TSXV: AXL RESEARCH NOTE

Arrow Exploration Corp.

Earnings-based re-rating potential supported by net cash

* Share price C$0.72 as of 12 October 2026. Market data and Cashu-normalised metrics in CAD; issuer statements in USD as reported. Financials to 30 June 2026.

RATING
BUY
12-month view

TARGET PRICE
C$1.03
▲ +43.1% upside*

VALUATION INDEX
Undervalued
26.77%

TARGET INDEX
Extremely Attractive Target
67.56%

SENTIMENT INDEX
Extremely Bullish
70.04%

THE CASE IN BRIEF

Arrow Exploration Corp. offers earnings-based re-rating potential, with an Undervalued Valuation Index of 26.8% and **43.1% implied upside from the last close to the 12-month Cashu Target Price of CAD 1.03**. On normalised earnings, Arrow Exploration trades at **2.2x EV/EBITDA against PetroTal Corp.'s 2.7x**, with earnings recurrence uncertain. **Net cash at 30 June 2026** provides balance-sheet support (Net Debt / EBITDA: -0.5x). Elevated model-relative insolvency risk tempers conviction (Altman Z-Score: 2.63).

OUR READ

01 **The discount and Extremely Bullish order flow support entry, not a takeover-dependent thesis** (Sentiment Index: 70.04%). The Extremely Attractive Target classification (Target Index: 67.6%) shares the Valuation Index's relative-cheapness input.

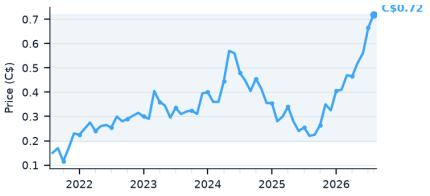
02 **Elevated model-relative insolvency risk argues for measured position sizing** (Altman Z-Score: 2.6). The premium to book value, at 2.1x, makes sustained profitability central to the re-rating case.

03 **Conviction depends on sustaining Icaco delivery without eroding balance-sheet flexibility:** sustained production above 6,000 boe/d, and post-acquisition liquidity after Thorsby's cash payment and decommissioning obligations.

SNAPSHOT

Share price*	C$0.72
Target price	C$1.03
Implied upside	+43.1%
Target horizon	14 Oct 2027
Market cap	C$205.82M
Enterprise value	C$165.76M
P/E (TTM)	8.67x
52W high / low	C$0.72 / C$0.20
Avg daily volume	0.6M shares

SHARE PRICE, C$



UPLIFT CATALYSTS

Icaco supports further topline growth.
Production above 6,000 boe/d in the 17 September 2026 update; the proposed five-well phase provides a trackable catalyst.

Thorsby broadens development options.
The C$12.15m cash-funded acquisition partly crystallises the diversification opportunity; 22 identified drilling locations offer further upside.

Water disposal offers margin upside.
Management expects IC-6's conversion to water disposal to reduce operating costs from the 58.4% Cashu-normalised TTM EBITDA margin base.

Delivery could unlock multiple expansion.
Undervalued (Valuation Index: 26.8%), with model-implied upside of 43.1% to the Cashu Target Price of CAD 1.03 by 14 October 2027.

THORSBY AND THE RESERVE BASE

The 100% Thorsby working interest adds 9,501 net acres in Alberta. The mid-year 2026 reserves update, effective 15 August 2026, includes Thorsby. The Tapir contract runs to February 2028; 2P reserves assume its extension.

1P RESERVES **11.4** MMboe ▲ +110%	2P RESERVES **21.4** MMboe ▲ +82%	2P AFTER-TAX NPV10 **USD 255.8m** Mid-year 2026
THORSBY PRICE **C$12.15m** Cash-funded	THORSBY PRODUCTION **~550** boe/d At acquisition	DRILLING LOCATIONS **22** Management-identified

Source: Cashu normalised metrics and Cashu Target Price model, as of 12 October 2026; Arrow Exploration, "Arrow Provides Operational and Mid-Year 2026 Reserves Update", 17 September 2026; "Arrow Announces Record Production and IC-6 Well Results", 4 September 2026; "Arrow Announces Alberta Property Acquisition", 13 August 2026. Transaction terms are issuer-reported. Prepared by Cashu Research. Not investment advice.

FINANCIAL PERFORMANCE

CONSOLIDATED Q2 PERFORMANCE, USD M

Revenue from oil and natural gas	Q2 2025	USD 17.95m
	Q2 2026	**USD 39.10m**
Adjusted EBITDA (issuer adjusted)	Q2 2025	USD 6.27m
	Q2 2026	**USD 25.16m**
Net income(loss)	Q2 2025	USD -0.93m
	Q2 2026	**USD 10.36m**
Adjusted EBITDA margin (net revenue) (issuer adjusted)	Q2 2025	39.5%
	Q2 2026	**73.5%**

H1 2026 consolidated net income USD 15.58m against USD 1.73m in H1 2025. Cashu-normalised TTM EBITDA CAD 74.9m; NPAT CAD 23.7m; EBITDA margin 58.4%.

LIQUIDITY AND CAPITAL SPENDING, USD M

Cash	Dec 2025	USD 11.21m
	Jun 2026	**USD 28.50m**
Working-capital surplus	Dec 2025	USD 1.82m
	Jun 2026	**USD 14.51m**
FY2025 capex vs op. CF	Op. CF	USD 26.80m
	Capex	**USD 43.19m**

H1 2026 capex reduced by -34.1% YoY to USD 17.24m. Total assets USD 126.19m against total liabilities USD 56.73m at 30 June 2026. Cashu-normalised TTM FCF CAD 25.3m; Cashu Net Debt / EBITDA: -0.5x.

INDUSTRY BENCHMARKING

Arrow Exploration's **above-median returns and standout topline growth strengthen the operating case**. The extreme payable-days comparison carries potential measurement-artifact risk, with its cause unresolved; **investors should not interpret that outlier as durable supplier funding**.

LARGEST PEER DEVIATIONS

DAYS PAYABLE +3.6σ
330d vs 79d median
Context dependent · Large peer deviation

REVENUE CAGR (3Y) +2.1σ
41.4% vs 0.05% median
Favorable · Large peer deviation

CASHU ROE +1.3σ
31.7% vs -2.9% median
Favorable

EBITDA MARGIN +0.9σ
58.4% vs 24.1% median
Favorable

AP / CURRENT LIABILITIES +0.9σ
97.1% vs 57.1% median
Favorable

DAYS RECEIVABLE +0.8σ
79d vs 53d median
Unfavorable

Green: favorable. Red: unfavorable. Amber: context dependent. Tick: peer median. Large peer deviation: at least 2σ, not by itself unfavorable.

VALUATION AND CREDIT

Arrow Exploration's **relative value is strongest on operating earnings, not book value**. It trades below all three peers on EV/EBITDA. Investors nevertheless **pay above accounting equity at 2.1x P/Book**.

COMPANY	EV/EBITDA	P/E
Arrow Exploration Corp. Valuation Index 26.77%	**2.2x**	**8.7x**
PetroTal Corp. Valuation Index 24.22%	2.7x	10.7x
InPlay Oil Corp. Valuation Index 35.62%	5.6x	-44.6x
VAALCO Energy, Inc. Valuation Index 39.52%	10.1x	-25.3x

Price/Book **2.1x** EBITDA Yield **45.18%** Historical Company Distribution Yield **0.00%**

CREDIT RISK INDICATORS

Debt/Equity Ratio	0.00x
Net Debt / EBITDA	-0.53x
Interest Cover Ratio	827.2x
Distance to Default	3.79
Altman Z-Score	2.63
Break-up Value	-0.52

KEY RISKS

Tapir tenure constrains reserve realisation.

2P reserves assume extension beyond February 2028; formal assignment requires Ecopetrol's consent.

Mitigation: Thorsby diversifies development exposure into Canada.

Drilling setbacks have already crystallised.

IC-6's premature termination was disclosed on 4 September 2026.

Mitigation: Management makes five further Icaco wells contingent on results.

Thorsby adds capital obligations.

The C$12.15m payment adds a post-June call on cash, plus C$8.7m of assumed decommissioning liabilities.

Mitigation: ~C$2.0m of asset-level operating income in the 12 months before acquisition.

Source: Cashu normalised metrics, as of 12 October 2026 (TTM to 30 June 2026); Arrow Exploration, Interim Condensed Consolidated Financial Statements for Q2 and H1 2026, authorised 26 August 2026; Annual Report FY2025, 28 April 2026; "Arrow Announces Alberta Property Acquisition", 13 August 2026; "Arrow Announces Record Production and IC-6 Well Results", 4 September 2026. Issuer-reported figures in USD retain their stated accounting bases. Not investment advice.

CASHU METRICS, GLOSSARY

Valuation Index (0–100%)
An estimate of company value where lower = cheaper vs peers. Read in five bands: 0%–35% Undervalued, 35%–47% Moderately Under Valued, 47%–52% Fully Valued, 52%–65% Moderately Over Valued, 65%–100% Over Valued. A lower Valuation Index means the company trades at a DISCOUNT to peers.

Target Index (0–100%)
Composite estimate of M&A attractiveness as a Target based on cheapness vs. peers, leverage, ROE quality, and EVA. Higher = more attractive. Read in five bands: 0%–35% Extremely Unattractive Target, 35%–47% Unattractive Target, 47%–52% Neutral, 52%–65% Attractive Target, 65%–100% Extremely Attractive Target.

Sentiment Index (0–100%)
Order-flow sentiment estimating the buy-side share of traded volume from price and volume alone. Above 50% indicates net buying pressure, below 50% net selling pressure. Read in five bands: 0%–35% Extremely Bearish, 35%–47% Bearish, 47%–52% Neutral, 52%–65% Bullish, 65%–100% Extremely Bullish. It carries no holder information and cannot distinguish institutional from retail flow.

Cashu Target Price
Cashu's Target Price derives from the company's Valuation Index and its trajectory over time, re-rating the current price toward the level implied by the company's current position relative to its peers and its own historical valuation. The figure is deliberately bounded to a defensible range, so it is best read as a valuation-anchored reference point.

Cashu ROE
Cashu's normalised measure of profit relative to shareholder capital.

Altman Z-Score
Multi-factor bankruptcy prediction model. Z > 2.99: low insolvency risk (financially sound). Z 1.81–2.99: elevated insolvency risk. Z < 1.81: high insolvency risk (distress). Not calibrated for financial institutions.

Distance to Default
A structural credit measure of how far a company's asset value sits above the debts it would have to meet in distress, expressed in standard deviations of asset volatility. Higher is safer: a reading of 3 means asset value would need to fall roughly three standard deviations before the company reached its default point. Banks carry a sector-specific adjustment.

Break-up Value
Net tangible assets measured against market capitalisation: net assets excluding intangibles, divided by market capitalisation, less one. A positive reading means tangible assets alone exceed the company's market value. A negative reading is normal for asset-light or intangible-heavy businesses and is not by itself a distress signal.

Cashu-normalised
Metrics labelled Cashu-normalised are adjusted for cross-company comparability. Issuer-reported figures, issuer-adjusted measures and separately labelled calculations retain their stated accounting bases. Normalisation does not establish recurring earnings.

ABBREVIATIONS

1P · 2P proved · proved plus probable reserves
52W 52-week
AP · AR accounts payable · accounts receivable
boe/d barrels of oil equivalent per day
C$ · CAD · USD Canadian dollars · US dollars
CAGR compound annual growth rate
EBITDA earnings before interest, taxes, depreciation and amortisation
EV enterprise value
EVA Economic Value Added
FCF free cash flow
M&A mergers and acquisitions
MMboe million barrels of oil equivalent
NPAT net profit after tax
NPV10 net present value at a 10% discount rate
Op. CF operating cash flow
P/E price-to-earnings
ROE return on equity
TSXV TSX Venture Exchange
TTM · YoY trailing twelve months · year-on-year
3Y · σ three-year · standard deviation

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READ PAGE 4 for the complete publication disclosures, model/currency limitations and distribution qualifications. This revised edition replaces the original page-3 disclosure prose; the financial analysis and snapshot dates are unchanged.

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Cashu Ideas | Arrow Exploration

PUBLICATION DISCLOSURES | UPDATED 16 OCTOBER 2026

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