025, the Company incurred exploration and development costs associated with its Mateguafa Oeste, Mateguafa Attic, Icaico, Ardea and Capullo prospects, including seismic studies for other prospects in the Tapir block. Technical feasibility and commercial viability was determined on the Mateguafa Attic area, transferring \$6,775,054 to its property and equipment. Likewise, no technical feasibility nor

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commercial viability was determined for the Mateguafa Oeste area and an exploration expense of \$2,916,179 was recognized in the statement of operations and comprehensive income.

7. Property and Equipment

Cost	Oil and Gas Properties	Right of Use and Other Assets	Total
Balance, December 31, 2024	\$108,966,163	\$ 497,582	\$ 109,463,745
Additions	30,017,313	25,147	30,042,460
Decommissioning adjustment	4,112,985	-	4,112,985
Transfers from exploration and evaluation assets	6,775,054	-	6,775,054
Balance, December 31, 2025	\$149,871,515	\$ 522,729	\$150,394,244
Additions	6,865,778	-	6,865,778
Dispositions	-	(117,607)	(117,607)
Decommissioning adjustment	551,825	-	551,825
Balance, March 31, 2026	\$157,289,118	\$ 405,122	\$157,694,240

Accumulated depletion and depreciation and impairment	Oil and Gas Properties	Right of Use and Other Assets	Total
Balance, December 31, 2024	\$ 53,860,447	\$ 314,077	\$ 54,174,524
Depletion and depreciation	20,549,872	63,278	20,613,150
Impairment	7,633,523	-	7,633,523
Balance, December 31, 2025	\$ 82,043,842	\$ 377,355	\$ 82,421,197
Dispositions	-	(83,307)	(83,307)
Depletion and depreciation	6,161,983	14,305	6,176,288
Balance, March 31, 2026	\$ 88,205,825	\$ 308,353	\$ 88,514,178

Foreign exchange	Oil and Gas Properties	Right of Use and Other Assets	Total
Balance, December 31, 2024	\$ (283,569)	\$ (20,654)	\$ (304,223)
Effects of movements in foreign exchange rates	134,573	6,635	141,208
Balance, December 31, 2025	\$ (148,996)	\$ (14,019)	\$ (163,015)
Effects of movements in foreign exchange rates	(43,041)	(1,099)	(44,140)
Balance, March 31, 2026	(192,037)	(15,118)	(207,155)

Net Book Value			
Balance December 31, 2025	\$ 67,678,677	\$ 131,355	\$ 67,810,032
Balance March 31, 2026	\$ 68,891,256	\$ 81,651	\$ 68,972,907

As at March 31, 2026, no indicators of impairment were identified in the Company's property and equipment.

Canada

As at December 31, 2025, the Company determined there were indicators of impairment in its Keho CGU, mainly due to unsuccessful drilling, and recognized an impairment loss of \$1,781,467 was included in the consolidated statements of operations and comprehensive income for the year ended December 31, 2025 corresponding to the totality of costs incurred on this Keho CGU.

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Colombia

As at December 31, 2025, the Company determined there were indicators of impairment in its Santa Isabel CGU, mainly due to negative reserves revision primarily arising from declines in forecast commodity prices, and prepared an estimate of the fair value less costs of disposal of this CGU. It was determined that carrying value of its Santa Isabel CGU exceeded its recoverable amount and, therefore, an impairment loss of \$5,852,056, corresponding to the full carrying value of this CGU, was included in the consolidated statements of operations and comprehensive income for the year ended December 31, 2025.

8. Lease Obligations

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

	March 31, 2026	December 31, 2025
Obligation, beginning of the period	\$ 200,686	\$ 219,406
Additions	-	17,484
Dispositions	(30,993)	-
Lease payments	(22,559)	(76,048)
Interest	5,638	28,676
Effects of movements in foreign exchange rates	(2,594)	11,168
Obligation, end of the period	150,178	200,686
Current portion	(46,504)	(67,734)
Long-term portion	\$ 103,674	\$ 132,952

In 2026, the Company disposed of two leased vehicles for a net reduction of its lease commitments of \$30,993. As at March 31, 2026, the Company has the following future lease obligations:

Less than one year	\$ 49,612
2 – 5 years	127,826
Total lease payments	177,438
Amounts representing interest over the term	(27,260)
Present value of the net obligation	\$ 150,178

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:

	March 31, 2026	December 31, 2025
Obligation, beginning of the period	\$ 9,863,781	\$ 6,307,659
Additions	551,824	1,999,904
Change in estimated cash flows	-	1,791,305
Payments or settlements	(1,723)	(536,919)
Accretion expense	88,429	274,423
Effects of movements in foreign exchange rates	(12,662)	27,409
Obligation, end of the period	\$ 10,489,649	\$ 9,863,781

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The obligation was calculated using a risk-free discount rate range of 2.50% to 3.75% in Canada (2025: 2.50% to 3.75%) and between 4.43% and 4.60% in Colombia (2025: 4.43% and 4.60%) with an inflation rate of 2.0% and 1.90%, respectively (2025: 2.0% and 1.9%). The majority of costs are expected to occur between 2027 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 \$12,879,395 (2025: \$12,033,788).

10. Share Capital

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

(b) Issued:

	March 31, 2026		December 31, 2025	
	Shares	Amounts	Shares	Amounts
Common shares				
Balance at beginning and end of the period	285,864,348	73,829,795	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, 2026 and December 31, 2025 and changes during the periods ended on those dates is presented below:

Stock Options	March 31, 2026		December 31, 2025	
	Number of options	Weighted average exercise price (CAD \$)	Number of options	Weighted average exercise price (CAD \$)
Beginning of period	20,513,706	\$0.32	24,795,002	\$0.32
Granted	2,753,518	\$0.35	6,198,334	\$0.23
Expired/Forfeited	(1,284,819)	\$0.48	(3,803,518)	-
Exercised	(2,550,001)	\$0.12	(6,676,112)	\$0.19
End of period	19,432,405	\$0.34	20,513,706	\$0.32
Exercisable, end of period	2,081,667	\$0.39	5,866,486	\$0.29

Date of Grant	Number Outstanding	Exercise Price (CAD \$)	Weighted Average Remaining Contractual Life	Date of Expiry	Number Exercisable March 31, 2026
October 22, 2018	250,000	\$1.15	2.81	Oct. 22, 2028	250,000
May 3, 2019	100,000	\$0.31	3.34	May 3, 2029	100,000
December 21, 2022	1,681,667	\$0.28	0.47	Jun. 21, 2024, 2025 and 2026	1,681,667
January 23, 2023	50,000	\$0.32	0.56	Jul. 23, 2024, 2025 and 2026	50,000
September 21, 2023	333,334	\$0.33	1.22	Mar. 21, 2025, 2026 and 2027	-
April 29, 2024	5,495,926	\$0.38	1.83	Oct.29 2025, 2026 and 2027	-
September 11, 2024	2,569,626	\$0.48	2.19	Mar.11 2026, 2027 and 2028	-
October 8, 2025	6,198,334	\$0.23	3.33	Apr. 8, 2027, 2028 and 2029	-
March 23, 2026	2,753,518	\$0.38	3.48	Sept. 23, 2027, 2028 and 2029	-
Total	19,432,405	\$0.34	1.58 years		2,081,667

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For the three months ended March 31, 2026, the Company has recognized shared-based compensation expense of \$922,796 (2025: recovery of \$1,101,470) corresponding to the progressive vesting and fair market value of options.

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). During 2026, the Company received confirmation that its COR-39 exploration and production contract has been terminated by mutual agreement with the ANH and, therefore, its \$12,000,000 exploration commitment related to this contract has been canceled at no additional costs to the Company. As a result, the Company has no outstanding exploration commitments.

Contingencies

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

Letters of Credit

At March 31, 2026, the Company had obligations under Letters of Credit ("LC's") outstanding totaling \$3.6 million to guarantee work commitments on exploration blocks and other contractual commitments. In the event the Company fails to secure the renewal of the letters of credit underlying the ANH guarantees, the ANH could decide to cancel the underlying exploration and production contract, as applicable.

Current Outstanding Letters of Credit					
Contract	Beneficiary	Issuer	Type	Amount (US \$)	Renewal Date
SANTA ISABEL	ANH	Carrao Energy	Abandonment	685,296	April 14, 2027
	ANH	Carrao Energy	Financial Capacity	1,672,162	June 30, 2026
COR – 39	ANH	Carrao Energy	Compliance	100,000	June 30, 2026
	ANH	Carrao Energy	Financial Capacity	436,300	October 14, 2026
OMBU	ANH	Carrao Energy	Abandonment	708,119	August 28, 2026
Total				3,601,878	

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

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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 2026 or 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 five large reputable financial institutions, and management has therefore concluded that associated credit risk is low. The majority of the Company's trade accounts receivable balances relate to petroleum and natural gas sales, which are normally collected within 25 days (in Canada) and up to 15 days (in Colombia) after the month of production. 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, all of the Company's revenue (2025: 73%) is with a group of producing and trading companies, under existing agreements, with prepayment provisions and priced using the Brent benchmark. 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 were no exchange rate derivative 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 on financial assets or liabilities.

(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.

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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. During 2025, the Company entered into a two-year crude oil prepayment agreement with an integrated energy major to market its oil production in Colombia. The agreement provides access to \$20 million in a revolving line of credit until June 2026 and \$15 million until June 2027. The interest rate is SOFR + 4% for the first \$10 million and SOFR + 5% for amounts exceeding \$10 million. As at March 31, 2026, no funds have been withdrawn from this line of credit.

(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), 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. 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:

	March 31, 2026	December 31, 2025
Working capital	5,262,031	1,823,335
Share capital	73,829,795	73,829,795
	79,091,826	75,653,130

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 three months ended as at March 31:

Three months ended March 31, 2026	Colombia		Canada		Total
Revenue from oil and natural gas	\$	26,615,230	\$	204,402	\$ 26,819,632
Royalties		(3,311,398)		(9,918)	(3,321,316)
Expenses		(18,602,672)		1,971,661	(16,631,011)
Income taxes		(1,645,835)		-	(1,645,835)
Net income	\$	3,055,325	\$	2,166,145	\$ 5,221,470
Capital expenditures for the period	\$	7,880,540	\$	1,795	\$ 7,882,335
Total Assets as at March 31, 2026	\$	107,557,061	\$	3,990,283	\$ 111,547,344
Total liabilities as at March 31, 2026	\$	48,957,701	\$	3,625,651	\$ 52,583,352

Three months ended March 31, 2025	Colombia		Canada		Total
Revenue from oil and natural gas	\$	21,850,288	\$	285,871	\$ 22,136,159
Royalties		(2,620,671)		(9,363)	(2,630,034)
Expenses		(11,911,128)		(1,558,391)	(13,469,519)
Income taxes		(3,732,842)		-	(3,732,842)
Net income (loss)	\$	3,945,647	\$	(1,281,883)	\$ 2,663,764
Capital expenditures for the period	\$	9,895,072	\$	1,484,108	\$ 11,379,180
Total Assets as at March 31, 2025	\$	83,377,874	\$	7,154,189	\$ 90,532,063
Total liabilities as at March 31, 2025	\$	30,422,878	\$	4,427,966	\$ 34,850,844