24 November 2021

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Arrow Exploration Corp.

("Arrow" or the "Company")

THIRD QUARTER INTERIM RESULTS

CLOSE OF PRIVATE PLACEMENT

AND

APPOINTMENT OF JOINT BROKER

Arrow Exploration Corp. (AIM: AXL ; TSXV: AXL), the high-growth operator with a portfolio of assets across key Colombian hydrocarbon basins, is pleased to announce the filing of its unaudited Financial Statements and MD&A for the quarter-ended September 30, 2021, which are set out further below and available on SEDAR (www.sedar.com). All dollar figures are in U.S. dollars, except as otherwise noted.

FINANCIAL AND OPERATING HIGHLIGHTS

Financial and operating highlights for quarter include the following:

(in United States dollars, except as otherwise noted)	Three months ended September 30, 2021	Nine months ended September 30, 2021	Three months ended September 30, 2020
Total natural gas and crude oil revenues, net of royalties	**1,684,609**	**3,473,661**	207,934
Funds flow from (used in) operations (1)	**875,621**	**257,504**	(1,095,338)
Per share – basic ($) and diluted ($)	**0.01**	**0.00**	(0.02)
Net income (loss)	**(21,781)**	**(1,266,503)**	(1,390,746)
Per share – basic ($) and diluted ($)	**(0.00)**	**(0.02)**	(0.02)
Adjusted EBITDA (1)	**966,234**	**264,032**	(1,090,974)
Weighted average shares outstanding – basic and diluted	**68,674,602**	**68,674,602**	68,674,602
Common shares end of period	**68,674,602**	**68,674,602**	68,674,602
Capital expenditures	**148,528**	**230,480**	146,584
Cash and cash equivalents	**5,465,981**	**5,465,981**	91,248
Current Assets	**8,644,830**	**8,644,830**	5,119,909
Current liabilities	**7,861,123**	**7,861,123**	16,206,286
Working capital (deficit) (1)	**783,707**	**783,707**	(11,086,377)
Long-term portion of restricted cash (2)	**485,263**	**485,263**	441,284
Total assets	**25,362,323**	**25,362,323**	46,702,911

Operating	Three months ended September 30, 2021	Nine months ended September 30, 2021	Three months ended September 30, 2020
Natural gas and crude oil production, before royalties			
Natural gas (Mcf/d)	**501**	**419**	532
Natural gas liquids (bbl/d)	**11**	**6**	7
Crude oil (bbl/d)	**481**	**308**	9
Total (boe/d)	**575**	**384**	104
Operating netbacks ($/boe) (1)			
Natural gas ($/Mcf)	**1.35**	**1.07**	1.06
Crude oil ($/bbl)	**37.59**	**34.29**	($247.98)
Total ($/boe)	**30.73**	**27.73**	($36.14)

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

(2)Long term restricted cash not included in working capital

DISCUSSION OF OPERATING RESULTS

The Company's Q3 2021 average corporate production was 575 boe/d, an increase of 244 boe/d compared to Q2 2021 average corporate production of 331 boe/d, or 74%.

The increase in production quarter-over-quarter was largely attributable to a full quarter of production following the re-start of the Company's Oso Pardo field in late-Q2 2021, and its share of increased production from Ombu (Capella), both located in Colombia, as well as an increase in its share of natural gas production from certain Canadian assets.

The Company's production on a year-to-date, sequential quarterly, and year-over-year quarterly basis is summarized below.

Average Production by Property

Average Production Boe/d	YTD 2021	Q3 2021	Q2 2021	Q1 2021	Q3 2020
LLA-23	**-**	**-**	-	-	1
Oso Pardo	**53**	**137**	20	-	-
Ombu (Capella)	**98**	**193**	97	-	-
Rio Cravo Este (Tapir)	**157**	**151**	147	174	8
Total Colombia	**308**	**481**	264	174	9
Fir, Alberta	**76**	**94**	67	68	96
TOTAL (Boe/d)	**384**	**575**	331	242	105

During Q3 2021 and subsequent to the quarter-end the Company successfully executed on several initiatives to continue increasing its production and cash flow, including:

- Re-starting production from the Oso Pardo-1 and Oso Pardo-2 wells, located adjacent to the Morsa-1 well, and adding current combined production of approximately 18 bbls/d; and
- Announcing and executing on field activities associated with the planned tie-in of behind-pipe natural gas from the 03-26-52-23W5 well (the "3-26 Well") located at West Pepper, Alberta.

DISCUSSION OF FINANCIAL RESULTS

During Q3 2021 the Company continued to realize strong oil and gas prices, as summarized below.

Average Benchmark and Realized Prices

	Three months ended September 30			Nine months ended September 30		
	2021	2020	Change	**2021**	2020	Change
Benchmark Prices						
AECO ($/Mcf)	**2.97**	1.69	76%	**2.59**	1.51	72%
Brent ($/bbl)	**73.23**	43.32	69%	**67.97**	42.64	59%
West Texas Intermediate ($/bbl)	**70.54**	40.92	72%	**65.05**	38.20	70%
Realized Prices						
Natural gas, net of transportation ($/Mcf)	**2.90**	2.18	33%	**2.98**	1.67	78%
Natural gas liquids ($/bbl)	**56.03**	37.54	190%	**52.56**	25.16	179%
Crude oil, net of transportation ($/bbl)	**63.87**	13.07	389%	**61.31**	38.18	61%
Corporate average, net of transport ($/boe)(1)	**52.21**	14.24	285%	**50.43**	33.45	54%

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

The Company also continued to realize strong operating netbacks, as summarized below.

Operating Netbacks

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Natural Gas ($/Mcf)				
Revenue, net of transportation expense	**$2.90**	$2.18	**$2.98**	$1.67
Royalties	**(0.37)**	(0.20)	**(0.31)**	(0.16)
Operating expenses	**(1.18)**	(0.92)	**(1.60)**	(1.15)
Natural Gas operating netback(1)	**$1.35**	$1.06	**$1.07**	$0.36
Crude oil ($/bbl)				
Revenue, net of transportation expense	**$63.87**	$13.07	**$61.31**	$38.18
Royalties	**(5.91)**	20.69	**(6.90)**	(1.82)
Operating expenses	**(20.37)**	(281.74)	**(20.12)**	(29.02)
Crude Oil operating netback(1)	**$37.59**	($247.98)	**$34.29**	$7.34
Corporate ($/boe)				
Revenue, net of transportation expense	**$52.21**	$14.24	**$50.43**	$33.45
Royalties	**(4.94)**	2.66	**(5.61)**	(1.66)
Operating expenses	**(16.54)**	(53.04)	**(17.09)**	(25.10)
Corporate Operating netback(1)	**$30.73**	($36.14)	**$27.73**	$6.68

(1)Non-IFRS measure

The Company experienced an increase in operating netbacks during Q3 2021 as compared to Q2 2021, increasing to $30.73/boe in Q3 2021 from $22.37/boe in Q2 2021. The increase in operating netbacks on a sequential quarterly basis is attributable to: (i) higher Brent crude and AECO natural gas prices, which resulted in higher revenues per boe of production sold, and (ii) lower operating expenses associated with the Company's production, which decreased to $16.54/boe during Q3 2021 from $24.58/boe during Q2 2021.

The Company also experienced an increase in operating netbacks during Q3 2021 as compared to Q3 2020, increasing to $30.73/boe in Q3 2021 from ($36.14)/boe in Q3 2020. The increase in operating netbacks on a year-over-year quarterly basis is likewise attributable to: (i) higher Brent crude and AECO natural gas prices, which resulted in higher revenues per boe of production sold, and (ii) lower operating expenses associated with the Company's production, which decreased to $16.54/boe during Q3 2021 from $53.04/boe during Q3 2020.

The Company did not incur material capital expenditures during Q3 2021. At the end of Q3 2021 the Company had a positive working capital position of $0.8 million, and a cash position of $5.5 million.

POST-PERIOD EVENTS AND BUSINESS UPDATE

- **AIM ADMISSION AND FUNDRAISING**

On October 20, 2021, the Company announced that it had conditionally raised approximately £8.8 million (C$15 million), through a placing and subscription for new common shares with new investors, Canacol Energy Ltd., and executive management (together, the "Fundraising"), in conjunction with admission of the Company's common shares to trading on AIM on October 25,2021. The Company's common shares continue to also trade on the TSX Venture Exchange.

The Fundraising consisted of the placement and subscription of 140,949,545 new common shares at an issue price of £0.0625 (C$0.106125) per new common share. The Company's executive management invested approximately C$1.41 million and Canacol Energy Ltd. participated in the subscription to hold 19.9% of the enlarged share capital. Investors received one warrant for every two new common shares, exercisable at £0.09 (C$0.15282) per new common share for 24 months from the AIM admission date (October 25, 2021). The net proceeds of the Fundraising, together with the Company's existing funds, are expected to be used to drill two wells at Rio Cravo Este, and will also be deployed in drilling the Carrizales Norte-1 exploration well.

- **RESULT OF PRIVATE PLACEMENT**

The Company is also pleased to announce that it has successfully raised C$395,375 on a non-brokered private placement basis through the issuance of 3,765,476 new common shares on the same terms as the Fundraising. Investors will receive one warrant for every two new common shares subscribed, exercisable for 24 months from the closing date.

Arrow intends to use the funds raised from the non-brokered private placement to be applied towards the work programme, as set out above and detailed in the Company's announcement of October 25, 2021.

Closing of the non-brokered private placement is subject to certain customary conditions, including the receipt of all necessary regulatory approvals, including the approval of the TSX Venture Exchange. All securities issued under the non-brokered private placement will be subject to a statutory hold period of four months plus a day following the date of closing. In connection with the non-brokered private placement Arrow is also issuing 117,200 new common shares and paid C$12,306 in cash, as payment of a finders' fee.

Application has been made to the London Stock Exchange for the 3,882,676 new common shares to be admitted to trading on AIM ("Admission"), and Admission is expected to occur on or around November 26, 2021. The new common shares will, upon issue, rank pari passu with the existing common shares of the Company, save in respect of the hold period detailed above. Following Admission, for the purposes of the Disclosure Guidance and Transparency Rules, the total number of voting rights in the Company will be 213,506,823. This figure may be used by shareholders as the denominator for the calculations by which they determine if they are required to notify their interest in, or a change of their interest in, the Company under the FCA's Disclosure Guidance and Transparency Rules.

- **BUSINESS UPDATE**

The planned tie-in of behind-pipe natural gas from the 3-26 Well located at West Pepper, Alberta, continues to proceed on-time and on-budget. The Company currently expects production from the 3-26 Well to commence during the first half of December 2021.

The Company is continuing to progress various activities associated with the planned drilling of the next well on the Tapir Block in Colombia, being the RCE-2 well, and expects to provide further updates to the market in due course.

APPOINTMENT OF JOINT BROKER

Arrow is pleased to announce the appointment of Auctus Advisors LLP as joint corporate broker with immediate effect.

WEBCAST OF INTERIM RESULTS AND MANAGEMENT Q&A

The Company is providing a webcast presentation and management Q&A session in connection with its interim results, available to all its stakeholders at the following web address:

https://www.lsegissuerservices.com/spark/ARROWEXPLORATIONCORP/events/ecb1232a-30f5-43bb-8015-df6fb218dcfe

The webcast will be accessible via the link above and will start at 14.30 GMT / 09.30 EST / 07.30 MST on November 24, 2021.

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About Arrow Exploration Corp.

Arrow Exploration Corp. (operating in Colombia via a branch of its 100% owned subsidiary Carrao Energy S.A.) is a publicly-traded company with a portfolio of premier Colombian oil assets that are under-exploited, under-explored and offer high potential growth. The Company's business plan is to expand oil production from some of Colombia's most active basins, including the Llanos, Middle Magdalena Valley (MMV) and Putumayo Basin. The asset base is predominantly operated with high working interests, and the Brent-linked light oil pricing exposure combines with low royalties to yield attractive potential operating margins. Arrow's 50% interest in the Tapir Block is contingent on the assignment by Ecopetrol SA of such interest to Arrow. Arrow's seasoned team is led by a hands-on executive team supported by an experienced board. Arrow is listed on the AIM market of the London Stock Exchange and on TSX Venture Exchange under the symbol "AXL".

Forward-looking Statements

This news release 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 "continue", "expect", "opportunity", "plan", "potential" and "will" and similar expressions. The forward-looking statements contained in this news release reflect several material factors and expectations and assumptions of Arrow, including without limitation, Arrow's evaluation of the impacts of COVID-19, the potential of Arrow's Colombian and/or Canadian assets (or any of them individually), the prices of oil and/or natural gas, and Arrow's business plan to expand oil and gas production and achieve attractive potential operating margins. Arrow believes the 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 news release 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. The forward-looking statements contained in this news release are made as of the date hereof and the Company undertakes no obligations to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

Arrow Exploration Corp.

MANAGEMENT'S DISCUSSION AND ANALYSIS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

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 27, 2021 and should be read in conjunction with Arrow's condensed consolidated financial statements (unaudited) and related notes for the Nine and three months ended September 30, 2021 and 2020. Additional information relating to Arrow is available under Arrow's profile on www.sedar.com, including Arrow's Audited Consolidated Financial Statements (the "Annual Financial Statements") for the year ended December 31, 2020 and 2019.

Advisories

Basis of Presentation

The condensed 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: the COVID-19 pandemic and its impact; tax liability; capital management strategy; capital structure; credit facilities and other debt; performance by Canacol (as defined herein) and the Company in connection with the Note (as defined herein) and letters of credit; Arrow's costless collar structure; Arrow's interest in the OBC Pipeline (as defined herein) and the consequences thereof; 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 structure 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 and duration of the COVID-19 pandemic; 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; 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 and duration of the COVID-19 pandemic; 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 (loss) or cash provided by operating activities or net loss and comprehensive loss 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.

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

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 loss and comprehensive loss per share.

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

(in United States dollars)	Three months ended September 30, 2021	Nine months ended September 30, 2021	Three months ended September 30, 2020
Net loss	**(21,781)**	**(1,266,503)**	(1,390,746)
Add/(subtract):			
Share based payments	**224,204**	**(326,106)**	442,145
Financing costs:			
Accretion on decommissioning obligations	**33,678**	**98,647**	157,518
Interest	**173,807**	**551,494**	(682,444)
Other	**76,111**	**122,574**	67,092
Depreciation and depletion	**507,412**	**1,111,124**	68,460
Income taxes, current and deferred	**(27,197)**	**(27,197)**	247,000
Adjusted EBITDA [1]	**966,234**	**264,032**	(1,090,974)
Cash flows provided by operating activities	**1,115,071**	**(3,583,853)**	147,218
Minus - Changes in non-cash working capital balances:			
Trade and other receivables	**(1,078,909)**	**(1,489,818)**	(394,149)
Restricted cash	**(6,376)**	**(262,489)**	-
Taxes receivable	**(119,154)**	**(40,617)**	104,005
Deposits and prepaid expenses	**(3,732)**	**131,315**	(98,488)
Inventory	**172,316**	**355,011**	83,348
Accounts payable and accrued liabilities	**796,405**	**5,147,955**	(937,272)
Funds flow used in operations [1]	**875,621**	**257,504**	(1,095,338)

[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 September 30, 2021	Nine months ended September 30, 2021	Three months ended September 30, 2020
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Crude oil ($/bbl)	**37.59**	**34.29**	($247.98)
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[(1)]Non-IFRS measures – see "Non-IFRS Measures" section within this MD&A

[(2)]Long term restricted cash not included in working capital

The Company

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

The Company and Arrow Exploration Ltd. entered into an arrangement agreement dated September 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.

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 September 20, 2021 the Company held an interest in Nine oil blocks in Colombia and oil and natural gas leases in seven areas in Canada as follows:

		Gross Acres	Working Interest	Net Acres
COLOMBIA				
Tapir	Operated	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
Los Picachos	Non-operated	52,772	37.5%	19,790
Macaya	Non-operated	195,255	37.5%	73,221
Total Colombia		**465,417**		**227,005**
CANADA				
Ansell	Operated	640	100%	640
Chicken	Non-operated	1,280	30%	384
Fir	Non operated	7,680	32%	2,457
Penhold	Non-operated	480	13%	61
Pepper	Operated	24,320	99%	24,000
Wapiti	Non-operated	7,040	23%	1,600
Total Canada		**31,840**		**25,661**
TOTAL		**497,257**		**252,666**

The Company’s primary producing assets are located in Colombia in the Tapir, Oso Pardo and Ombu blocks, and in Canada at Fir, Alberta.

Llanos Basin

Within the Llanos Basin, the Company is engaged in the exploration, development and production of oil within the Tapir block. On September 10, 2019, the Company announced a discovery at its Rio Cravo Este-1 (“RCE-1”) exploration well on 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. Effective exploration for this play requires good quality 3D seismic data. The Tapir block contain large areas not yet covered by 3D seismic, and in Management’s opinion offer substantial exploration upside.

Middle Magdalena Valley (“MMV”) Basin

Arrow’s Oso Pardo field is located in the MMV Basin. In general, fields within the basin are more structurally complex than in the Llanos basin but have the potential for thicker oil columns and significant oil in place.

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 License 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.

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.

Three months ended September 30, 2021 Financial and Operational Highlights

- For the three months ended September 30, 2021, Arrow recorded $1,684,609 in revenues (net of royalties) on crude oil sales of 26,280 bbls, 446 bbls of natural gas liquids (“NGL’s”) and 46,057 Mcf of natural gas sales
- Funds from operations of $815,621
- Adjusted EBITDA was $966,234
- The Company recorded a net loss of $21,781

RESULTS OF OPERATIONS

The Company has progressively increased its production due to resuming production in areas previously affected by failures in production equipment, social instability, and the Covid-19 pandemic. The Company's main streams of revenues are its RCE-1 well in the Tapir block and its Oso Pardo wells.

Average Production by Property

Average Production Boe/d	YTD 2021	Q3 2021	Q2 2021	Q1 2021	Q3 2020
LLA-23	**-**	**-**	-	-	1
Oso Pardo	**53**	**137**	20	-	-
Ombu (Capella)	**98**	**193**	97	-	-
Rio Cravo Este (Tapir)	**157**	**151**	147	174	8
Total Colombia	**308**	**481**	264	174	9
Fir, Alberta	**76**	**94**	67	68	96
TOTAL (Boe/d)	**384**	**575**	331	242	105

For the nine and three months ended September 30, 2021, the Company's average production was 384 boe/d and 575 boe/d, respectively (2020: 1,159 and 569 boe/d) which consisted of crude oil production in Colombia at 481 and 308 bbl/d (2020: 9 and 470 bbl/d), and natural gas production of 501 and 419 Mcf/d (2020: 532 and 557 Mcf/d) and minor amounts of natural gas liquids from the Company's Canadian properties. During the nine and three months ended September 30, 2021, in Colombia production decreased in the Tapir block, and the Oso Pardo and Ombu/Capella blocks increased their daily production when compared to previous quarters, since they were producing for the full quarter.

Average Daily Natural Gas and Oil Production and Sales Volumes

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Natural Gas (Mcf/d)				
Natural gas production	**501**	545	**419**	523
Natural gas sales	**501**	545	**419**	523
Realized Contractual Natural Gas Sales	**501**	545	**419**	523
Crude Oil (bbl/d)				
Crude oil production	**481**	9	**308**	470
Inventory movements and other	**(195)**	5	**(100)**	(8)
Crude Oil Sales	**286**	14	**208**	462
Corporate				
Natural gas production (boe/d)	**83**	89	**70**	93
Natural gas liquids(bbl/d)	**11**	7	**6**	6
Crude oil production (bbl/d)	**481**	9	**308**	470
Total production (boe/d)	**575**	105	**384**	569
Inventory movements and other (boe/d)	**(195)**	5	**(100)**	(8)
Total Corporate Sales (boe/d)	**380**	110	**284**	561

During the nine and three months ended September 30, 2021 the majority of production was attributed to Colombia where the Company has two operated properties: Oso Pardo and Rio Cravo Este, and one non-operated property, Ombu. In Canada, the Company has two operated and two non-operated properties located in the province of Alberta at Fir, Pepper, Harley and Wapiti.

Natural Gas and Oil Revenues

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Natural Gas				
Natural gas revenues	**133,413**	125,082	**341,197**	255,307
NGL revenues	**48,661**	22,301	**88,363**	40,623
Royalties	**(20,655)**	(11,350)	**(42,986)**	(24,705)
Revenues, net of royalties	**161,419**	136,033	**386,574**	271,225
Oil				
Oil revenues	**1,678,526**	27,838	**3,478,459**	4,915,399
Royalties	**(155,336)**	44,063	**(391,372)**	(234,199)
Revenues, net of royalties	**1,523,191**	71,901	**3,087,087**	4,681,200
Corporate				
Natural gas revenues	**133,413**	125,082	**341,197**	255,307
NGL revenues	**48,661**	22,301	**88,363**	40,623
Oil revenues	**1,678,526**	27,838	**3,478,459**	4,915,399
Total revenues	**1,860,600**	175,221	**3,908,019**	5,211,329
Royalties	**(175,991)**	32,713	**(434,358)**	(258,904)
Natural gas and crude oil revenues, net of royalties, as reported	**1,684,609**	207,934	**3,473,661**	4,952,425

Revenue for the three and nine months ended September 30, 2021 was $1,684,609 and $3,473,661, respectively, net of royalties, which represents an increase and a decrease of 710% and 30%, respectively, when compared to 2020. These variances are mainly due the sale of LLA-23 and the resumption of production in Oso Pardo and Ombu.

Average Benchmark and Realized Prices

	Three months ended September 30			Nine months ended September 30		
	2021	2020	Change	**2021**	2020	Change
Benchmark Prices						
AECO ($/Mcf)	**2.97**	1.69	76%	**2.59**	1.51	72%
Brent ($/bbl)	**73.23**	43.32	69%	**67.97**	42.64	59%
West Texas Intermediate ($/bbl)	**70.54**	40.92	72%	**65.05**	38.20	70%
Realized Prices						
Natural gas, net of transportation ($/Mcf)	**2.90**	2.18	33%	**2.98**	1.67	78%
Natural gas liquids ($/bbl)	**56.03**	37.54	190%	**52.56**	25.16	179%
Crude oil, net of transportation ($/bbl)	**63.87**	13.07	389%	**61.31**	38.18	61%
Corporate average, net of transport ($/boe)[(1)]	**52.21**	14.24	285%	**50.43**	33.45	54%

The Company realized a price of $52.21 and $50.43 per boe during the three and nine months ended September 30, 2021 (2020: $14.24 and $33.45 per boe, respectively) as oil and natural gas prices have significantly improved when compared to 2020, when pressures from large-producing countries and the Covid-19 pandemic ("Covid-19") were affecting commodity prices. The Company receives Brent referenced pricing for its crude oil. In Canada, natural gas prices have experienced a consistent improvement over the past several months.

Operating Expenses

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Natural gas & NGL's	**54,227**	52,797	**183,091**	175,440
Crude oil	**535,341**	599,877	**1,141,649**	3,735,786
Total operating expenses	**589,568**	652,674	**1,324,740**	3,911,226
Natural gas ($/Mcf)	**$1.18**	$0.92	**$1.60**	$1.15
Crude oil ($/bbl)	**$20.37**	$281.74	**$20.12**	$29.02
Corporate ($/boe)(1)	**$16.54**	$53.04	**$17.09**	$25.10

(1)Non-IFRS measure

During the three and nine months ended September 30, 2021 and 2020, Arrow incurred operating expenses of $589,568 and $1,324,740, respectively, at an average cost of $16.54 and $17.09 per boe. Operating expenses have been consistent with previous quarters in 2021, including a pump replacement for the Morsa-1 well in the Oso Pardo field, and together with an increase in lease cost in the Canadian operations.

Operating Netbacks

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Natural Gas ($/Mcf)				
Revenue, net of transportation expense	**$2.90**	$2.18	**$2.98**	$1.67
Royalties	**(0.37)**	(0.20)	**(0.31)**	(0.16)
Operating expenses	**(1.18)**	(0.92)	**(1.60)**	(1.15)
Natural Gas operating netback(1)	**$1.35**	$1.06	**$1.07**	$0.36
Crude oil ($/bbl)				
Revenue, net of transportation expense	**$63.87**	$13.07	**$61.31**	$38.18
Royalties	**(5.91)**	20.69	**(6.90)**	(1.82)
Operating expenses	**(20.37)**	(281.74)	**(20.12)**	(29.02)
Crude Oil operating netback(1)	**$37.59**	($247.98)	**$34.29**	$7.34
Corporate ($/boe)				
Revenue, net of transportation expense	**$52.21**	$14.24	**$50.43**	$33.45
Royalties	**(4.94)**	2.66	**(5.61)**	(1.66)
Operating expenses	**(16.54)**	(53.04)	**(17.09)**	(25.10)
Corporate Operating netback(1)	**$30.73**	($36.14)	**$27.73**	$6.68

(1)Non-IFRS measure

General and Administrative Expenses (G&A)

	Three months ended	Nine months ended

	September 30		September 30	
	2021	2020	**2021**	2020
General & administrative expenses	**898,299**	785,641	**3,131,644**	2,990,705
Less: G&A capitalized	**-**	-	**-**	-
G&A recovered from 3rd parties	**(58,352)**	-	**-**	-
Total operating overhead recovery	**-**	-	**-**	-
Total G&A	**839,947**	785,641	**3,131,644**	2,990,705
Cost per boe	**$23.57**	$63.85	**$40.41**	$19.20

For the three and nine months ended September 30, 2021, G&A expenses totaled $839,947 and $3,131,644, respectively. When compared to 2020, these increases were mainly represented by increases in personnel compensation, offset by lower legal fees and reduction of office expenses.

Financing Costs

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Financing expense paid or payable	**249,918**	(615,352)	**674,068**	(461)
Non-cash financing costs	**33,678**	157,518	**98,647**	462,402
Net financing costs	**283,596**	(457,834)	**772,715**	461,941

The finance expense paid or payable represents interest on the $6.1 million promissory note due to Canacol, as partial payment for the acquisition of Carrao, which bears interest at 15% per annum, and fees associated with financing standby letters of credit (SBLC) on certain of the Company's Colombian blocks, which have been reduced in 2021 after the sale of LLA-23 and the cancellation of the related SBLCs. The non-cash finance cost represents the accretion expense of the present value of the decommissioning obligation for the current period, which has been decreasing as the result of properties sold.

Risk Management Contracts

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Realized derivative gain on commodity risk management contracts	**-**	-	**-**	1,288,523
Unrealized derivative gain on commodity risk management contracts	**-**	-	**-**	-
Total income on risk management activities	**-**	-	**-**	1,288,523

There was no risk management activities conducted by the Company in 2021. During 2020, the Company entered into a 'costless collar' commodity hedging agreement for a total of 15,000 barrels of oil per month from January 1 to September 30, 2020. This agreement provides a Brent-based floor price of $62 per barrel and a ceiling price of $66.5 per barrel on 15,000 barrels of oil per month over the aforementioned time period.

Share-based Payments

	Three months ended September 30	Nine months ended September 30

	2021	2020	2021	2020
Share-based Payments	**224,204**	442,145	**(326,106)**	263,614

Share-based payments (income) for the three and nine months ended September 30, 2021 totalled $224,204 and ($326,106), respectively. During 2021 and 2020, a significant number of options were cancelled due to resignations and terminations of option holders, including executives, causing a reversal of expenses recognized in previous periods. The share-based payments (income) is the result of the progressive vesting of the options granted to the Company's employees and consultants, net of cancellations and forfeitures, according to the company's stock-based compensation plan.

Depletion and Depreciation

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Depletion and depreciation	**507,412**	68,460	**1,111,124**	1,910,396

Depletion and depreciation expense for three and nine months ended September 30, 2021 totalled $507,412 and $1,111,124, respectively. The Company uses the unit of production method and proved plus probable reserves to calculate depletion expense and changes are directly related to a higher quantity of crude and natural gas produced during 2021 compared with 2020.

Impairment of Oil and Gas Properties

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Impairment of Oil and Gas Properties	**-**	-	**-**	27,263,110

As at March 31, 2020, the Company reviewed its cash-generating unit's ("CGU") property and equipment and determined that there were indicators of impairment present related to the decrease in reserves. The company prepared estimates of both the value in use and fair value less costs of disposal of its CGUs and it was determined that carrying value of each CGU exceeded its recoverable amount and, therefore, an impairment provision of $27,263,110 was required.

Other expense (income)

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Other expense (income)	**(767,215)**	(85,154)	**(1,262,139)**	(108,947)

The Company reported other income of $767,215 and $1,262,139 for the three and nine months ended September 30, 2021, respectively. The 2021 amount has been generated from the Company's ongoing negotiations of accounts payable and debts with vendors, both in Colombia and Canada, which have resulted in reductions of amounts actually paid in cash to settle its liabilities.

Income Taxes

	Three months ended	Nine months ended

	September 30		September 30	
	2021	2020	**2021**	2020
Current income tax (recovery)	**(27,197)**	-	**(27,197)**	(8,786)
Deferred income tax (recovery)	**-**	247,000	**-**	(7,303,000)
Total income tax expense	**(27,197)**	$247,000	**(27,197)**	(7,311,786)

Due to the Company's tax losses available in Canada and Colombia, it is expected that the Company will not generate current income tax from its operations for the year 2021, other than a minimum tax payable. During 2020, there were changes the Company's deferred income tax liability mainly caused by the impairment provision recorded during the three months ended March 31, 2020. In making this determination, the Company considers all available positive and negative evidence, including the reversal of all existing temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations.

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 working capital, excluding non-cash items. 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.

The Company had a net loss of $32,233,092 for the year 2020 and had a working capital of $783,707 as at September 30, 2021. During 2020, oil and gas prices have been significantly depressed and the global impact of the COVID-19 pandemic has fostered a great deal of uncertainty for the future operations of the Company. The Company's ability to continue as a going concern is dependent on management's ability to identify additional sources of capital and to raise sufficient resources to fund ongoing operating expenses and commitments. There is no assurance these initiatives will be successful in the future. These conditions indicate the existence of material uncertainties that may cast significant doubt regarding the applicability of the going concern assumption. These interim condensed consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. These adjustments could be material.

The Company's working capital has been significantly improving in 2021 due to sales of assets, improvement in commodity prices and effective cash management. Additionally, the Company has been admitted to trade its common shares in the London AIM market and completed an initial fundraising of C$15 million (see subsequent events). The net proceeds of this fundraising, together with the Company's existing funds, are expected to be used to drill two wells at Rio Cravo Este, and will also be deployed in drilling the Carrizales Norte-1 exploration well.

On October 20, 2021, the Company announced that it has conditionally raised approximately £8.8 million (C$15 million), through a placing and subscription for new common shares with new investors, Canacol Energy Ltd., and executive management (together, the "Fundraising") and has published an AIM Admission Document in connection with the admission of the enlarged share capital of the Company to trading on the AIM Market of the London Stock Exchange plc. The Fundraising consisted of the placement and subscription of 140,949,545 new common shares at an issue price of £0.0625 (C$0.106125) per new common share. The Company's executive management invested approximately C$ 1.41 million and Canacol participated in the subscription to hold 19.9% of the enlarged share capital. Investors received one warrant for every two new common shares, exercisable at C$0.15282 per new common share for 24 months from the AIM admission date (October 25, 2021). The net proceeds of the Fundraising, together with the Company's existing funds, are expected to be used to drill two wells at Rio Cravo Este, and will also be deployed in drilling the Carrizales Norte-1 exploration well.

On November 24, 2021, the Company announced that it has closed a non-brokered private placement of C$395,375 for issuance of 3,882,676 new common shares.

As at September 30, 2021 the Company's net debt was calculated as follows:

		September 30, 2021
Current assets	$	8,644,830
Less:		
Accounts payable and accrued liabilities		(4,780,351)
Lease obligation – shot term		(19,662)
Promissory Note		(6,362,969)
Net debt [(1)]	**$**	**(2,518,152)**

[(1)]Non-IFRS measure

Working Capital

As at September 30, 2021 the Company's working capital was calculated as follows:

		September 30, 2021
Current assets:		
Cash and restricted cash	$	5,465,981
Trade and other receivables		966,772
Taxes receivable		1,619,065
Other current assets		593,012
Less:		
Accounts payable and accrued liabilities		(4,780,351)
Lease obligation		(19,662)
Promissory Note – Current portion		(3,061,110)
Working capital (deficit) [(1)]	**$**	**783,707**

[(1)]Non-IFRS measure

Debt Capital

As of September 30, 2021, the Company had a $6.3 million in outstanding debt in the form of a promissory note payable to Canacol. The promissory note was issued to Canacol Energy Ltd. ("Canacol") as partial consideration in the acquisition of Carrao Energy S.A. from Canacol. The promissory note bears interest at 15% per annum, was initially due on January 28, 2019 and subsequently extended to April 30, 2019, October 1, 2020 and April 1, 2021. Arrow and Canacol entered into a third, fourth and fifth Amended and Restated Promissory Notes in December 2019, March and August 2020, respectively.

In May 2021, a sixth and amended and restated promissory note was agreed with Canacol which includes that the new principal amount of the promissory note is $6,026,166 (including interest and fees), which bears interest at an annual rate of 15%, and includes the following repayment provisions:

- In the event that the Company does not complete a successful equity financing of $12,000,000 or more by September 30, 2021, the payment of the principal plus interest shall be made as follows:
    - Two payments of $1,600,000 in cash due on July 30 and December 30, 2022; and
    - Issuance of common shares of the Company on July 30, 2022 for the remaining balance for an amount of shares resulting from Canacol having less than 19.9%, with any remainder payable in cash

- In the event that the Company completes a successful equity financing of $12,000,000 or more by September 30, 2021, the payment of the principal plus interest shall be made as follows:
  - One payment of $3,200,000 in cash due 15 days from the financing closing date; and
  - At the discretion of the Company, the balance shall be paid either in cash or by issuance of common shares of the Company for an amount of shares resulting from Canacol having less than 19.9%, and any remainder balance payable in cash.

The Company also commits to replace the letters of credit currently guaranteed by Canacol and, Canacol commits to absorb the Company's commitments and balances related to the OBC pipeline dispute. The Company has granted a general security interest to Canacol for the obligations under the Promissory Note which will be subordinated to second position in the event the Company secures additional financing.

On October 18, 2021, a seventh amended and restated promissory note was entered into with Canacol which includes that the new principal amount of the promissory note is $6,026,166, which bares interest at an annual rate of 15%, and will be paid as follows:

- The amount of C$3,900,000 plus all Canacol's expenses in connection with this amendment and related matters, shall be paid not later than October 31, 2021;
- The 50% of the remaining principal and interest shall be paid no later than December 31, 2022; and
- The remaining principal and interest shall be paid not later than June 20,2023

Also, provided the Company makes the payment due on October 31, 2021, Canacol agrees to forgive $800,000 assumed by Canacol for excess pipeline shipping costs as a result of the settlement of the OBC pipeline dispute. On October 27, 2021, the Company paid C$3,900,000 to Canacol as stipulated in this seventh amendment.

Letters of Credit

As at September 30, 2021, the Company had obligations under Letters of Credit ("LC's") outstanding totaling $5.2 million to guarantee work commitments on exploration blocks and other contractual commitments. Of the total, approximately $4 million has been guaranteed by Canacol. Under an agreement with Canacol, Canacol will continue to provide security for the LC's providing that Arrow uses all reasonable efforts to replace the LC's. In the event the Company fails to secure the renewal of the LC's underlying the Company's Agencia Nacional de Hidrocarburos ("ANH") guarantees, or any of them, the ANH could decide to cancel the underlying E&P contract for a particular block, as applicable. In this instance, the Company could risk losing its entire interest in the applicable block, including all capital expended to date, and could possibly also incur additional abandonment and reclamation costs if applied by the ANH.

Current Outstanding Letters of Credit

Contract	Beneficiary	Issuer	Type	Amount (US$)	Renewal Date
Tapir	ECP	Samaria Llanos	Abandonment	52,898	December 26, 2021
SANTA ISABEL	ANH	Carrao Energy SA Suc Col	Abandonment	643,423	April 14, 2022
	ANH	Canacol and Carrao	Financial Capacity	1,672,162	December 31, 2021
CORE - 39	ANH	Canacol	Compliance	2,400,000	December 31, 2021
OMBU	ANH	Carrao Energy SA Suc Col	Financial Capacity	436,300	April 14, 2022
Total				**5,204,783**	

Share Capital

As at September 30, 2021, the Company had 68,674,602 common shares and 5,714,000 stock options outstanding.

CONTRACTUAL OBLIGATIONS

The following table provides a summary of the Company's cash requirements to meet its financial liabilities and contractual obligations existing at September 30, 2021:

	Less than 1 year	1-3 years	Thereafter	Total
Promissory Note	$ -	$ 6,135,132	$ -	$ 6,135,132
Exploration and production contracts	-	17,800,000	-	17,800,000
	$ -	**$ 23,935,132**	**$ -**	**$ 23,935,132**

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. In aggregate, the Company has outstanding exploration commitments at September 30, 2021 of $17.8 million. During 2019, the Company, in conjunction with its partners, made application to cancel a further $15.5 million in commitments on the Macaya and Los Picachos blocks. This request was subsequently denied by the ANH. The remaining commitments are expected to be satisfied by means of seismic work, exploration drilling and farm-outs.

Oleoducto Bicentenario de Colombia ("OBC") Pipeline

The Company is party to an agreement with Canacol that entitles it to a 0.5% interest in OBC, which owns a pipeline system intended to link Llanos basin oil production to the Caño Limon oil pipeline system in Colombia. This agreement was part of Arrow's acquisition of Carrao from Canacol. The Company in conjunction with Canacol, notified OBC to transfer title of the shares currently in the name of Canacol to Arrow. The transfer requires approval by OBC which at the date of this MD&A had not been received.

Canacol is currently in litigation with OBC in relation to ship or pay obligations that were terminated by Canacol in July 2018 under force majeure. Under terms of the agreement, if the pipeline has not been operational for a period greater than Nine months then the ship or pay obligation may be cancelled.

On March 27, 2019, the court in charge of the case ruled in favor of the OBC and opined that the obligations under the ship or pay contract remains in force. Subsequently, on May 13, 2019, Canacol filed an appeal at the State Council, a higher-level court in the Colombian judiciary system, requesting annulment of this ruling. Likewise, in July 2019, OBC has also started litigation against Canacol for not honouring its ship or pay obligations under the contract. Depending on the final outcome of this dispute, Arrow may be required to satisfy past and future ship or pay obligations.

Upon official transfer of ownership to Arrow and under the terms of the OBC agreement, Arrow may be required to provide financial support or guarantees for its proportionate equity interest in any future debt financings or cash calls undertaken by OBC. At the same time, Arrow would be entitled to dividends declared and paid by OBC based on its 0.5% ownership interest.

During 2020 and 2021, there has been negotiations between the parties involved in order to settle this case and settlement agreements have been approved by courts. As a result, Arrow does not have any current or future requirement to satisfy past and future ship or pay obligations and has reversed its $658,654 accrual accordingly.

SUMMARY OF THREE MONTHS RESULTS

	2021			2020				2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Oil and natural gas sales, net of royalties	1,684,609	941,620	847,432	368,140	207,934	896,011	3,848,478	5,585,531
Net income (loss)	(21,782)	(734,317)	(510,405)	(7,953,001)	(1,390,746)	3,168,919	(26,058,265)	(2,089,036)
Income (loss) per share – basic and diluted	(0.00)	(0.01)	(0.01)	(0.12)	(0.02)	0.05	(0.38)	(0.02)
Working capital (deficit)	783,707	3,141,217	(2,659,690)	(1,932,940)	(11,086,377)	(10,158,614)	(2,711,756)	(2,863,641)
Total assets	25,362,323	25,948,551	27,684,920	33,532,299	46,702,911	47,386,940	43,775,967	72,750,706
Net capital expenditures	148,528	(15,378)	97,330	89,198	146,584	180,795	473,351	(171,138)
Average daily production (boe/d)	575	331	242	140	105	417	1,159	1,595

Over the past quarters, the Company's oil and natural gas sales have fluctuated due to changes in production, movements in the Brent benchmark oil price and fluctuations in realized oil price differentials. The Company's production levels in Colombia have been variable, with increases driven by additional crude oil from the RCE-1 well, partially offset by the sale of the Company's interest in the VMM-2 and LLA-23 blocks, and natural declines on mature blocks. Trends in the Company's net income (loss) are also impacted most significantly by financing costs, income taxes, depletion, depreciation and impairment of oil and gas properties, gains and losses from risk management activities.

OUTSTANDING SHARE DATA

At October 25, 2021, the Company had the following securities issued and outstanding:

	Number	Exercise Price	Expiry Date
Common shares	209,624,169	n/a	n/a
Warrants	70,474,769	CAD$ 0.15282	October 25, 2023
Stock options	1,050,000	CAD$ 1.15	October 22, 2028
Stock options	345,000	CAD$ 0.31	May 3, 2029
Stock options	1,200,000	CAD$ 0.05	March 20, 2030
Stock options	2,775,000	CAD$ 0.05	April 13, 2030
Stock options	344,000	CAD$ 0.05	Sept. 18, 2030

OUTLOOK

On January 30, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) outbreak a Public Health Emergency of International Concern and, on March 10, 2020, declared it to be a pandemic. Actions taken around the world to mitigate the spread of COVID-19, combined with OPEC's initial plan to increase global supply resulted in significant weakness and volatility in commodity prices in early 2020. The simultaneous demand and supply shocks have resulted in significant declines in product demand and pricing in the latter part of the first quarter and throughout the second and third quarter of 2020. Commodity prices began to recover in late 2020 and continued that recovery in early 2021. Although it is impossible to reliably estimate the impact of COVID-19, the pandemic is anticipated to have material effects on the Company's 2021 financial results relative to 2020 and 2019.

In 2021 the Company is continuing to focus on improving its free cash flow by optimizing its sources of funds and reducing operating and administrative costs. During 2020, salaries, personnel benefits and office costs continued to be reduced, and the Company has made a significant improvement in operating costs and administrative expenses since then.

Following the closing of a financing, as announced by the Company on October 25, 2021, the Company is establishing plans for drilling at least two follow-up wells at Rio Cravo Este in 2022, subject to numerous factors such as rig availability , obtaining partner approval, among others. The Company is also establishing plans for drilling the Carrizales Norte-1 well on the Tapir Block.

CRITICAL ACCOUNTING ESTIMATES

A summary of the Company's significant accounting policies is contained in Note 3 of the audited consolidated financial statements as at and for the years ended December 31, 2020 and 2019. These accounting policies are subject to estimates and key judgements about future events, many of which are beyond Arrow's control.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Company's significant accounting policies is included in of the audited consolidated financial statements as at and for the years ended December 31, 2020 and 2019. 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, 2020 for a description of the financial, business and other risk factors affecting the Company which are available on SEDAR at www.sedar.com

Arrow Exploration Corp.
Interim Condensed Consolidated Financial Statements
September 30, 2021
In United States Dollars
(Unaudited)

Contents

Notice of No Auditor Review of the Interim Condensed Consolidated Financial Statements as at and for the three months ended September 30, 2021

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.
Consolidated Statements of Financial Position
In United States Dollars
(Unaudited)

As at	Notes		September 30, 2021		December 31, 2020
Assets					
Current					
Cash		$	5,465,981	$	11,473,204
Restricted cash	3		-		262,489
Trade and other receivables	4		966,772		2,456,590
Taxes receivable	5		1,619,065		1,659,683
Deposits and prepaid expenses			208,697		77,382
Inventory			384,315		29,304
			8,644,830		15,958,652
Non-current assets					
Restricted cash	3		485,263		460,283
Exploration and evaluation	6		6,961,667		6,961,667
Property and equipment	7		9,270,563		10,151,697
Total Assets		$	25,362,323	$	33,532,299

Liabilities					
Current					
Accounts payable and accrued liabilities		$	4,780,351	$	12,101,989
Lease obligation	9		19,662		17,279
Promissory note	8		3,061,110		5,772,324
			7,861,123		17,891,592
Non-current liabilities					
Long-term debt	10		31,396		31,416
Lease obligation	9		39,493		53,563
Other liabilities	11		177,500		177,500
Decommissioning liability	12		2,683,148		2,584,907
Promissory note	8		3,301,859		-
Total liabilities			14,094,519		20,738,978
Shareholders' equity					
Share capital	13		50,740,292		50,740,292
Contributed surplus			1,195,738		1,521,845
Deficit			(40,145,841)		(38,879,338)
Accumulated other comprehensive loss			(522,385)		(589,478)
Total shareholders’ equity			11,267,804		12,793,321
Total liabilities and shareholders’ equity		$	25,362,323	$	33.532.299

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 14)

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

On behalf of the Board:

signed “Gage Jull” Director
Gage Jull

signed “Maria Charash” Director
Maria Charash

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

	Notes	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Revenue					
Oil and natural gas		**$ 1,860,600**	$ 175,221	**3,908,019**	$ 5,211,329
Royalties		**(175,991)**	32,713	**(434,358)**	(258,904)
		1,684,609	207,934	**3,473,661**	4,952,425
Expenses					
Operating		**589,568**	652,674	**1,324,740**	3,911,226
Administrative		**839,947**	785,641	**3,131,644**	2,990.705
Share based payments	**13**	**224,204**	442,145	**(326,106)**	263,614
Financing costs:					
Accretion	**12**	**33,678**	157,518	**98,647**	462,402
Interest		**173,807**	(682,444)	**551,494**	(180,348)
Other		**76,111**	67,092	**122,574**	179,887
Foreign exchange loss		**56,076**	(54,252)	**15,383**	(147,742)
Depletion and depreciation		**507,412**	68,460	**1,111,124**	1,910,396
Impairment of oil and gas properties	**7**	**-**	-	**-**	27,263,110
Other expense (income)		**(767,215)**	(85,154)	**(1,262,139)**	(108,947)
		1,733,588	1,351,680	**4,767,361**	36,544,303
Loss before taxes		**(48,979)**	(1,143,746)	**(1,293,700)**	(31,591,878)
Income taxes (recovery)					
Current		**(27,197)**	-	**(27,197)**	(8,787)
Deferred		**-**	247,000	**-**	(7,303,000)
		(27,197)	247,000	**(27,197)**	(7,311,787)
Net loss for the period		**(21,782)**	(1,390,746)	**(1,266,503)**	(24,280,091)
Other comprehensive income (loss)					
Foreign exchange		**(196,464)**	(376,212)	**67,093**	(362,008)
Net loss and comprehensive loss for the period		**$ (218,246)**	$ (1,766,958)	**$ (1,199,410)**	$ (24,642,099)
Loss per share - basic and diluted		**$ (0.00)**	$ (0.02)	**$ (0.02)**	$ (0.35)
Weighted average shares outstanding - basic and diluted (1)		**68,674,602**	68,674,602	**68,674,602**	68,674,602

(1) The options and warrants have been excluded from the diluted loss per share computation as they are anti-dilutive.

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

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, 2021	$ 50,740,292	$ 1,521,845	$ (589,478)	$ (38,879,338)	$ 12,793,321
Net loss for the period	-	-	-	(1,266,503)	(1,266,503)
Comprehensive income for the period	-	-	67,093	-	67,093
Share based payments	-	(326,107)	-	-	(326,107)
Balance September 30, 2021	$ 50,740,292	$ 1,195,738	$ (522,385)	$ (40,145,841)	$ 11,267,804

	Share Capital	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Total Equity
Balance January 1, 2020	$ 50,740,292	$ 1,603,788	$ (541,393)	$ (6,646,246)	$ 45,156,441
Net loss for the period	-	-	-	(24,280,091)	(24,280,091)
Comprehensive income for the period	-	-	(362,008)	-	(362,008)
Share based payments	-	263,614	-	-	263,614
Balance September 30, 2020	$ 50,740,292	$ 1,867,402	$ (903,401)	$ (30,926,337)	$ 20,777,956

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

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

For the nine months ended September 30,	2021	2020
Cash flows used in operating activities		
Net loss	**$ (1,266,503)**	$ (24,280,091)
Items not involving cash:		
Deferred taxes	**-**	(7,303,000)
Share based payment	**(326,106)**	263,614
Depletion and depreciation	**1,111,124**	1,910,396
Impairment of oil and gas properties	**-**	27,263,110
Interest on leases	**5,051**	13,559
Interest on promissory note, net of forgiveness	**546,442**	(918,000)
Accretion	**98,647**	462,402
Foreign exchange loss (gain)	**88,848**	169,750
Changes in non-cash working capital balances:		
Restricted cash	**262,489**	-
Trade and other receivables	**1,489,818**	1,928,830
Taxes receivable	**40,617**	(361,113)
Deposits and prepaid expenses	**(131,315)**	107,681
Inventory	**(355,011)**	17,454
Accounts payable and accrued liabilities	**(5,147,955)**	(614,110)
Cash used in operating activities	**(3,583,853)**	(1,358,609)
Cash flows provided by (used in) investing activities		
Additions to exploration and evaluation assets	**-**	(180,795)
Additions to property and equipment	**(230,480)**	-
Changes in non-cash working capital	**(2,173,682)**	695,173
Cash flows (used in) provided by investing activities	**(2,404,162)**	514,378
Cash flows used in financing activities		
Lease payments	**(18,290)**	(53,881)
Increase in long-term debt	**-**	29,988
Cash flows used in financing activities	**(18,290)**	(23,893)
Effect of changes in the exchange rate on cash	**(918)**	(126,283)
Decrease in cash	**(6,007,223)**	(994,407)
Cash, beginning of period	**11,473,204**	1,085,655
Cash, end of period	**5,465,981**	$ 91,248

	2021	2020
Supplemental information		
Interest paid	**$ -**	$ 71,709
Taxes paid	**$ -**	$ -

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

In United States Dollars

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 under the symbol AXL. During October 2021, the Company's common shares started to trade in the AIM Market of the London Stock Exchange plc under the same AXL symbol (see Note 17). The head office of Arrow is located at 1430, 333 – 11th Ave SW, Calgary, Alberta, Canada, T2R 1L9 and the registered office is located at Suite 1600, 421 – 7th Avenue SW, Calgary, Alberta, Canada, T2P 4K9.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company had a net loss of $32,233,092 for the year 2020, an interim net loss of $1,266,503 for the nine months ended September 30, 2021, and had a working capital of $783,707 as at September 30, 2021. During 2020, oil and gas prices have been significantly depressed and the global impact of the COVID-19 pandemic has fostered a great deal of uncertainty for the future operations of the Company. The Company's ability to continue as a going concern is dependent on management's ability to identify additional sources of capital and to raise sufficient resources to fund ongoing operating expenses and commitments. There is no assurance these initiatives will be successful in the future. These conditions indicate the existence of material uncertainties that may cast significant doubt regarding the applicability of the going concern assumption. These interim condensed consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. These adjustments could be material.

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 authorised for issue by the board of directors of the Company on November 23, 2021. 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, 2020.

These Financial Statements have been prepared on the historical cost basis, except for financial assets and liabilities recorded in accordance with IFRS 9. The Financial Statements have been prepared using the same accounting policies and methods as the consolidated financial statements for the year ended December 31, 2020. 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, 2020.

3. Restricted Cash

	September 30, 2021	December 31, 2020

Colombia *(i)*	$	**53,726**	$	316,216
Canada *(ii)*		**431,537**		406,556
Sub-total		**485,263**		722,772
Long-term portion		**(485,263)**		(460,283)
Current portion of restricted cash	$	**-**	$	262,489

(i) *Restricted cash is comprised by a deposit held as collateral to guarantee abandonment expenditures related to the Mateguafa well and funds in-trust related to resuming production in the Rio Cravo Este-1 well in the Tapir block*

(ii) *Pursuant to Alberta government regulations, the Company was required to pay a $326,582 (CAD $416,081) deposit with respect to the Company's liability rating management ("LMR"). The deposit is held by a Canadian chartered bank with interest paid to the Company on a monthly basis based on the bank's deposit rate. The remaining $104,955 pertain to lease and other deposits held in Canada.*

4. Trade and other receivables

		September 30, 2021		December 31, 2020
Trade receivables, net of advances	$	**75,661**	$	99,061
Other accounts receivable		**891,111**		2,357,529
Total trade and other receivables	$	**966,772**	$	2,456,590

As at September 30, 2021, other accounts receivable include $619,465 (December 31, 2020 – $2,185,890) receivable from a partner in the Tapir block and corresponds to reimbursable capital expenditures incurred on the Tapir block, which are expected to be recovered through production during the remaining of 2021 and 2022.

5. Taxes receivable

		September 30, 2021		December 31, 2020
Value-added tax (VAT) credits recoverable	$	**382,856**	$	932,282
Income tax withholdings and advances, net		**1,236,209**		727,401
	$	**1,619,065**	$	1,659,683

The VAT recoverable pertains to non-compensated value-added tax credits originated in Colombia as operational and capital expenditures are incurred. Most of the Company's sales are considered exports, which are not subject to VAT. The Company is entitled to claim for the reimbursement of these VAT credits.

6. Exploration and Evaluation

		September 30, 2021		December 31, 2020
Balance, beginning and end of the period	$	**6,961,667**	$	6,961,667

In United States Dollars

7. Property and Equipment

Cost	Oil and Gas Properties	Right of Use and Other Assets	Total
Balance, December 31, 2020	$ 30,436,344	$ 182,105	$ 30,618,449
Additions	228,500	1,382	229,882
Balance, September 30, 2021	$ 30,664,844	$ 183,487	$ 30,848,331
Accumulated depletion and depreciation and impairment			
Balance, December 31, 2020	$ 20,718,742	$ 83,207	$ 20,801,949
Depletion and depreciation	1,087,306	23,817	1,111,123
Balance, September 30, 2021	$ 21,806,048	$ 107,024	$ 21,913,072
Foreign exchange			
Balance December 31, 2020	$ 339,363	$ (4,166)	$ 335,197
Effects of movements in foreign exchange rates	(246)	353	107
Balance September 30, 2021	$ 339,117	$ (3,813)	$ 335,304
Net Book Value			
Balance December 31, 2020	$ 10,056,965	$ 94,732	$ 10,151,697
Balance September 30, 2021	$ 9,197,913	$ 72,650	$ 9,270,563

As at March 31, 2020, the Company reviewed its cash-generating unit's ("CGU") property and equipment and determined that there were indicators of impairment present related to the decrease in reserves. The company prepared estimates of both the value in use and fair value less costs of disposal of its CGUs and it was determined that carrying value of each CGU exceeded its recoverable amount and, therefore, an impairment provisions of $27,263,110 was required. The following table outlines forecast benchmark prices and exchange rates used in the Company's impairment test as at September 30, 2020:

Year	Exchange rate $US / $Cdn	AECO Spot Gas CDN$/MCF	Brent $US/Bbl
2020	0.71	1.90	32.00
2021	0.72	2.30	42.00
2022	0.73	2.40	51.00
2023	0.75	2.49	58.00
2024	0.75	2.54	62.00
2025	0.75	2.60	63.24
Thereafter (inflation %)	0.80	2.0%/yr	2.0%/yr

These benchmark prices reflect the price forecasts, effective March 31, 2020 from Boury Global Energy Consultants.

In United States Dollars

The Company used a 15% discount rate in Canada, and 17.5% in Colombia for the June 30, 2020 impairment test, which took into account risks specific to each CGU and inherent in the oil and gas business. As at June 30, 2020, a 0.5% decrease in the discount rate applied or 2% change in the forecast benchmark prices would not have resulted in additional impairment.

8. Promissory Note

The promissory note was issued to Canacol Energy Ltd. ("Canacol") as partial consideration in the acquisition of Carrao Energy S.A. from Canacol. The promissory note bears interest at 15% per annum, was initially due on January 28, 2019 and subsequently extended to April 30, 2019, October 1, 2020 and April 1, 2021. Arrow and Canacol entered into a third, fourth and fifth Amended and Restated Promissory Notes in December 2019, March and August 2020, respectively.

In May 2021, a sixth and amended and restated promissory note was agreed with Canacol which includes that the new principal amount of the promissory note is $6,026,166 (including interest and fees), which bares interest at an annual rate of 15%, and includes the following repayment provisions:

- In the event that the Company does not complete a successful equity financing of $12,000,000 or more by September 30, 2021, the payment of the principal plus interest shall be made as follows:
  - Two payments of $1,600,000 in cash due on July 30 and December 30, 2022; and
  - Issuance of common shares of the Company on July 30, 2022 for the remaining balance for an amount of shares resulting from Canacol having less than 19.9%, with any remainder payable in cash

- In the event that the Company completes a successful equity financing of $12,000,000 or more by September 30, 2021, the payment of the principal plus interest shall be made as follows:
  - One payment of $3,200,000 in cash due 15 days from the financing closing date; and
  - At the discretion of the Company, the balance shall be paid either in cash or by issuance of common shares of the Company for an amount of shares resulting from Canacol having less than 19.9%, and any remainder balance payable in cash.

The Company also commits to replace the letters of credit currently guaranteed by Canacol and, Canacol commits to absorb the Company's commitments and balances related to the OBC pipeline dispute. The Company has granted a general security interest to Canacol for the obligations under the Promissory Note which will be subordinated to second position in the event the Company secures additional financing.

Subsequent to September 30, 2021, the parties entered into a seventh amended and restated promissory note (see Note 17)

9. Lease Obligations

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

	2021
Obligation, beginning of the period	$ 70,842

In United States Dollars

Changes in existing lease		1,381
Lease payments		(18,290)
Accretion		5,051
Effects of movements in foreign exchange rates		170
Obligation, end of the period	$	59,155
Current portion	$	19,662
Long-term portion		39,493
	$	59,155

As at September 30, 2021, the Company has the following future commitments associated with its office lease obligations:

Less than one year	$	24,693
2 – 5 years		43,213
Total lease payments		67,906
Amounts representing interest over the term		(8,751)
Present value of the net obligation	$	59,155

10. Long-term debt

During 2020, the Company owes $31,396 (CAD$40,000) from the Canadian Emergency Business Account (CEBA) program implemented by the government of Canada to provide support to small businesses affected by the COVID-19 pandemic. The loan does not bear any interest until December 2022 and is subject to a 25% forgiveness if the full balance is repaid before that date.

11. Other Liabilities

The other liabilities of the Company relate to an environmental fee in Colombia that is levied on capital projects. The fee is calculated as 1% of the project cost. The program is administered by the Colombian National Authority of Environmental Licences (“ANLA”) and is levied on projects that utilize surface water or deep water wells that may have an impact on the environment. The funds are generally used in the affected communities for purposes of land purchases, biomechanical works (e.g. containment walls in rivers), reforestation, research projects and others. At September 30, 2021 the Company had provided for $177,500 (December 31, 2020 - $177,500) for the environmental fee.

12. 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.

	September 30, 2021	December 31, 2020
Obligation, beginning of the year	**$ 2,584,907**	$ 8,173,222
Change in estimated cash flows	**-**	(109,864)
Liabilities disposed	**-**	(6,016,514)
Accretion expenses	**98,647**	524,477
Effects of movements in foreign exchange rates	**(406)**	13,586

In United States Dollars

Obligation, end of the year	**$ 2,683,148**	$ 2,584,907

The obligation was calculated using a risk-free discount rate range of 1.0% to 2.0% in Canada (2020: 1.50% to 2.75%) and 5.90% in Colombia (2020: 5.90%) with an inflation rate of 2.0% and 2.5%, respectively (2020: 2.0% and 2.5%). It is expected that the majority of costs are expected to occur between 2022 and 2033. 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 $3,779,120 (2020: $4,072,683).

13. Share Capital

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

(b) Issued:

Common shares	**Shares**	**Amounts**
Balance as at September 30, 2021 and December 31, 2020	68,674,602	$ 50,740,292

(c) Stock options:
The Company has a stock option plan that provides for the issuance to its directors, officers, employees and consultants options to purchase a number of non-transferable common shares not exceeding 10% of the common shares that are outstanding from time to time which is the number of shares reserved for issuance under the plan. 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 status of the Company stock option plan as at September 30, 2021 and December 31, 2020 and changes during the respective periods ended on those dates is presented below:

	September 30, 2021		December 31, 2020	
Stock Options	**Number of options**	**Weighted average exercise Price (CAD $)**	Number of options	Weighted average exercise price (CAD $)
Beginning of period	**6,859,000**	**$0.40**	5,470,000	$0.99
Granted	**-**	**-**	4,319,000	$0.05
Exercised	**-**	**-**	-	-
Expired/Forfeited	**(1,145,000)**	**$1.04**	(2,930,000)	$0.96
End of period	**5,714,000**	**$0.27**	6,859,000	$0.40
Exercisable, end of period	**2,369,669**	**$0.40**	1,530,001	$1.06

Date of Grant	**Number Outstanding**	**Exercise Price (CAD $)**	**Weighted Average Remaining Contractual Life**	**Date of Expiry**	**Number Exercisable September 30, 2021**
October 22, 2018	1,050,000	$1.15	7.07 years	Oct. 22, 2028	700,000
May 3, 2019	345,000	$0.31	7.59 years	May 3, 2029	230,002
March 20, 2020	1,200,000	$0.05	8.47 years	March 20, 2030	400,000
April 13, 2020	2,775,000	$0.05	8.54 years	April 13, 2030	925,000
September 18, 2020	344,000	$0.05	8.72 years	Sept. 18, 2030	114,667

In United States Dollars

Total	**5,714,000**	**$0.27**	**8.21 years**	**2,369,663**

During the nine months ended September 30, 2021, the Company has recognized $326,107 (2020 – $263,614) as share based payments income, with a corresponding decrease in the contributed surplus account.

(d) Phantom shares:
During 2020, the Company adopted a phantom share program for compensation of its Directors and executives and granted 13,000,000 phantom common shares of the Company, of which 12,583,333 are outstanding, and are vested immediately at CAD $0.00 per share. As at September 30, 2021, the Company has accrued $1,185,199 as share based payments, which are included in accounts payable and accrued liabilities at such date. Subsequent to September 30, 2021, these phantom shares were exercised and used as part of management's contribution to the subscription of common shares issued during the AIM London listing described in Note 17.

(e) Phantom stock options:
During 2020, the Company adopted a phantom stock option program for compensation of its executives and granted 1,681,000 phantom stock options of the Company which are vested in equal parts over the three following years after granted. As at September 30, 2021, the Company has accrued $ 92,359 as share based payments, which are included in accounts payable and accrued liabilities at such date. Subsequent to September 30, 2021, these phantom options' vesting was accelerated, and were exercised and used as part of management's contribution to the subscription of common shares issued during the AIM London listing described in Note 17.

14. 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. In aggregate, the Company has outstanding exploration commitments at September 30, 2021 of $17.8 million. The Company, in conjunction with its partners, have made applications to cancel a further $15.5 million ($5.8 million Arrow's share) in commitments on the Macaya and Los Picachos blocks. The remaining commitments are expected to be satisfied by means of seismic work, exploration drilling and farm-outs. Presented below are the Company's exploration and production contractual commitments at September 30, 2021:

Block	Less than 1 year	1-3 years	Thereafter	Total
COR-39	-	12,000,000	-	12,000,000
Los Picachos	-	1,970,000	-	1,970,000
Macaya	-	3,830,000	-	3,830,000
Total	**-**	**17,800,000**	**-**	**17,800,000**

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 the individuals as a result of their service.

In United States Dollars

Oleoducto Bicentenario de Colombia ("OBC") Pipeline

The Company is party to an agreement with Canacol that entitles it to a 0.5% interest in OBC, which owns a pipeline system intended to link Llanos basin oil production to the Caño Limon oil pipeline system in Colombia. Likewise, Canacol is currently in litigation with OBC in relation to ship or pay obligations that were terminated by Canacol in July 2018 under force majeure. On March 27, 2019, the court in charge of the case ruled in favor of the OBC and opined that the obligations under the ship or pay contract remains in force. Subsequently, on May 13, 2019, Canacol filed an appeal at the State Council, a higher-level court in the Colombian judiciary system, requesting annulment of this ruling. Likewise, in July 2019, OBC has also started litigation against Canacol for not honouring its ship or pay obligations under the contract.

During 2020 and 2021, there has been negotiations between the parties involved in order to settle this case and settlement agreements have been approved by courts. As a result, Arrow does not have any current or future requirement to satisfy past and future ship or pay obligations and has reversed its $658,654 accrual accordingly.

Letters of Credit

At September 30, 2021, the Company had obligations under Letters of Credit ("LC's") outstanding totaling $5.2 million to guarantee work commitments on exploration blocks and other contractual commitments. Of the total, approximately $4.1 million has been guaranteed by Canacol. Under an agreement, Canacol will continue to provide security for Arrow's Letters of Credit providing that Arrow uses all reasonable efforts to replace the LC's. In the event the Company fails to secure the renewal of the letters of credit underlying the ANH guarantees, or any of them, the ANH could decide to cancel the underlying exploration and production contract for a particular block, as applicable. In this instance, the Company could risk losing its entire interest in the applicable block, including all capital expended to date and could possibly also incur additional abandonment and reclamation costs if applied by the ANH.

Current Outstanding Letters of Credit

Contract	Beneficiary	Issuer	Type	Amount (US $)	Renewal Date
Tapir	ECP	Samaria Llanos	Abandonment	$52,898	Dec. 26, 2021
SANTA	ANH	Carrao Energy	Abandonment	$643,423	April 14, 2022
ISABEL	ANH	Canacol and Carrao	Financial Capacity	$1,672,162	December 31, 2021
CORE - 39	ANH	Canacol	Compliance	$2,400,000	December 31, 2021
OMBU	ANH	Carrao Energy	Financial Capacity	$436,300	April 14, 2022
Total				**$5,204,783**	

15. Financial Instruments

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) <u>Commodity price risk</u>
Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Lower commodity prices can also

In United States Dollars

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. From time to time the Company may attempt to mitigate commodity price risk through the use of financial derivatives.

i) Financial Derivative Contracts
During 2020, the Company had one financial derivative contract in order to manage commodity price risk. This instrument was not used for trading or speculative purposes. Arrow had not designated its financial derivative contract as effective accounting hedge, even though the Company considered the commodity contract to be an effective economic hedge. As a result, the financial derivative contract was recorded on the statements of financial position at fair value, with the changes in fair value being recognized as an unrealized gain or loss in the statement of operations and comprehensive loss. This contract was terminated during 2020.

The estimated fair value of the derivative financial instrument in Level 2 at each measurement date have been determined based on appropriate internal valuation methodologies and/or third party indications. Level 2 fair values determined using valuation models require the use of assumptions concerning the amount and timing of future cash flows and discount rates. In determining these assumptions, the Company primarily relied on external, readily-observable quoted market inputs as applicable, including crude oil forward benchmark commodity prices and volatility, and discounted to present value as appropriate. The resulting fair value estimates may not necessarily be indicative of the amounts that could be realized or settled in a current market transaction and these differences may be material. The realized gain on risk management activities is included as part of revenues in the consolidated statements of operations and comprehensive loss. The gains on risk management activities for the period are comprised as follows:

	For the three months ended September 30	
	2021	2020
Realized risk management gain on commodity contract settled	**$ -**	$ 1,288,523
Unrealized gain on commodity contract outstanding	**-**	-
	$ -	$ 1,288,523

(b) Credit Risk
Credit risk reflects the risk of loss if counterparties do not fulfill their contractual obligations. The majority of the Company's account receivable balances relate to petroleum and natural gas sales and balances receivables with partners in areas operated by the Company. The Company's policy is to enter into agreements with customers that are well established and well financed entities in the oil and gas industry such that the level of risk is mitigated. In Colombia, a significant portion of the trade accounts receivable balance is with producing company, which accounts for more than 85% of such balance, under an existing sale/offtake agreement with prepayment provisions and priced using the Brent benchmark. Other accounts receivable include a significant balance with a partner with an existing agreement to use 50% of its production entitlement to repay this balance.

The Company's trade account receivables primarily relate to sales of crude oil and natural gas, which are normally collected within 25 days (in Canada) and 15 days in advance (in Colombia) of the month of production. Other accounts receivable mainly relate to balances owed by the Company's partner in one of its blocks, and are mainly recoverable through production. The Company has historically not experienced any 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 and the Colombian peso and is exposed to fluctuations in exchange rates in these currencies. There are no exchange rate contracts in place.

ii) Interest Rate Risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is not currently exposed to interest rate risk as it borrows funds at a fixed coupon rate of 15% on the promissory notes.

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

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

The Company's approach to managing its liquidity risk is to ensure, within reasonable means, sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions, without incurring unacceptable losses or jeopardizing the Company's business objectives.

The Company prepares annual capital expenditure budgets which are monitored regularly and updated as considered necessary. Petroleum and natural gas production is monitored daily to provide current cash flow estimates and the Company utilizes authorizations for expenditures on projects to manage capital expenditures. Any funding shortfall may be met in a number of ways, including, but not limited to, the issuance of new debt or equity instruments, further expenditure reductions and/or the introduction of joint venture partners.

(e) Capital Management
The Company's objective is to maintain a capital base sufficient to provide flexibility in the future development of the business and maintain investor, creditor and market confidence. The Company manages its capital structure and makes adjustments in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include share capital, bank debt (when available), promissory notes and working capital, defined as current assets less current liabilities. 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. The Company monitors leverage and adjusts its capital structure based on its net debt level. Net debt is defined as the principal amount of its outstanding debt, less working capital items. In order to facilitate the management of its net debt, the Company prepares annual budgets, which are updated as necessary depending on varying factors 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 and updates are prepared and reviewed as required.

The Company's capital includes the following:

In United States Dollars

	September 30, 2021	December 31, 2020
Working capital, before promissory note	**783,707**	3,839,384
Promissory note	**(3,301,860)**	(5,772,324)
	$ (2,518,153)	$ (1,932,940)

The current challenging economic climate may lead to further adverse changes in cash flows, working capital levels and debt balances, which may also have a direct impact on the Company's operating results and financial position. These and other factors may adversely affect the Company's liquidity and its ability to generate income and cash flows in the future. At September 30, 2021, the Company remains in compliance with all terms of its debt and, based on current available information, management expects to comply with all terms during the subsequent 12 months period. However, in light of the current volatility in commodity prices and uncertainty regarding the timing for recovery in such prices and the effect of the COVID-19 pandemic, the preparation of financial forecast is challenging.

16. Segmented Information

The Company has two reportable operating segments: Colombia and Canada. The Company, through its operating segments, is engaged primarily in oil exploration, development and production, and the acquisition of oil and gas properties. The Canadian segment is also considered the corporate segment and covers the corporate overhead expenses. The following tables show information regarding the Company's segments for the three and nine months ended and as at September 30:

Three months ended September 30, 2021	**Colombia**	**Canada**	**Total**
Revenue:			
Oil Sales	$ 1,678,526	$ -	$ 1,678,526
Natural gas and liquid sales		182,074	182,074
Royalties	155,336	20,655	175,991
Expenses	636,806	1,096,782	1,733,588
Income taxes (recovery)	(27,197)	-	(27,197)
Net income (loss)	$ 913,581	$ (935,363)	$ (21,782)
Nine months ended September 30, 2021			
Revenue:			
Oil Sales	$ 3,478,459	$ -	$ 3,478,459
Natural gas and liquid sales	-	429,560	429,560
Royalties	391,372	42,986	434,358
Expenses	2,371,656	2,395,705	4,767,361
Income taxes (recovery)	(27,197)	-	(27,197)
Net income (loss)	$ 742,628	$ (2,009,131)	$ (1,266,503)

As at September 30, 2021	**Colombia**	**Canada**	**Total**
Current assets	$ 5,055,424	$ 3,589,406	$ 8,644,830
Non-current:			
Restricted cash	53,726	431,537	485,263
Exploration and evaluation	6,961,667	-	6,961,667
Property and equipment	6,224,873	3,045,690	9,270,563
Total Assets	$ 18,295,690	$ 7,066,633	$ 25,362,323
Current liabilities	$ 3,023,180	$ 4,837,943	$ 7,861,123
Non-current liabilities:			
Other liabilities	177,500	-	177,500

In United States Dollars

	Colombia	Canada	Total
Lease obligation	-	39,493	39,493
Decommissioning liability	2,174,968	508,180	2,683,148
Long-term debt	-	31,396	31,396
Promissory note	-	3,301,860	3,301,860
Total liabilities	$ 5,375,648	$ 8,718,872	$ 14,094,519

Three months ended September 30, 2020	Colombia	Canada	Total
Revenue:			
Oil Sales	$ 27,838	$ -	$ 27,838
Natural gas and liquid sales		147,383	147,383
Royalties	(44,063)	11,350	(32,713)
Expenses	1,091,338	260,342	1,351,680
Income taxes	247,000	-	247,000
Net income (loss)	$ (1,266,437)	$ (124,309)	$ (1,390,746)

Nine months ended September 30, 2020			
Revenue:			
Oil Sales	$ 4,915,399	$ -	$ 4,915,399
Natural gas and liquid sales	-	295,930	295,930
Royalties	234,199	24,705	258,904
Expenses	7,265,129	2,016,063	9,281,192
Impairment of oil and gas properties	27,263,110	-	27,263,110
Income taxes (recovery)	(7,311,786)	-	(7,311,786)
Net loss	$ (22,535,253)	$ (1,744,838)	$ (24,280,091)

As at September 30, 2020	**Colombia**	**Canada**	**Total**
Current assets	$ 5,038,931	$ 80,978	$ 5,119,909
Non-current:			
Deferred income taxes	5,479,000	-	5,479,000
Other receivables	788,777	-	788,777
Restricted cash	53,726	387,558	441,284
Exploration and evaluation	7,108,251	-	7,108,251
Property, plant and equipment	24,668,577	3,097,113	27,765,690
Total Assets	$ 43,137,262	$ 3,565,649	$ 46,702,911
Current liabilities	$ 7,481,548	$ 3,230,424	$ 10,711,972
Non-current liabilities:			
Other liabilities	1,007,849	-	1,007,849
Lease obligation	-	55,406	55,406
Decommissioning liability	8,115,697	509,728	8,625,425
Long-term debt	-	29,988	29,988
Promissory note	-	5,494,314	5,494,314
Total liabilities	$ 16,605,094	$ 9,319,860	$ 25,924,954

17. Subsequent events

On October 18, 2021, a seventh amended and restated promissory note was agreed with Canacol which includes that the new principal amount of the promissory note is $6,026,166, which bares interest at an annual rate of 15%, and will be paid as follows:

- The amount of C$3,900,000 plus all Canacol's expenses in connection with this amendment and related matters, shall be paid not later than October 31, 2021;

- The 50% of the remaining principal and interest shall be paid no later than December 31, 2022; and
- The remaining principal and interest shall be paid not later than June 30, 2023

Also, provided the Company makes the payment due on October 31, 2021, Canacol agrees to forgive $800,000 assumed by Canacol for excess pipeline shipping costs as a result of the settlement of the OBC pipeline dispute. On October 27, 2021, the Company paid C$3,900,000 to Canacol as stipulated in this seventh amendment.

On October 20, 2021, the Company announced that it has conditionally raised approximately £8.8 million (C$15.0 million), through a placing and subscription for new common shares with new investors, Canacol Energy Ltd., and executive management (together, the "Fundraising") and has published an AIM Admission Document in connection with the admission of the enlarged share capital of the Company to trading on the AIM Market of the London Stock Exchange plc. The Fundraising consisted on placement and subscription of 140,949,545 new common shares at an issue price of £0.0625 (C$0.106125) per new common share. The Company’s executive management invested approximately C$ 1.41 million and Canacol participated in the subscription to hold 19.9% of the enlarged share capital. Investors received one warrant for every two new common shares, exercisable at C$0.15282 per new common share for 24 months from the AIM admission date (October 25, 2021).

The net proceeds of the Fundraising, together with the Company's existing funds, are expected to be used to drill two wells at Rio Cravo Este, commencing by the end of 2021, and will also be deployed in drilling the Carrizales Norte-1 exploration well.

On November 24, 2021, the Company announced that it has closed a non-brokered private placement of C$395,375 for issuance of 3,882,676 new common shares.