ARROW EXPLORATION CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE AND SIX MONTHS ENDED JUNE 30, 2026 AND 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 August 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 and six months ended June 30, 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.

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 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 June 30, 2026	Six months ended June 30, 2026	Three months ended June 30, 2025	Six months ended June 30, 2025
Net income (loss)	**10,357,179**	**15,578,649**	(934,735)	1,729,029
Add/(subtract):				
Share based payments	**352,396**	**1,275,192**	857,840	(243,630)
Financing costs:				
Accretion on decommissioning obligations	**94,707**	**183,137**	72,769	141,046
Interest	**6,536**	**12,174**	7,368	14,535
Other	**-**	**-**	3,197	3,197
Depreciation and depletion	**7,382,643**	**13,558,931**	3,179,694	9,700,662
Income taxes, current and deferred	**6,971,249**	**8,617,084**	3,083,846	6,456,688
Adjusted EBITDA [1]	**25,164,710**	**39,225,167**	6,269,979	17,801,527
Cash flows provided by (used in) operating activities	**15,726,233**	**29,389,799**	(472,090)	13,958,094
Minus - Changes in non-cash working capital balances:				
Trade and other receivables	**(2,557,666)**	**(2,853,746)**	738,499	(1,054,458)
Restricted cash	**24,538**	**29,221**	25,000	33,136
Taxes receivable	**(200,756)**	**907,671**	970,149	898,229
Deposits and prepaid expenses	**58,890**	**208,496**	(62,715)	(40,477)
Inventory	**86,363**	**78,217**	13,694	16,962
Accounts payable and accrued liabilities	**5,687,058**	**2,702,371**	4,497,564	1,974,550
Income taxes	**80,146**	**-**	(1,715,575)	(2,045,957)
Funds flow from operations [1]	**18,904,806**	**30,462,029**	3,994,525	13,740,079

[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 June 30, 2026**	**Six months ended June 30, 2026**	Three months ended June 30, 2025
Total natural gas and crude oil revenues, net of royalties	**34,219,743**	**57,718,059**	15,868,938
Funds flow from operations [(1)]	**18,904,806**	**30,462,029**	3,994,525
Funds flow from operations [(1)] per share –			
Basic($)	**0.07**	**0.11**	0.01
Diluted ($)	**0.07**	**0.11**	0.01
Net income (loss)	**10,357,179**	**15,578,650**	(934,735)
Net income (loss) per share –			
Basic ($)	**0.04**	**0.05**	(0.00)
Diluted ($)	**0.04**	**0.06**	(0.00)
Adjusted EBITDA [(1)]	**25,164,710**	**39,225,167**	6,269,979
Weighted average shares outstanding –			
Basic	**285,864,348**	**285,864,348**	285,864,348
Diluted	**289,523,559**	**288,231,181**	295,209,883
Common shares end of period	**285,864,348**	**285,864,348**	285,864,348
Capital expenditures	**9,361,608**	**17,243,943**	14,771,206
Cash and cash equivalents	**28,495,045**	**28,495,045**	13,212,417
Current Assets	**49,536,264**	**49,536,264**	20,213,917
Current liabilities	**35,021,379**	**35,021,379**	19,820,706
Adjusted working capital[(1)]	**14,514,885**	**14,514,885**	393,211
Long-term portion of restricted cash	**274,377**	**274,377**	154,849
Total assets	**126,194,668**	**126,194,668**	92,729,950
Operating			
Natural gas and crude oil production, before royalties			
Natural gas (Mcf/d)	**574**	**824**	1,587
Natural gas liquids (bbl/d)	**5**	**5**	10
Crude oil (bbl/d)	**4,801**	**4,666**	3,493
Total (boe/d)	**4,902**	**4,808**	3,767
Operating netbacks ($/boe) [(1)]			
Natural gas ($/Mcf)	**($1.71)**	**($1.07)**	($1.45)
Crude oil ($/bbl)	**$64.90**	**$54.17**	$30.08
Total ($/boe)	**$63.42**	**$52.44**	$27.36

[(1)]Non-IFRS measures – see "Non-IFRS Measures" section within this MD&A

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 2025 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 June 30, 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
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	8,960	100%	8,960
Wapiti	Non-operated	1,280	13%	160
Ante Creek	Operated	2,560	100%	2,560
Ansell	Operated	640	100%	640
KEHO	Operated	7,358	100%	7,358
Total Canada		**28,958**		**22,197**
TOTAL		**246,348**		**156,191**

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 2026.

Three months ended June 30, 2026 Financial and Operational Highlights

- Arrow recorded $34,219,743 in revenues, net of royalties, on crude oil sales of 426,925 bbls, 482 bbls of natural gas liquids ("NGL's") and 52,194 Mcf of natural gas sales;
- Funds flow from operations of $18,904,806;
- Net income of $10,357,179 and adjusted EBITDA was $25,164,711;

RESULTS OF OPERATIONS

During Q2 2026, the Company's production continued to increase due to additional volumes of oil crude production from the Mateguafa Attic and the new Icaco 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	YTD 2026	Q2 2026	Q1 2026	YTD 2025	Q4 2025	Q3 2025	Q2 2025
Oso Pardo	**101**	**104**	98	114	95	103	131
Rio Cravo Este (Tapir)	**817**	**753**	881	1,043	996	1,065	996
Carrizales Norte (Tapir)	**1,338**	**1,253**	1,424	1,991	1,702	1,879	2,070
Alberta Llanos (Tapir)	**284**	**275**	294	474	446	943	296
Mateguafa (Tapir)	**2,031**	**2,228**	1,833	127	500	-	-
Icaco (Tapir)	**95**	**188**	-	-	-	-	-
Total Colombia	**4,666**	**4,801**	4,530	3,749	3,739	3,990	3,493
Fir, Alberta	**79**	**90**	67	100	107	29	100
Pepper, Alberta	**64**	**11**	118	162	129	47	170
KEHO, Alberta	**-**	**-**	-	1	-	-	5
TOTAL (Boe/d)	**4,809**	**4,902**	4,715	4,012	3,975	4,065	3,768

The Company's average production for the three and six months ended June 30, 2026 was 4,902 and 4,809 boe/d, respectively, which consisted of crude oil production in Colombia of 4,801 and 4,666 bbl/d, natural gas production of 574 and 824 Mcf/d, respectively, and minor amounts of natural gas liquids. The Company's Q2 2026 production was 30% higher than its Q2 2025 production and 4% higher than Q1 2026, due to the Mateguafa Attic and Icaco fields additional volumes, offset by declines in other fields. The Company's YTD 2026 production is 22% higher than the same period for 2025.

Average Daily Natural Gas and Oil Production and Sales Volumes

	Three months ended June 30		**Six months ended June 30**	
	2026	2025	**2026**	2025
Natural Gas (Mcf/d)				
Natural gas production	**574**	1,587	**824**	1,718
Natural gas sales	**574**	1,587	**824**	1,718
Realized Contractual Natural Gas Sales	**574**	1,587	**824**	1,718
Crude Oil (bbl/d)				
Crude oil production	**4,801**	3,493	**4,666**	3,631
Inventory movements and other	**(109)**	(66)	**(76)**	(44)
Crude Oil Sales	**4,692**	3,427	**4,590**	3,587
Corporate				
Natural gas production (boe/d)	**96**	264	**137**	286
Natural gas liquids(bbl/d)	**5**	10	**5**	8
Crude oil production (bbl/d)	**4,801**	3,493	**4,666**	3,631
Total production (boe/d)	**4,902**	3,767	**4,808**	3,925
Inventory movements and other (boe/d)	**(109)**	(66)	**(76)**	(44)
Total Corporate Sales (boe/d)	**4,793**	3,701	**4,732**	3,881

[1] *Royalties paid in kind reduce the Company's crude oil sales volumes*

During the three and six months ended June 30, 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 June 30		Six months ended June 30	
	2026	2025	**2026**	2025
Natural Gas				
Natural gas revenues	**64,754**	183,267	**233,172**	434,784
NGL revenues	**36,444**	47,421	**72,429**	81,775
Royalties	**(14,161)**	(15,144)	**(24,079)**	(24,507)
Revenues, net of royalties	**87,037**	215,544	**281,522**	492,052
Oil				
Oil revenues	**38,994,525**	17,718,580	**65,609,754**	39,568,868
Royalties	**(4,861,819)**	(2,065,186)	**(8,173,217)**	(4,685,857)
Revenues, net of royalties	**34,132,706**	15,653,394	**57,436,537**	34,883,011
Corporate				
Natural gas revenues	**64,754**	183,267	**233,172**	434,784
NGL revenues	**36,444**	47,421	**72,429**	81,775
Oil revenues	**38,994,525**	17,718,580	**65,609,754**	39,568,868
Total revenues	**39,095,723**	17,949,268	**65,915,355**	40,085,427
Royalties	**(4,875,980)**	(2,080,330)	**(8,197,296)**	(4,710,364)
Natural gas and crude oil revenues, net of royalties	**34,219,743**	15,868,938	**57,718,059**	35,375,063

Natural gas and crude oil revenues, net of royalties, for the three and six months ended June 30, 2026 were $34,219,743 and $57,718,059 (2025: $15,868,938 and $35,375,063), respectively, which represents an increase of 116% and 63% when compared to 2025, respectively. The increase is mainly due to improved commodity prices and increased crude oil production from the Mateguafa Attic and Icaco fields in the Tapir block.

Average Benchmark and Realized Prices

	Three months ended June 30			Six months ended June 30		
	2026	2025	Change	**2026**	2025	Change
Benchmark Prices						
AECO (C$/Mcf)	**$1.55**	$1.72	(10%)	**$1.75**	$1.95	(10%)
Brent ($/bbl)	**$96.87**	$69.80	39%	**$87.38**	$70.64	24%
West Texas Intermediate ($/bbl)	**$92.85**	$63.70	46%	**$82.55**	$67.55	22%
Realized Prices						
Natural gas, net of transportation ($/Mcf)	**$1.24**	$1.27	(2%)	**$1.56**	$1.40	12%
Natural gas liquids ($/bbl)	**$47.85**	$51.76	(8%)	**$78.40**	$55.63	41%
Crude oil, net of transportation ($/bbl)	**$91.34**	$56.87	61%	**$78.97**	$60.94	30%
Corporate average, net of transport ($/boe)[(1)]	**$89.65**	$53.33	68%	**$76.95**	$57.05	35%

[(1)]Non-IFRS measure

The Company realized prices of $89.65 and $76.95 per boe during the three and six months ended June 30, 2026 (2025: $53.33 and $57.05), respectively, due to overall increase in crude oil during the first half of 2026, offset by decreases in natural gas prices.

Operating Expenses

	Three months ended June 30		Six months ended June 30	
	2026	2025	**2026**	2025
Natural gas & NGL's	**139,909**	377,245	**368,866**	786,123
Crude oil	**6,424,657**	6,283,602	**12,430,733**	11,231,323
Total operating expenses	**6,564,566**	6,660,847	**12,799,599**	12,017,446
Natural gas ($/Mcf)	**$2.68**	2.61	**$2.47**	2.53
Crude oil ($/bbl)	**$15.05**	20.17	**$14.96**	17.30
Corporate ($/boe)[1]	**$15.05**	19.79	**$14.94**	17.10

[1]Non-IFRS measure

During the three months ended June 30, 2026, Arrow incurred operating expenses of $6,564,566 (2025: $6,660,847). On a per boe basis operating costs are 24% lower than Q2 2025 due to the increased production in the Mateguafa Attic field.

Operating Netbacks

	Three months ended June 30		Six months ended June 30	
	2026	2025	**2026**	2025
Natural Gas ($/Mcf)				
Revenue, net of transportation expense	**$1.24**	$1.27	**$1.56**	$1.40
Royalties	**($0.27)**	($0.10)	**($0.16)**	($0.08)
Operating expenses	**($2.68)**	($2.61)	**($2.47)**	($2.53)
Natural Gas operating netback[1]	**($1.71)**	($1.45)	**($1.07)**	($1.21)
Crude oil ($/bbl)				
Revenue, net of transportation expense	**$91.34**	$56.87	**$78.97**	$60.94
Royalties	**($11.39)**	($6.63)	**($9.84)**	($7.22)
Operating expenses	**($15.05)**	($20.17)	**($14.96)**	($17.30)
Crude Oil operating netback[1]	**$64.90**	$30.08	**$54.17**	$36.42
Corporate ($/boe)				
Revenue, net of transportation expense	**$89.65**	$53.33	**$76.95**	$57.05
Royalties	**($11.18)**	($6.18)	**($9.57)**	($6.70)
Operating expenses	**($15.05)**	($19.79)	**($14.94)**	($17.10)
Corporate Operating netback[1]	**$63.42**	$27.36	**$52.44**	$33.24

[1]Non-IFRS measure

The operating netbacks of the Company for the three and six months ended June 30, 2026 have improved due to the overall increase in crude oil pricing, as well as increased production. 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 June 30		Six months ended June 30	
	2026	2025	**2026**	2025
General & administrative expenses	**3,500,842**	4,275,419	**7,001,114**	7,260,394
G&A recovered from 3rd parties	**(279,866)**	(504,051)	**(530,655)**	(607,036)
Total G&A	**3,220,976**	3,771,368	**6,470,459**	6,653,358
Cost per boe	**$7.66**	$11.21	**$7.55**	$9.47

For the three and six months ended June 30, 2026, net G&A expenses after recoveries totaled $3,220,976 and $6,470,459 (2025: $3,771,368 and $6,653,358), respectively. Gross G&A expenses were 18% lower when compared to Q2 2025 due to reductions in contracted services. On a per barrel basis, G&A expenses were reduced due to decreased G&A expenses and increased production in 2026 when compared to 2025.

Share-based Compensation

	Three months ended June 30		Six months ended June 30	
	2026	2025	**2026**	2025
Share-based payments	**352,396**	857,840	**1,275,192**	(243,630)

Share-based compensation for the three and six months ended June 30, 2026 totaled an expense of $352,396 and $1,275,192 (2025: expense of $857,840 and recovery of $243,630), respectively, due to fair market valuation of this obligation with a corresponding effect in stock based compensation liability.

Financing Costs

	Three months ended June 30		Six months ended June 30	
	2026	2025	**2026**	2025
Financing expense paid or payable	**6,536**	10,564	**12,174**	17,732
Non-cash financing costs	**94,707**	72,769	**183,137**	141,046
Net financing costs	**$101,243**	$83,333	**$195,311**	$158,778

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 June 30		Six months ended June 30	
	2026	2025	**2026**	2025
Depletion and depreciation	**7,382,644**	3,179,694	**13,558,931**	9,700,662

Depletion and depreciation expense for the three and six months ended June 30, 2026 totaled $7,382,644 and $13,558,931 (2025: $3,179,694 and $9,700,662), respectively. The increase in depletion and depreciation is due to an increase in the depletable base from costs associated with the Mateguafa Attic and Icaco fields, 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 June 30		Six months ended June 30	
	2026	2025	**2026**	2025
Current	**6,206,612**	1,017,164	**7,627,131**	2,895,081
Deferred	**764,637**	2,066,682	**989,953**	3,561,607
Total income tax expense	**6,971,249**	3,083,846	**8,617,084**	6,456,688

The Company recognized a net income tax expense of $6,971,249 and $8,617,084 (2025: $3,083,846 and $6,456,688). This increase is mainly caused by the 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. 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 June 30, 2026 the Company has a working capital of $14,514,885. 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 June 30, 2026 the Company's adjusted working capital was calculated as follows:

		June 30, 2026
Current assets:		
Cash	$	28,495,045
Restricted cash and deposits		286,107
Trade and other receivables		11,679,631
Taxes receivable		8,545,014
Other current assets		530,467
Less:		
Accounts payable and accrued liabilities		(34,005,856)
Lease obligation		(78,504)
Stock based compensation liability		(937,019)
Working capital(1)	**$**	**14,514,885**

(1)Non-IFRS measure

Debt Capital

As at June 30, 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. Effective July 1st, 2026, the Company has extended its access to the $20 million line of credit until June 30, 2027. As at June 30, 2026, no funds have been withdrawn from this line of credit.

Subsequent Event

On August 13, 2026, the Company acquired a 100% working interest oil producing property in the Thorsby area of Central Alberta with an effective date of June 1, 2026. The property acquisition price was $12.15 million CAD (approximately $8.9 million USD), subject to closing adjustments and was funded from Arrow's cash reserves.

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 June 30, 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	AESC	Abandonment	685,297	April 14, 2027
	ANH	AESC	Financial Capacity	1,672,162	December 30, 2026
COR – 39	ANH	AESC	Compliance	100,000	December 30, 2026
OMBU	ANH	AESC	Financial Capacity	436,300	October 14, 2026
	ANH	AESC	Abandonment	708,119	August 28, 2026
Total				**3,601,878**	

Share Capital

As at June 30, 2026, the Company had 285,864,348 common shares and 19,560,183 stock options outstanding.

SUMMARY OF THREE MONTHS RESULTS

	2026		2025				2023	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Oil and natural gas sales, net of royalties	34,219,744	23,498,316	16,535,583	18,543,974	15,868,938	19,506,125	22,873,626	21,300,115
Net income (loss)	10,357,179	5,221,470	(3,910,602)	3,089,683	(934,735)	2,663,764	2,081,956	6,668,493
Income (loss) per share –								
basic	0.04	0.02	(0.03)	0.01	(0.00)	0.01	0.01	0.02
diluted	0.04	0.02	(0.03)	0.01	(0.00)	0.01	0.01	0.02
Working capital (deficit)	14,514,886	5,262,031	1,172,147	173,863	393,211	11,036,334	11,646,169	9,622,125
Total assets	126,194,668	111,547,344	106,017,624	93,684,265	92,729,950	90,532,063	81,268,734	73,535,397
Net capital expenditures	7,600,756	7,882,335	7,752,239	9,287,571	14,771,206	11,379,180	8,928,725	6,945,779
Average daily production (boe/d)	4,632	4,715	4,096	4,214	3,767	4,085	4,738	4,124

The Company's oil and natural gas sales in Q2 2026 have increased 46% and 116% when compared to Q1 2026 and Q2 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 August 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	2,881,295	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 and Icaco 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 is having 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, 2026 for a description of the financial, business and other risk factors affecting the Company which are available on SEDAR at www.sedar.com