

# Arrow Announces Record Third Quarter Results, Provides Operational Update and Announces Issuance of Common Shares

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Calgary, November 29, 2022 - [Arrow Exploration Corp.](#) (AIM: AXL) (TSXV: AXL) ("Arrow" or the "Company") announces the filing of its unaudited interim Financial Statements and Management's Discussion and Analysis ("MD&A") for the quarter ended September 30, 2022, which are available on SEDAR ([www.sedar.com](http://www.sedar.com)). All dollar figures are in U.S. dollars, except as otherwise noted.

## Highlights:

- The Third Quarter has been the best quarter in the Company's history generating record cashflow from operations and a threefold increase in production from the date of the AIM Admission.
  - EBITDA of \$4,664,345 compared to \$966,234 in Q3 2021.
  - Average corporate production of 1,503 boe/d compared to Q3 2021 575 boe/d and Q2 2022 980 boe/d.
- Operating netbacks quarter-over-quarter, increased to \$56.75/boe in the third quarter of 2022 from \$49.18/boe in the second quarter of 2022 due to higher crude oil production and better netbacks from natural gas sales.
- Capital raised at the time of Admission to AIM has been deployed on a successful two well drilling campaign at Rio Cravo on the Tapir Block in Colombia, both of which were on production for most of the quarter.
- At the end of the quarter, positive working capital position of \$7.4 million and a cash position of \$11 million.
- Generation of positive cashflows in Q3 means that the Company is committing to a further drilling program.
- Subsequent to Q3 2022, the Company also completed two workovers to the RCE-1 and RCS-1 wells and has tied in the East Pepper well.

## Outlook:

- The Company expects to commence drilling, around the end of 2022, the first of five additional wells - three wells at Rio Cravo and two wells at Carrizales Norte on the Tapir Block.
- The Company anticipates the robust CAPEX program will be funded from cash on hand and cashflow from operations.
- Robust operational tempo ensures that the Company is on track to achieve 3,000 bopd within 18 months of the AIM listing (H1 2023).
- Arrow continues to focus on shareholder value, improving its strong balance sheet, and free cash flow.

Marshall Abbott, CEO of [Arrow Exploration Corp.](#), commented:

"We have initiated the largest capital program in the history of the Company. Arrow has successfully

executed the two workovers with production improving daily. The plan to add further perforations to RCS-1 provides additional and material production increase potential. The RCE infill drilling program will aid in achieving our 3,000 (net) bop/d production target in H1 2023. The low risk Carrizales Norte project has significant production and reserve potential. In addition, the West Tapir seismic project is expected to add low risk exploration prospects, which have the potential to provide material production and reserves increases in the near term. The seismic project will highlight the reserves potential of the western section of the Tapir block. The Company's plans are to explore the east half of the Tapir block with a second seismic shoot in 2024. The Arrow Team continues to execute our strategy to increase shareholder value."

## Operations Update

### Canadian operations

- East Pepper tie-in
  - The East Pepper well was put on production October 25, 2022, at 7 Mmcf/d (1,167 boe/d). As expected, initial production decline was steep and the well appears to have now stabilized and is producing in excess of 250 boe/d.
  - The Company expects typical production declines of 2-3% per month going forward.

### Colombian operations

- RCS-1 and RCE-1 Workovers:
  - The workover of RCS-1 and RCE-1 is in progress and the wells are continuing to clean-up. Due to electrical storms in the area causing power outages, the clean-up of the wells is taking longer than expected.
  - RCS-1, the first well to be worked over, is currently producing at 660 bop/d (gross), 330 bop/d (net) with daily decreases to water cut and corresponding increases in oil production. Prior to the workover, the well was producing 330 bop/d (gross).
  - RCS-1 has shown a 330 bop/d (gross) increase since the recompletion procedure. The production gain results in payout of the workover cost in 17 days at current Brent prices.
  - An upper unit in the Carbonara 7A was perforated and flowed 330 bop/d (gross) after stabilizing. Management believes a thin shale barrier bifurcates the C7A. It is apparent that a thin shale break prevents inflow from the C7A main sand, which has superior reservoir characteristics akin to RCE-2. Arrow now plans to perforate the C7A in RCS-1 as it is the highest reservoir in the pool. The Company expects that RCS-1 should have a comparable flow rate to RCE-2, where C7A is currently producing 1,025 bop/d (gross) / 512 bop/d (net) with a flat watercut.
  - RCE-1, the second recompletion, is continuing to show a high water-cut as it cleans-up. Prior to the workover, the C7A was flowing at 110 bop/d (gross) with a very high watercut. The C7A Stringer was then perforated and is slowly recovering. Production continues to increase daily, currently at 90-110 bop/d (gross), and watercut continues to decrease daily as the well continues to clean up.
- RCE-3, RCE-4, and RCE-5 Infill Drilling:
  - Operations remain on track for RCE-3 to spud in late December/early January 2023, and mobilization of the camp facilities is underway. Civil works on the pad are nearing completion. Subsequent to completion of RCE-3, both RCE-4 and RCE-5 will follow in sequence.

- Carrizales Norte
  - After drilling RCE-3, RCE-4 and RCE-5, the same drilling rig will be moved to the Carrizales Norte field.
  - Currently Arrow is building a road and pad for the Carrizales Norte field. The road and pads are expected to be completed in mid-February 2023.
  - The spud of Carrizales 1 is anticipated to begin in the latter part of Q1 2023 with Carrizales 2 expected to spud immediately thereafter, followed by a contingent Carrizales 3.
  
- Tapir Seismic
  - The Company has received all commensurate approvals to proceed with the 100 km<sup>2</sup> seismic program.
  - The Company is permitting and moving equipment and personnel to the program area on the west side of the Tapir field.
  - The estimated cost of the seismic program is \$5 million gross (\$2.5 million net to Arrow) and is expected to provide multiple prospects beyond what has been identified on the coarse 2D seismic grid.
  - Processing and interpretation of the seismic will take place over Q2 2023 with drilling plans to be pursued in Q4 2023.

This robust operational tempo is expected to see the Company achieve 3,000 bop/d within 18 months of the AIM listing (H1 2023). Furthermore, the integrated seismic and geological data will provide significant running room for production growth on the Tapir Block.

#### Corporate Production

Corporate production in November 2022 to date ranges between 1,900 boe/d and 2,000 boe/d net. Total net production from the Rio Cravo field is 887 bop/d. Contribution from the workover program continues to increase Rio Cravo's production. The Pepper Field has been producing approximately 563 boe/d net, partially curtailed by the facility operator. The two Pepper wells, along with continuing and expected robust natural gas prices in North America, are expected to further enhance the value of the Pepper field. Arrow has 23,000 acres of contiguous Montney rights in the Pepper Area.

#### 2022 THIRD QUARTER INTERIM RESULTS

##### FINANCIAL AND OPERATING HIGHLIGHTS

| (in United States dollars, except as otherwise noted)      | Three months ended September 30, 2022 | Nine months ended September 30, 2022 |
|--|---------------------------------------|--------------------------------------|
| Total natural gas and crude oil revenues, net of royalties | 7,614,336                             | 16,041,902                           |
| Funds flow from operations <sup>(1)</sup>                  | 4,606,124                             | 7,532,918                            |
| Funds flow from operations <sup>(1)</sup> per share -      |                                       |                                      |
| Basic(\$)  | 0.02                                  | 0.04                                 |
| Diluted (\$)   | 0.00                                  | 0.00                                 |
| Net income (loss)  | 2,041,955                             | (2,621,593)                          |
| Net income (loss) per share -                              |                                       |                                      |
| Basic (\$)   | 0.01                                  | (0.01)                               |
| Diluted (\$)   | 0.01                                  | (0.01)                               |
| Adjusted EBITDA <sup>(1)</sup>                             | 4,664,345                             | 8,036,342                            |
| Weighted average shares outstanding -                      |                                       |                                      |
| Basic  | 215,967,143                           | 214,687,656                          |

|  |             |             |
|--|-------------|-------------|
| Diluted  | 288,235,624 | 276,272,070 |
| Common shares end of period                            | 215,967,143 | 215,967,143 |
| Capital expenditures                                   | 4,836,860   | 5,562,525   |
| Cash and cash equivalents                              | 11,376,702  | 11,376,702  |
| Current Assets   | 16,870,695  | 16,870,695  |
| Current liabilities                                    | 9,478,383   | 9,478,383   |
| Working capital <sup>(1)</sup>                         | 7,392,312   | 7,392,312   |
| Long-term portion of restricted cash <sup>(2)</sup>    | 598,192     | 598,192     |
| Total assets   | 46,979,258  | 46,979,258  |
| Operating  |             |             |
| Natural gas and crude oil production, before royalties |             |             |
| Natural gas (Mcf/d)                                    | 1,917       | 2,853       |
| Natural gas liquids (bbl/d)                            | 4           | 5           |
| Crude oil (bbl/d)                                      | 1,179       | 730         |
| Total (boe/d)  | 1,503       | 1,211       |
| Operating netbacks (\$/boe) <sup>(1)</sup>             |             |             |
| Natural gas (\$/Mcf)                                   | \$ 0.88     | \$ 1.18     |
| Crude oil (\$/bbl)                                     | \$ 73.69    | \$ 70.30    |
| Total (\$/boe)   | \$ 56.75    | \$ 42.66    |

(1) Non-IFRS measures - see "Non-IFRS Measures" section within the third quarter 2022 MD&A

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

## DISCUSSION OF OPERATING RESULTS

The Company's third quarter 2022 average corporate production was 1,503 boe/d, a 53% increase when compared to Q2 2022 average production of 980 boe/d. This increase was largely attributable to the two new wells in the Rio Crave Este field (RCE-2 and RCS-1), which were in production for most of the quarter. Arrow's production on a quarterly basis is summarized below:

| Average Production Boe/d | YTD 2022 | Q3 2022 | Q2 2022 | Q1 2022 | Q4 2021 | Q3 2021 |
|--------------------------|----------|---------|---------|---------|---------|---------|
| Oso Pardo                | 112      | 104     | 112     | 121     | 123     | 137     |
| Ombu (Capella)           | 164      | 215     | 97      | 177     | 190     | 193     |
| Rio Cravo Este (Tapir)   | 454      | 860     | 366     | 136     | 142     | 151     |
| Total Colombia           | 730      | 1,179   | 575     | 434     | 455     | 481     |
| Fir, Alberta             | 83       | 82      | 86      | 73      | 82      | 94      |
| Pepper, Alberta          | 398      | 242     | 319     | 636     | 181     | -       |
| TOTAL (Boe/d)            | 1,211    | 1,503   | 980     | 1,144   | 719     | 575     |

For the three months ended September 30, 2022, the Company's average production mix consisted of crude oil and natural gas production in Colombia of 1,179 bbl/d (2021: 481 bbl/d) and 1,917 Mcf/d (2021: 501 Mcf/d), along with minor amounts of natural gas liquids, from Arrow's Canadian properties.

## DISCUSSION OF FINANCIAL RESULTS

During Q3 2022 the Company continued to realize strong oil and gas prices, as summarized below.

|                                  | Three months ended September 30 |          |        |
|----------------------------------|---------------------------------|----------|--------|
|                                  | 2022                            | 2021     | Change |
| Benchmark Prices                 |                                 |          |        |
| AECO (\$/Mcf)                    | \$ 3.83                         | \$ 2.97  | 29%    |
| Brent (\$/bbl)                   | \$ 97.81                        | \$ 73.23 | 34%    |
| West Texas Intermediate (\$/bbl) | \$ 91.65                        | \$ 70.54 | 30%    |
| Realized Prices                  |                                 |          |        |

|   |         |          |     |
|---|---------|----------|-----|
| Natural gas, net of transportation (\$/Mcf)                 | \$ 3.16 | \$ 2.90  | 9%  |
| Natural gas liquids (\$/bbl)                                | \$82.69 | \$ 56.03 | 48% |
| Crude oil, net of transportation (\$/bbl)                   | \$90.90 | \$ 63.87 | 42% |
| Corporate average, net of transport (\$/boe) <sup>(1)</sup> | \$73.02 | \$ 52.21 | 40% |

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

## OPERATING NETBACKS

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

|  | Three months ended September 30 |          |
|--|---------------------------------|----------|
|  | 2022                            | 2021     |
| <b>Natural Gas (\$/Mcf)</b>                  |                                 |          |
| Revenue, net of transportation expense       | \$ 3.16                         | \$ 2.90  |
| Royalties                                    | (0.35)                          | (0.37)   |
| Operating expenses                           | (1.93)                          | (1.18)   |
| Natural Gas operating netback <sup>(1)</sup> | \$ 0.88                         | \$ 1.35  |
| <b>Crude oil (\$/bbl)</b>                    |                                 |          |
| Revenue, net of transportation expense       | \$ 90.90                        | \$ 63.87 |
| Royalties                                    | (10.97)                         | (5.91)   |
| Operating expenses                           | (6.24)                          | (20.37)  |
| Crude Oil operating netback <sup>(1)</sup>   | \$ 73.69                        | \$ 37.59 |
| <b>Corporate (\$/boe)</b>                    |                                 |          |
| Revenue, net of transportation expense       | \$ 73.02                        | \$ 52.21 |
| Royalties                                    | (8.72)                          | (4.94)   |
| Operating expenses                           | (7.55)                          | (16.54)  |
| Corporate Operating netback <sup>(1)</sup>   | \$ 56.75                        | \$ 30.73 |

(1) Non-IFRS measure

Arrow realized better operating netbacks quarter-over-quarter, increasing to \$56.75/boe in the third quarter of 2022 from \$49.18/boe in the second quarter of 2022. This increase is due to higher crude oil production and better netbacks from natural gas.

During 2022, the Company incurred \$5.6 million of capital expenditures, primarily in connection with the drilling of the RCE-2 and RCS-1 wells. At the end of the quarter, Arrow had a positive working capital position of \$7.4 million and a cash position of \$11 million, which are expected to fund the Company's expenditure plan for the foreseeable future.

Subsequent to September 30, 2022, the Company completed workovers in its Rio Cravo Este-1 and Rio Cravo Sur-1 wells to increase production on the Tapir Block. The Company has also tied in its East Pepper Montney well in Canada. Civil works are currently underway to start drilling three more wells in Rio Cravo. The Company has started to move equipment to start shooting 100 km<sup>2</sup> of seismic in the Tapir block to highlight existing leads and prospects for drilling initiating in Q4 2023. This acceleration in operational tempo will be active throughout the balance of 2022 and 2023, funded by cash on hand and cashflow.

With this significant improvement in the Company's financial performance, the Company has approved additional compensation to its non-executives' directors for \$210,000 in aggregate which has been paid in Q4 2022.

## Colombia Tax Reform

Early in November, Colombia's congress approved some articles of a tax reform bill that is expected to raise

an additional US\$4 billion annually for the next four years, in part through increased taxes on oil and coal. Once in effect, the new changes seek to fund social projects. At this time, the final bill has been completed by the Colombian congress and now awaits approval by the President to be enacted.

There are two main components of the changes that will impact Arrow:

1. Royalties are not going to be tax deductible for income tax purposes.
2. Corporate tax rate will increase contingent on historic prices of oil.

There will be no impact on Arrow in 2022 as these new tax laws will be effectively enacted on January 1, 2023. Arrow's investment has created tax pools currently available in Colombia that, together with future capital projects, will provide shelter for corporate income taxes. Currently, Arrow is expecting to invest approximately US\$23 million (net) in 2023 on capital projects in Colombia. The impact of the new tax laws on 2023 tax payable is currently under review by management.

At this time, Arrow is not considering any changes to the Q1 and Q2 2023 capital program. All future projects' economics are being evaluated in the light of these changes to the Colombian tax regime.

Overall, when Brent oil prices are low, royalties and taxes will remain low and the tax reforms will have little effect on Arrow's bottom line. When Brent oil prices are high and the Company has high netbacks and net income, the tax liability is expected to increase.

## ISSUANCE OF COMMON SHARES AND TOTAL VOTING RIGHTS

Further to its announcement on 7 November 2022 regarding the application to AIM for a total block admission of 40,000,000 new common shares in the Company ("Common Shares") (the "Block Admission"), the Company provides below a monthly update to its total voting rights as a result of the exercise of instruments subject to the Block Admission during November 2022.

As at 28 November 2022, the Company had 217,901,931 Common Shares in issue. This figure may be used as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to, their interest in the share capital of the Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

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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 underexploited, 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.

### Glossary

Bbl/d or bop/d: Barrels per day  
\$/Bbl: Dollars per barrel  
Mcf/d: Thousand cubic feet of gas per day  
Mmcf/d: Million cubic feet of gas per day  
\$/Mcf: Dollars per thousand cubic feet of gas  
Boe/d: Barrels of oil equivalent per day  
\$/Boe: Dollars per barrel of oil equivalent

### Non&dash;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.

This Announcement contains inside information for the purposes of the UK version of the market abuse regulation (EU No. 596/2014) as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MAR")

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