

# Arrow Announces 2022 Audited Year End and Q4 2022 Results, Filing of Audited Financial Statements, MD&A and Reserves Report

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Calgary, May 1, 2023 - [Arrow Exploration Corp.](#) (AIM: AXL) (TSXV: AXL) ("Arrow" or the "Company") the high-growth operator with a portfolio of assets across key Colombian hydrocarbon basins, announces the filing of its Annual Audited Financial Statements and Management's Discussion and Analysis ("MD&A") for the quarter and year ended December 31, 2022 and the filing of its 2022 year-end reserves report, which are available on SEDAR ([www.sedar.com](http://www.sedar.com)) and will also shortly be available on Arrow's website at [www.arrowexploration.ca](http://www.arrowexploration.ca).

## Full Year Highlights:

- Recorded \$25 million of total oil and natural gas revenue, net of royalties (FY 2021: \$6.5 million).
- Generated record results from operations and an increase in production since its listing on AIM in October 2021:
  - FY 2022 EBITDA of \$12.5 million (FY 2021: \$0.8 million), with Q4 2022 EBITDA of \$4.5 million compared to \$0.5 million in Q4 2021.
  - FY 2022 average corporate production up 223% to 1,345 boe/d (FY 2021: 461 boe/d) with Q4 average corporate production of 1,736 boe/d compared to Q4 2021 140 boe/d and Q3 2022 1,503 boe/d.
- Realized FY 2022 corporate operating netbacks of \$42.40/boe, and \$41.95/boe in Q4 2022, due in each case to increased production and better prices of crude oil.
- Cash position of \$13 million at the end of 2022.
- Generated positive operating cashflows in Q4 2022 of \$7.5 million.
- Proven and probable reserves at year-end 2022 increased 4% to 7.69 MMboe; representing a reserve replacement ratio of 164%.
- Drilled two successful wells at Rio Cravo Este (RCE) resulting in material production additions. Successfully completed two workovers in the RCE-1 and RCS-1 wells at Rio Cravo. These operations targeted additional hydrocarbon bearing zones which resulted in material production additions.
- The East Pepper Montney gas well was tied in adding to Canadian production. This resulted in reserve reclassification and displays the commercial viability of drilling and completing Montney gas wells in the Hinton Area, all of which were part of the 2022 capital program.
- All operations delivered safely, with no accidents or environmental incidents.

## Post Period End Highlights:

- So far in 2023, the Company has drilled three development wells on the Tapir Block, including RCE-5, RCE-4 and RCE-3, which are all currently producing at restricted rates. Ramping production up slowly prevents early water breakthrough in each Rio Cravo well.

- The 130 square kilometer 3D seismic at West Tapir has completed and is in the hands of processors. It will take three to four weeks to refine the data and likely another two to three weeks to complete data interpretation. This is one of the larger 3-D surveys done in the last few years in the Llanos Basin. Our 2-D data set has identified a number of prospective structures. The 3-D shoot will refine these to prospect status and provide drilling running room for the next one to two years.

## Outlook

- Arrow has a fully funded 2023 work program totaling US\$32 million targeting 10 wells. The three final Carbonera-7 (C7) wells at RCE have been completed and are being ramped up slowly to manage the reservoir.
- The first Carrizales Norte well will spud shortly. Arrow then anticipates an additional two wells to be drilled at Carrizales Norte by year-end.
- Arrow will then mobilize back to the RCE pad to drill at least 2 wells targeting the Gacheta formation which was successfully tested at commercial rates in RCE 2.
- Arrow also plans to drill 2 development wells at the Oso Pardo Block in the Middle Magdalena Basin.

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

"2022 was a fantastic year all around for the Company. We saw growth in production, revenue and income and our balance sheet is in a very healthy position to support the large capital program planned for 2023. Looking ahead, Arrow has multiple near-term catalysts capable of delivering material value. Currently, Arrow is ready to spud the first well at Carrizales Norte which could have a significant impact on the Company in both production and reserves as well as establishing a new core area. The 3D seismic West Tapir project has now completed shooting and is currently being processed and is expected to further evaluate 2D recognized fault prospects. Looking further ahead, in 2024 the Company is planning a second 3D project on the east side of the Tapir block to evaluate other 2D recognized prospects. The Arrow team continues to strive towards excellence and increasing shareholder value."

## FINANCIAL AND OPERATING HIGHLIGHTS

(in United States dollars, except as otherwise noted)	Three months ended December 31, 2022	Year ended Dec
Total natural gas and crude oil revenues, net of royalties	8,931,562	24,973,464
Funds flow from (used in) operations <sup>(1)</sup>	1,960,289	9,493,208
Funds flow from (used in) operations <sup>(1)</sup> per share -		
Basic(\$)	0.01	0.04
Diluted (\$)	0.01	0.03
Net income	2,968,117	346,524
Net income per share -		
Basic (\$)	0.02	0.00
Diluted (\$)	0.01	0.00
Adjusted EBITDA <sup>(1)</sup>	4,456,757	12,493,099
Weighted average shares outstanding:		
Basic	217,784,100	215,468,129
Diluted	288,239,348	279,288,480
Common shares end of period	218,401,931	218,401,931
Capital expenditures	2,106,463	7,668,988
Cash and cash equivalents	13,060,968	13,060,968
Current assets	17,504,225	17,504,225
Current liabilities	18,820,890	18,820,890
Adjusted working capital <sup>(1)</sup>	8,223,758	8,223,758
Long-term portion of restricted cash and deposits <sup>(2)</sup>	608,127	608,127
Total assets	53,190,248	53,190,248
Operating		
Natural gas and crude oil production, before royalties		

Natural gas (Mcf/d)	3,270	2,958
Natural gas liquids (bbl/d)	6	5
Crude oil (bbl/d)	1,185	847
Total (boe/d)	1,736	1,345
Operating netbacks (\$/boe) <sup>(1)</sup>		
Natural gas (\$/Mcf)	\$0.57	\$1.01
Crude oil (\$/bbl)	\$57.88	\$65.06
Total (\$/boe)	\$41.95	\$42.40

<sup>(1)</sup>Non-IFRS measures - see "Non-IFRS Measures" section within the Q4 2022 MD&A

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

## 2022 YEAR-END RESERVES

Arrow has also filed on SEDAR, the Company's Statement of Reserves Data and Other Oil and Gas Information, Report on Reserves Data by Independent Qualified Reserves Evaluator, and Report of Management and Directors on Oil and Gas Disclosure for the year ended December 31, 2022, as required by section 2.1 of National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities (together, the "Reserve Report").

To recap, the Company's Year-End 2022 Company Working Interest Gross Reserves Highlights include:

- 3,376 Mboe of Proved Reserves ("1P Reserves");
- 7,691 Mboe of Proved plus Probable Reserves ("2P Reserves");
- 11,679 Mboe of Proved plus Probable plus Possible Reserves ("3P Reserves")<sup>1</sup>;
- 1P Reserves estimated net present value before income taxes of US\$57.9 million calculated at a 10% discount rate;
- 2P Reserves estimated net present value before income taxes of US\$127.3 million calculated at a 10% discount rate; and
- 3P Reserves estimated net present value before income taxes of US\$205.8 million calculated at a 10% discount rate.

Arrow refers readers to the Company's press release of March 29, 2023 for additional details, as well as to the Reserve Report filed on SEDAR.

## DISCUSSION OF OPERATING RESULTS

During 2022, the Company increased production on the Tapir block, from the drilling of the RCE-2 and RCS-1 wells, and the Oso Pardo field, with its Ombu block maintaining steady production. The West Pepper well was consistently producing throughout 2022 and the East Pepper Well was brought on stream, increasing the Company's natural gas production in Canada.

### Average Production by Property

Average Production Boe/d	YTD 2022	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Oso Pardo	113	115	104	112	121	123
Ombu (Capella)	182	238	215	97	177	190
Rio Cravo Este (Tapir)	551	832	860	366	136	142
Total Colombia	847	1,185	1,179	575	434	455
Fir, Alberta	82	79	82	86	73	82
Pepper, Alberta	416	472	242	319	636	181

TOTAL (Boe/d)	1,345	1,736	1,503	980	1,144	719
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For the three months and year ended December 31, 2022, the Company's average production was 1,736 boe/d and 1,345 boe/d, respectively, which consisted of crude oil production in Colombia at 1,185 boe/d and 847 bbl/d, natural gas production of 3,270 Mcf/d and 2,958 Mcf/d, respectively, and minor amounts of natural gas liquids from the Company's Canadian properties. The Company's Q4 2022 total production was 142% higher than its total production for the same period in 2021.

## DISCUSSION OF FINANCIAL RESULTS

During Q4 2022 the Company continued to realize strong oil and gas prices, as summarized below.

	Three months ended December 31		
	2022	2021	Change
<b>Benchmark Prices</b>			
AECO (\$/Mcf)	\$4.42	\$3.89	14%
Brent (\$/bbl)	\$88.59	\$79.80	11%
West Texas Intermediate (\$/bbl)	\$82.65	\$77.31	7%
<b>Realized Prices</b>			
Natural gas, net of transportation (\$/Mcf)	\$3.66	\$3.37	9%
Natural gas liquids (\$/bbl)	\$68.28	\$56.43	21%
Crude oil, net of transportation (\$/bbl)	\$72.29	\$55.50	30%
Corporate average, net of transport (\$/boe) <sup>(1)</sup>	\$57.53	\$44.15	30%

(1)Non-IFRS measure

## OPERATING NETBACKS

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

	Three months ended December 31		Years ended December 31	
	2022	2021	2022	2021
<b>Natural Gas (\$/Mcf)</b>				
Revenue, net of transportation expense	\$3.66	\$3.37	\$3.94	\$3.19
Royalties	(0.50)	(0.34)	(0.60)	(0.33)
Operating expenses	(2.59)	(1.15)	(2.34)	(1.35)
Natural Gas Operating netback <sup>(1)</sup>	\$0.57	\$1.87	\$1.01	\$1.51
<b>Crude oil (\$/bbl)</b>				
Revenue, net of transportation expense	\$72.29	\$55.50	\$83.10	\$58.62
Royalties	(6.33)	(3.60)	(8.81)	(5.37)
Operating expenses	(8.08)	(17.48)	(9.24)	(18.90)
Crude Oil Operating netback <sup>(1)</sup>	\$57.88	\$34.42	\$65.06	\$34.35
<b>Corporate (\$/boe)</b>				
Revenue, net of transportation expense	\$57.53	\$44.15	\$60.20	\$47.37
Royalties	(5.34)	(2.95)	(6.77)	(4.31)
Operating expenses	(10.24)	(13.85)	(11.04)	(15.51)
Corporate Operating netback <sup>(1)</sup>	\$41.95	\$27.35	\$42.40	\$27.55

(1)Non-IFRS measure

The operating netbacks of the Company continued to improve during 2022 due to several factors, such as increased production from both its Colombian and Canadian assets, and improved crude oil and natural gas prices, which were offset by increases in royalties and operating expenses for natural gas.

During 2022, the Company incurred \$7.7 million of capital expenditures, primarily in connection with the

drilling of the RCE-2 and RCS-1 wells, workovers in its RCE-1 and RCS-1 wells, and its East Pepper Montney well tie in in Canada. Civil works were completed to start drilling three more wells in Rio Cravo and in early 2023 the Company started shooting 100 km<sup>2</sup> of 3D seismic in the Tapir block to highlight existing leads and prospects for drilling. This acceleration in operational tempo is expected throughout 2023, funded by cash on hand and cashflow. At the end of the year, Arrow had a cash position of \$13 million, which is expected to fund the Company's 2023 capital program.

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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.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

## 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  
Mboe: Thousands of barrels of oil equivalent  
Boe/d: Barrels of oil equivalent per day  
\$/Boe: Dollars per barrel of oil equivalent

BOE's may be misleading particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

## 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.

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