

# **ARROW EXPLORATION CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
THREE MONTHS ENDED MARCH 31, 2026**





## 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 26, 2026 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, 2026 and 2025. Additional information relating to Arrow, including its annual consolidated financial statements and related notes as at and for years ended December 31, 2025 and 2024 (the "Annual Financial Statements"), is available under Arrow's profile on [www.sedar.com](http://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](http://www.sedar.com).*

#### Advisory Regarding Forward-Looking Statements

*This MD&A contains certain statements or disclosures relating to Arrow that are based on the expectations of its management as well as assumptions made by and information currently available to Arrow which may constitute forward-looking statements or information ("forward-looking statements") under applicable securities laws. All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that Arrow anticipates or expects may, could or will occur in the future (in whole or in part) should be considered forward-looking statements. In some cases, forward-looking statements can be identified by the use of the words "believe", "continue", "could", "expect", "likely", "may", "outlook", "plan", "potential", "will", "would" and similar expressions. In particular, but without limiting the foregoing, this MD&A contains forward-looking statements pertaining to the following: global pandemics and their impact; tax liability; capital management strategy; capital structure; credit facilities and other debt; letters of credit; Arrow's costless collar structure; cost reduction initiatives; potential drilling on the Tapir block; capital requirements; expenditures associated with asset retirement obligations; future drilling activity and the development of the Rio Cravo Este, 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](http://www.sedar.com). Readers are cautioned that the foregoing list of factors is not exhaustive and are cautioned not to place undue reliance on these forward-looking statements.*

#### **Non-IFRS Measures**

*The Company uses non-IFRS measures to evaluate its performance which are measures not defined in IFRS. Adjusted working capital, funds flow from operations, realized prices, operating netback, and adjusted EBITDA 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 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 flow 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, and operating expenditures; and adjusted EBITDA is calculated as net income adjusted for interest, income taxes, depreciation, depletion, amortization and other similar non-recurring or non-cash charges.*

*The Company also presents funds flow 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, 2026	Three months ended March 31, 2025
<b>Net income</b>	<b>5,221,470</b>	2,663,764
<b>Add/(subtract):</b>		
Share based payments	<b>922,796</b>	(1,101,470)
Financing costs:		
Accretion on decommissioning obligations	<b>88,429</b>	68,277
Interest	<b>5,638</b>	7,168
Other	-	-
Depreciation and depletion	<b>6,176,288</b>	6,520,968
Income tax expense	<b>1,645,835</b>	3,372,842
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>14,060,456</b>	11,531,548
<b>Cash flows provided by operating activities</b>	<b>13,663,566</b>	14,430,184
<b>Minus - Changes in non-cash working capital balances:</b>		
Trade and other receivables	<b>(296,080)</b>	(1,792,957)
Restricted cash	<b>4,683</b>	8,136
Taxes receivable	<b>1,108,427</b>	(71,920)
Deposits and prepaid expenses	<b>149,606</b>	22,238
Inventory	<b>(8,146)</b>	3,268
Accounts payable and accrued liabilities	<b>(2,984,687)</b>	(2,523,014)
Income tax payable	<b>(80,146)</b>	(330,382)
<b>Funds flow from operations <sup>(1)</sup></b>	<b>11,557,223</b>	9,745,553

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

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



## FINANCIAL AND OPERATING HIGHLIGHTS

<b>(in United States dollars, except as otherwise noted)</b>	<b>Three months ended March 31, 2026</b>	<b>Three months ended March 31, 2025</b>
Total natural gas and crude oil revenues, net of royalties	<b>23,498,316</b>	19,506,125
Funds flow from operations <sup>(1)</sup>	<b>11,557,223</b>	9,745,553
Funds flow from operations <sup>(1)</sup> per share –		
Basic(\$)	<b>0.04</b>	0.03
Diluted (\$)	<b>0.04</b>	0.03
Net income	<b>5,221,470</b>	2,663,764
Net income per share –		
Basic (\$)	<b>0.02</b>	0.01
Diluted (\$)	<b>0.02</b>	0.01
Adjusted EBITDA <sup>(1)</sup>	<b>14,060,456</b>	11,531,548
Weighted average shares outstanding –		
Basic (\$)	<b>285,864,348</b>	285,864,348
Diluted (\$)	<b>288,231,960</b>	294,094,348
Common shares end of period	<b>285,864,348</b>	285,864,348
Capital expenditures	<b>7,882,335</b>	11,379,180
Cash and cash equivalents	<b>14,215,687</b>	24,946,934
Current Assets	<b>37,870,075</b>	30,288,808
Current liabilities	<b>32,608,044</b>	19,252,474
Adjusted working capital <sup>(1)</sup>	<b>5,262,031</b>	11,036,334
Long-term portion of restricted cash and deposits <sup>(2)</sup>	<b>249,840</b>	129,849
Total assets	<b>111,547,344</b>	90,532,063
<b>Operating</b>		
<b>Natural gas and crude oil production, before royalties</b>		
Natural gas (Mcf/d)	<b>1,078</b>	1,851
Natural gas liquids (bbl/d)	<b>5</b>	6
Crude oil (bbl/d)	<b>4,530</b>	3,770
<b>Total (boe/d)</b>	<b>4,715</b>	4,085
<b>Operating netbacks (\$/boe) <sup>(1)</sup></b>		
Natural gas (\$/Mcf)	<b>(\$0.73)</b>	(\$1.00)
Crude oil (\$/bbl)	<b>\$42.82</b>	\$42.29
<b>Total (\$/boe)</b>	<b>\$41.05</b>	\$38.66

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

<sup>(2)</sup> Long term restricted cash not included in working capital



## The Company

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

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 2025 Carrao changed its name to Arrow Exploration Switzerland GmbH. 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 2118295 Alberta Ltd. were amalgamated to form Arrow Holdings Ltd., a wholly-owned subsidiary of the Company.

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, 2026 the Company held an interest in four oil blocks in Colombia and oil and natural gas leases in five areas in Canada as follows:

		Gross Acres	Working Interest	Net Acres
<b>COLOMBIA</b>				
Tapir	Operated <sup>1</sup>	65,125	50%	32,563
Oso Pardo	Operated	672	100%	672
Ombu	Non-operated	56,482	10%	5,648
COR-39	Operated	95,111	100%	95,111
<b>Total Colombia</b>		<b>217,390</b>		<b>133,994</b>
<b>CANADA</b>				
Fir	Non operated	7,680	32%	2,458
Penhold	Non-operated	480	13%	61
Pepper	Operated	8,960	100%	8,960
Ansell	Operated	640	100%	640
Wapiti	Non-operated	1,280	13%	160
Ante Creek	Operated	2,560	100%	2,560
KEHO	Operated	7,358	100%	7,358
<b>Total Canada</b>		<b>28,958</b>		<b>22,197</b>
<b>TOTAL</b>		<b>246,348</b>		<b>156,191</b>

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



The Company's 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, in Management's opinion, continues to offer substantial exploration upside.

### ***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***

The Caguan Basin covers an area of approximately 60,000 km<sup>2</sup> and lies between the Putumayo and Llanos Basins. The primary reservoir target is the Upper Eocene aged Mirador formation. The Capella structure is a large, elongated northeast-southwest fault-related anticline, with approximately 17,500 acres in closure at the Mirador level. The field is located approximately 250 km away from the nearest offloading station at Neiva, where production from Capella is trucked. The Capella 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 indefinite tenure. Both West Pepper and East Pepper have been producing during 2026.

### ***KEHO, Alberta***

A land package of 7,357 acres was purchased in January 2025 and a single multi-zone exploration well was drilled on the acreage in Q2 2025. The well was drilled to a total measured depth of 2,095 feet of measured and true vertical depth and encountered recoverable oil in the cretaceous glauconitic formation. The well was subsequently put on production, but after a short period of uneconomic flow rates it was suspended in that quarter. Additional low risk exploration opportunities exist on the acreage.

### **Three Months Ended March 31, 2026 Financial and Operational Highlights**

- Arrow reported \$23,498,316 in revenues, net of royalties, on crude oil sales of 403,933 bbls, 442 bbls of natural gas liquids ("NGL's") and 97,000 Mcf of natural gas sales;
- Net income of \$5,221,470 and adjusted EBITDA was \$14,060,456;
- Funds flow from operations of \$11,557,223;



## RESULTS OF OPERATIONS

During Q1 2026, the Company's production increased due to additional volumes of oil crude production from the Mateguafa Attic field in the Tapir block, offset by decreased production in other fields due to natural declines. This has allowed the Company to continue its healthy level of operating results and EBITDA.

### Average Production by Property

Average Production Boe/d	Q1 2026	YTD 2025	Q4 2025	Q3 2025	Q2 2025	Q1 2025
Oso Pardo	98	114	95	103	131	126
Rio Cravo Este (Tapir)	881	1,043	996	1,065	996	1,118
Carrizales Norte (Tapir)	1,424	1,991	1,702	1,879	2,070	2,321
Alberta Llanos (Tapir)	294	474	446	943	296	205
Mateguafa (Tapir)	1,833	127	500	-	-	-
<b>Total Colombia</b>	<b>4,530</b>	<b>3,749</b>	<b>3,739</b>	<b>3,990</b>	<b>3,493</b>	<b>3,770</b>
Fir, Alberta	67	100	107	85	100	105
Pepper, Alberta	118	162	129	139	170	210
KEHO, Alberta	-	1	-	-	5	-
<b>TOTAL (Boe/d)</b>	<b>4,715</b>	<b>4,012</b>	<b>3,975</b>	<b>4,214</b>	<b>3,768</b>	<b>4,085</b>

The Company's average production for the three months ended March 31, 2026 was 4,715 boe/d which consisted of crude oil production in Colombia of 4,530 bbl/d, natural gas production of 1,078 Mcf/d, and minor amounts of natural gas liquids. The Company's Q1 2026 production was 15% higher than its Q1 2025 production and 19% higher than Q4 2025 due to the Mateguafa Attic additional volumes.

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

	Three months ended March 31	
	2026	2025
<b>Natural Gas (Mcf/d)</b>		
Natural gas production	1,078	1,851
Natural gas sales	1,078	1,851
<b>Realized Contractual Natural Gas Sales</b>	<b>1,078</b>	1,851
<b>Crude Oil (bbl/d)</b>		
Crude oil production	4,530	3,770
Inventory movements and other	(42)	(18)
<b>Crude Oil Sales</b>	<b>4,488</b>	3,752
<b>Corporate</b>		
Natural gas production (boe/d)	180	309
Natural gas liquids(bbl/d)	5	6
Crude oil production (bbl/d)	4,530	3,770
Total production (boe/d)	4,715	4,085
Inventory movements and other (boe/d)	(42)	(18)
<b>Total Corporate Sales (boe/d)</b>	<b>4,673</b>	4,067

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



During the three months ended March 31, 2026 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	
	2026	2025
<b>Natural Gas</b>		
Natural gas revenues	\$ 168,417	\$ 251,517
NGL revenues	35,985	34,354
Royalties	(9,918)	(9,363)
<b>Revenues, net of royalties</b>	<b>194,484</b>	<b>276,508</b>
<b>Oil</b>		
Oil revenues	\$ 26,615,230	\$ 21,850,288
Royalties	(3,311,398)	(2,620,671)
<b>Revenues, net of royalties</b>	<b>23,303,832</b>	<b>19,229,617</b>
<b>Corporate</b>		
Natural gas revenues	\$ 168,417	\$ 251,517
NGL revenues	35,985	34,354
Oil revenues	26,615,230	21,850,288
Total revenues	26,819,632	22,136,159
Royalties	(3,321,316)	(2,630,034)
<b>Natural gas and crude oil revenues, net of royalties, as reported</b>	<b>\$ 23,498,316</b>	<b>\$ 19,506,125</b>

Natural gas and crude oil revenues, net of royalties, for the three months ended March 31, 2026 were \$23,498,316 (2025: \$19,506,125), which represents an increase of 20% when compared to Q1 2025, and 42% higher than Q4 2025. The increase is mainly due to improved commodity prices and increased oil production from the Mateguafa Attic field in the Tapir block.

### Average Benchmark and Realized Prices

	Three months ended March 31		
	2026	2025	Change
<b>Benchmark Prices</b>			
AECO (C\$/Mcf)	\$1.90	\$2.19	(13%)
Brent (\$/bbl)	\$80.95	\$71.47	13%
West Texas Intermediate (\$/bbl)	\$72.15	\$71.40	1%
<b>Realized Prices</b>			
Natural gas, net of transportation (\$/Mcf)	\$1.74	\$1.51	15%
Natural gas liquids (\$/bbl)	\$111.74	\$62.02	80%
Crude oil, net of transportation (\$/bbl)	\$65.89	\$64.70	2%
<b>Corporate average, net of transport (\$/boe)</b>	<b>\$63.77</b>	<b>\$60.48</b>	<b>5%</b>

(1) Non-IFRS measure



The Company realized prices of \$63.77 per boe during the three months ended March 31, 2026 (2025: \$60.48), due to overall increase in oil and natural gas prices during 2026 and increase production of lighter oil which is sold at increased realized price when compared to heavy oil.

## Operating Expenses

	Three months ended March 31	
	2026	2025
Natural gas & NGL's	228,957	408,878
Crude oil	6,006,076	4,947,721
<b>Total operating expenses</b>	<b>6,235,033</b>	<b>5,356,599</b>
Natural gas (\$/Mcf)	\$2.36	2.45
Crude oil (\$/bbl)	\$14.87	14.65
<b>Corporate (\$/boe)<sup>(1)</sup></b>	<b>\$14.83</b>	<b>14.63</b>

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

During the three months ended March 31, 2026, Arrow incurred operating expenses of \$6,235,033 (2025: 5,356,599). This increase in operating costs is mainly due to workovers performed in the Company's Santa Isabel field and increased production in the Mateguafa Attic field, which has contributed to the overall increase in production.

## Operating Netbacks

	Three months ended March 31	
	2026	2025
<b>Natural Gas (\$/Mcf)</b>		
Revenue, net of transportation expense	\$1.74	\$1.51
Royalties	(\$0.10)	(\$0.06)
Operating expenses	(\$2.36)	(\$2.45)
<b>Natural gas operating netback<sup>(1)</sup></b>	<b>(\$0.73)</b>	<b>(\$1.00)</b>
<b>Crude oil (\$/bbl)</b>		
Revenue, net of transportation expense	\$65.89	\$64.70
Royalties	(\$8.20)	(\$7.76)
Operating expenses	(\$14.87)	(\$14.65)
<b>Crude oil operating netback<sup>(1)</sup></b>	<b>\$42.82</b>	<b>\$42.29</b>
<b>Corporate (\$/boe)</b>		
Revenue, net of transportation expense	\$63.77	\$60.48
Royalties	(\$7.90)	(\$7.19)
Operating expenses	(\$14.83)	(\$14.63)
<b>Corporate operating netback<sup>(1)</sup></b>	<b>\$41.05</b>	<b>\$38.66</b>

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



The operating netbacks of the Company for the three months ended March 31, 2026 have improved due to the overall improvement in crude oil and natural gas prices. The Company continues to develop alternatives to trucking water for disposal in order to improve operating costs.

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

	Three months ended March 31	
	2026	2025
General and Administrative expenses, gross	3,500,272	2,984,975
G&A recovered from 3 <sup>rd</sup> parties	(250,789)	(102,985)
<b>Total G&amp;A</b>	<b>3,249,483</b>	<b>2,881,990</b>
<b>Total G&amp;A per boe</b>	<b>\$7.73</b>	<b>\$7.87</b>

For the three months ended March 31, 2026, G&A expenses before recoveries totaled \$3,500,272 (2025: \$2,984,975). G&A expenses were increased when compared to Q1 2025 and, but due to the Company's increased production, G&A expenses were reduced, on a per barrel basis, when compared to 2025.

### Share-based Compensation

	Three months ended March 31	
	2026	2025
<b>Share-based Compensation expense (income)</b>	<b>922,796</b>	<b>(1,101,470)</b>

Share-based compensation expense for the three months ended March 31, 2026 totaled \$922,796 (2025: income of \$1,101,470) due to fair market valuation of this obligation with a corresponding effect in stock based compensation liability.

### Financing Costs

	Three months ended March 31	
	2026	2025
Financing expense paid or payable	5,638	7,168
Non-cash financing costs	88,429	68,277
<b>Net financing costs</b>	<b>94,067</b>	<b>75,445</b>

The finance expense for 2026 is mostly related to lease obligation interest and 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	
	2026	2025
<b>Depletion and depreciation</b>	<b>6,176,288</b>	<b>6,520,968</b>



Depletion and depreciation expense for the three months ended March 31, 2026 totaled \$6,176,288 (2025: \$6,520,968). This decrease is due to lower carrying value of depletable property and equipment, offset by 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	
	2026	2025
Current income tax	1,420,519	1,877,917
Deferred income tax	225,316	1,494,925
<b>Net income tax expense</b>	<b>1,645,835</b>	<b>3,372,842</b>

The Company recognized a net income tax expense of \$1,645,835 (2025: \$3,372,842) which consisted of \$1,420,519 of current income tax expense (2025: \$1,877,917) and an expense of \$225,316 of deferred income tax (2024: \$1,494,925). This decrease is mainly caused by using a lower taxable rate in Colombia when compared to Q1 2025.

## LIQUIDITY AND CAPITAL RESOURCES

### Capital Management

The Company's objective is to maintain a capital base sufficient to provide flexibility in the future development of the business and maintain investor, creditor and market confidence. The Company manages its capital structure and makes adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include share capital, debt and adjusted working capital. In order to maintain or adjust the capital structure, from time to time the Company may issue common shares or other securities, sell assets or adjust its capital spending to manage current and projected debt levels. As at March 31, 2026 the Company has a working capital of \$5,262,031. The Company has maintained a healthy working capital, using its operational cash flows to settle its obligations and to continue growing its operations.

### Adjusted Working Capital

As at March 31, 2026 the Company's adjusted working capital was calculated as follows:

	March 31, 2026
<b>Current assets:</b>	
Cash	\$ 14,215,687
Restricted cash	286,106
Trade and other receivables	14,237,298
Taxes receivable	8,745,770
Other current assets	385,214
<b>Less:</b>	
Accounts payable and accrued liabilities	31,871,164
Lease obligation	46,504
Income tax payable	80,146
Stock based compensation liability	610,230
<b>Adjusted working capital<sup>(1)</sup></b>	<b>\$ 5,262,031</b>

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



## Debt Capital

As at March 31, 2026 the Company does not have any outstanding debt balance. The Company has a crude oil prepayment agreement with an integrated energy major to market its oil production in Colombia. This 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.

## CONTRACTUAL OBLIGATIONS

### 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.

### 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
CORE – 39	ANH	Carrao Energy	Compliance	100,000	June 30, 2026
OMBU	ANH	Carrao Energy	Financial Capacity	436,300	October 14, 2026
	ANH	Carrao Energy	Abandonment	708,119	August 28, 2026
<b>Total</b>				<b><u>\$3,601,878</u></b>	

## Share Capital

As at March 31, 2026, the Company had 285,864,348 common shares and 19,432,405 stock options outstanding.

## SUMMARY OF THREE MONTHS RESULTS

	2026		2025				2024		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Oil and natural gas sales, net of royalties	23,498,316	16,535,583	18,543,974	15,868,938	19,506,125	22,873,626	21,300,115	15,146,366	
Net income (loss)	5,221,470	(3,910,602)	3,089,683	(934,735)	2,663,764	2,081,956	6,668,493	1,247,825	
Income (loss) per share –									
basic	0.02	(0.03)	0.01	(0.00)	0.01	0.01	0.02	0.00	
diluted	0.02	(0.03)	0.01	(0.00)	0.01	0.01	0.02	0.00	
Working capital (deficit)	5,262,031	1,172,147	173,863	393,211	11,036,334	11,646,169	9,622,125	6,657,117	
Total assets	111,547,344	106,017,624	93,684,265	92,729,950	90,532,063	81,268,734	73,535,397	67,864,633	
Net capital expenditures	7,882,335	7,752,239	9,287,571	14,771,206	11,379,180	8,928,725	6,945,779	8,965,408	
Average daily production (boe/d)	4,715	4,096	4,214	3,767	4,085	4,738	4,124	2,638	



The Company's oil and natural gas sales in Q1 2026 have increased 42% and 20% when compared to Q4 2025 and Q1 2025 due to increased production on its existing assets and increased overall commodity prices. The Company's production levels in Colombia remain consistent. 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 26, 2026 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	1,681,667	GBP 0.1675	Jun. 21, 2024, 2025 and 2026
Stock options	50,000	GBP 0.1925	Jul. 23, 2024, 2025 and 2026
Stock options	333,334	CAD \$0.330	Mar. 21, 2025, 2026 and 2027
Stock options	5,495,926	CAD \$0.375	Oct. 29 2025, 2026 and 2027
Stock options	2,569,626	CAD \$0.475	Mar. 11 2026, 2027 and 2028
Stock options	6,198,334	CAD \$0.280	Apr. 8, 2027, 2028 and 2029
Stock options	2,753,518	CAD \$0.375	Sept. 23, 2027, 2028 and 2029

## OUTLOOK

The Company has efficiently deployed its resources on successful drilling campaigns at Rio Cravo, Carrizales Norte, Alberta Llanos and more recently Mateguafa 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 2026. In 2026, 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, access to financing and cash flow from operations which will fund the 2026 program.

## 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, 2025 for a description of the financial, business and other risk factors affecting the Company which are available on SEDAR at [www.sedar.com](http://www.sedar.com)