Clinch Resources Limited

Condensed Interim Consolidated Financial Statements
(Unaudited)

As of and for the three and six months ended June 30, 2026 and 2025

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Clinch Resources Limited

Condensed Interim Consolidated Balance Sheets (Unaudited)

	June 30 2026	December 31 2025
Assets		
Current assets:		
Cash	**$ 9,692,652**	$ 2,455,193
Accounts receivable	**1,235**	**-**
Coal inventories	**457,417**	**-**
Advance royalties	**-**	519,811
Prepaid expenses	**2,202,364**	1,535,028
Other current assets	**-**	336,242
Total current assets	**12,353,668**	4,846,274
Property, plant, and equipment, net (*Note 3*)	**9,674,103**	6,160,384
Exploration and evaluation assets, net (*Note 4*)	**17,737,056**	14,491,839
Mineral properties (*Note 5*)	**1,746,632**	1,746,632
Right-of-use assets, net (*Note 8*)	**31,734,272**	3,468,553
Investment in related party *(Note 9)*	**46,701,913**	**-**
Other noncurrent assets (*Note 9*)	**20,261,693**	3,374,094
Total assets	**$ 140,209,337**	$ 34,087,776

Clinch Resources Limited

Condensed Interim Consolidated Balance Sheets (Unaudited) (continued)

	June 30 2026	December 31 2025
Liabilities and shareholders' equity (deficit)		
Current liabilities:		
Accounts payable	**$ 1,922,772**	$ 2,058,989
Accrued expenses (*Note 6*)	**3,124,642**	29,655,774
Current portion of asset retirement obligations (*Note 7*)	**74,453**	74,453
Current portion of lease liabilities (*Note 8*)	**5,118,947**	2,921,137
Current portion of convertible notes with related parties	**-**	3,750,000
Current portion of convertible notes with investors, net	**-**	92,583,373
Current portion of notes payable to related entity	**-**	1,600,000
Current portion of notes payable to investors, net	**-**	14,572,907
Total current liabilities	**10,240,814**	147,216,633
Asset retirement obligations, less current portion (*Note 7*)	**2,199,964**	2,199,964
Convertible notes with founder, net (*Note 11*)	**7,758,795**	**-**
Convertible notes with investors, net (*Note 11*)	**4,204,554**	**-**
Other accrued expenses	**6,197,402**	**-**
Derivative liabilities with investors	**1,713,084**	**-**
Lease liabilities, less current portion (*Note 8*)	**17,953,671**	73,382
Total liabilities	**50,268,284**	149,489,979
Shareholders' equity (deficit):		
Share capital (*Note 12*)	**258,910,426**	31,846,322
Contributed surplus	**4,702,705**	15,947,266
Accumulated deficit	**(173,672,078)**	(163,195,791)
Total shareholders' equity (deficit)	**89,941,053**	(115,402,203)
Total liabilities and shareholders' equity (deficit)	**140,209,337**	$ 34,087,776

See accompanying Notes to the Condensed Interim Consolidated Financial Statements which form an integral part of these Condensed Interim Consolidated Financial Statements.

Clinch Resources Limited

Condensed Interim Consolidated Statements of Operations (Unaudited)

	Three months ended June 30		Six months ended June 30	
	2026	**2025**	**2026**	**2025**
Revenue	**$ -**	$ 514,660	**$ 84,266**	$ 1,114,694
Cost of revenue	**1,962,753**	407,911	**3,492,243**	2,156,392
Gross loss	**(1,962,753)**	106,749	**(3,407,977)**	(1,041,698)
General and administrative expenses	**3,149,508**	2,470,492	**6,283,115**	4,233,023
Depreciation and amortization	**1,153,288**	225,390	**1,707,490**	543,356
Operating loss	**(6,265,549)**	(2,589,133)	**(11,398,582)**	(5,818,077)
Non-operating income (expense):				
Other income, net	**(923,476)**	553	**(888,783)**	(271,478)
Finance costs (*Note 14*)	**(745,838)**	(12,396,413)	**(2,686,822)**	(15,238,960)
Gain on revaluation of derivative liabilities (*Note 11*)	**1,147,682**	-	**4,497,900**	8,150,323
Loss on sale of equipment	**-**	-	**-**	(150,522)
Total non-operating expense, net	**(521,632)**	(12,395,860)	**922,295**	(7,510,637)
Net loss	**$ (6,787,181)**	$ (14,984,993)	**$ (10,476,287)**	$ (13,328,714)

See accompanying Notes to the Condensed Interim Consolidated Financial Statements which form an in
Condensed Interim Consolidated Financial Statements.

Clinch Resources Limited

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit) (Unaudited)

	Common Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Total
Total shareholders' equity (deficit) at January 1, 2025	104,708,756	$ 24,323,009	$ 14,520,537	$ (130,347,291)	$ (91,503,745)
Purchase warrants issued in connection with convertible notes	-	-	2,111,520	-	2,111,520
Common shares issued in connection with convertible notes	3,000,000	240,000	-	-	240,000
Share-based compensation	-	-	77,062	-	77,062
Net loss	-	-	-	(13,328,714)	(13,328,714)
Total shareholders' equity (deficit) at June 30, 2025	107,708,756	$ 24,563,009	$ 16,709,119	$ (143,676,005)	$ (102,403,877)
Total shareholders' equity (deficit) at January 1, 2026	135,091,140	$ 31,846,322	$ 15,947,266	$ (163,195,791)	$ (115,402,203)
Common shares issued in connection with reverse take over	**1,500,000**	**2,700,000**	**-**	**-**	**2,700,000**
Common shares issued in exchange for real estate property	**2,400,000**	**3,000,000**	**-**	**-**	**3,000,000**
Balance at March 17, 2026, pre-merger, pre-share issuance and prior to recording net loss for the quarter	**138,991,140**	**37,546,322**	**15,947,266**	**(163,195,791)**	**(109,702,203)**
Common shares issued in exchange of overriding royalties	**8,217,773**	**5,000,000**	**-**	**-**	**5,000,000**
Common shares issued in connection with subscription receipt	**15,668,844**	**27,831,958**	**-**	**-**	**27,831,958**
Common shares issued in connection with acquisition	**7,000,000**	**12,600,000**	**-**	**-**	**12,600,000**
Purchase warrants issued in connection with convertible notes	**-**		**3,148,015**	**-**	**3,148,015**
Common shares issued in connection with convertible notes	**1,938,889**	**3,490,000**	**-**	**-**	**3,490,000**
Common shares issued in connection with convertible notes and accrued expenses	**152,742,638**	**109,847,481**	**-**	**-**	**109,847,481**
Common shares issued in connection with acquisition of equity interest	**26,507,634**	**47,713,741**	**-**	**-**	**47,713,741**
Balance at March 17, 2026, prior to recording net loss for the quarter	**351,066,918**	**244,029,502**	**19,095,281**	**(163,195,791)**	**99,928,992**
Common shares issued to holders of Arrow Share Purchase Warrants	**8,267,180**	**14,880,924**	**(14,880,924)**	**-**	**-**
Common shares cancelled pursuant to legal settlement	**(4,016,190)**	**-**	**-**	**-**	**-**
Share-based compensation	**-**	**-**	**488,348**	**-**	**488,348**
Net loss	**-**	**-**	**-**	**(10,476,287)**	**(10,476,287)**
Total shareholders' equity (deficit) at June 30, 2026	**355,317,908**	**$ 258,910,426**	**$ 4,702,705**	**$ (173,672,078)**	**$ 89,941,053**

See accompanying Notes to the Condensed Interim Consolidated Financial Statements which form an integral part of these Condensed Interim Consolidated Financial Statements.

Clinch Resources Limited

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

	Six months ended June 30	
	2026	**2025**
Operating activities		
Net loss	**$ (10,476,287)**	$ (12,571,516)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	**1,101,194**	543,354
Accretion of convertible notes	**606,296**	-
Gain on revaluation of derivative liabilities	**4,497,900**	-
Accretion of overriding royalties	**-**	-
Amortization of discounts and debt issuance costs	**-**	-
Loss on sale of equipment	**-**	20,606
Compensation paid through issuance of convertible notes	**-**	-
Interest and professional fees paid through issuance of convertible notes	**-**	-
Share-based compensation	**488,348**	94,837
Receivables	**(1,235)**	(231,722)
Coal inventories	**(457,417)**	-
Advance royalties	**519,811**	(83,285)
Prepaid expenses and other assets	**(667,336)**	108,957
Other current assets	**(1,343,399)**	-
Accounts payable and accrued expenses	**(6,977,049)**	(13,891,760)
Deferred revenues	**-**	(187,970)
Net cash used in operating activities	**(12,709,174)**	(26,198,499)
Investing activities		
Purchases of property, plant, and equipment	**(1,420,726)**	(56,830)
Costs capitalized as exploration and evaluation assets	**(3,245,217)**	(2,276,738)
Investment in related parties	**1,010,496**	-
Investment in other companies	**92,042**	-
Net cash used in investing activities	**(3,563,405)**	(2,333,568)
Financing activities		
Proceeds from issuance of convertible notes, net of debt issuance costs	**8,989,150**	28,957,482
Proceeds received from issuance of notes payable to founder	**-**	575,000
Principal payments on notes payable to founder	**(3,750,000)**	-
Principal payments on convertible notes with related parties	**(1,600,000)**	-
Principal payments on convertible notes with investors	**29,934,686**	-
Principal payments on notes payable to investors	**-**	(500,000)
Principal payments on lease liabilities	**(10,063,797)**	(147,241)
Net cash provided by financing activities	**23,510,039**	28,885,241

Clinch Resources Limited

Condensed Interim Consolidated Statements of Cash Flows (Unaudited) (continued)

	Six months ended June 30	
	2026	**2025**
Net increase (decrease) in cash	**$ 7,237,460**	$ 353,174
Cash at beginning of period	**2,455,193**	79,468
Cash at end of period	**$ 9,692,653**	$ 432,642
Supplemental disclosure of cash flow information		
Cash paid for interest	**$ 2,539,750**	$ 8,021,089
Supplemental disclosure of noncash activities		
Incurrence of lease liabilities	**$ 28,459,906**	$ -
Common shares issued in connection with reverse take over	**2,700,000**	-
Common shares issued in exchange for real estate property	**3,000,000**	-
Common shares issued in exchange of overriding royalties	**5,000,000**	-
Common shares issued in connection with subscription receipts	**27,831,958**	-
Common shares issued in connection with acquisition	**12,600,000**	-
Purchase warrants issued in connection with convertible notes	-	1,364,520
Common shares issued in connection with convertible notes	**3,490,000**	-
Common shares issued in connection with convertible notes and accrued expenses	**109,847,481**	-
Common shares issued in connection with acquisition of equity interest	**47,713,741**	-
Common shares issued to holders of Arrow Share Purchase Warrants	**14,880,924**	-

See accompanying Notes to the Condensed Interim Consolidated Financial Statements and the Independent Auditor's Review Report on Condensed Interim Consolidated Financial Statements, which form an integral part of these Condensed Interim Consolidated Financial Statements.

1. Nature of Operations and Basis of Presentation

Nature of Operations

Clinch Resources Ltd. ("Clinch"), through its wholly owned subsidiary, Arrow Resources Limited ("Arrow"), and Arrow's majority-owned subsidiary, Active Resources, Inc. ("Active") (collectively, the "Company"), is in the business of mining, processing, and selling metallurgical coal, as well as exploring, acquiring, and developing resource properties that are consistent with its existing coal business. The Company's mining operations, which are principally located in the southern part of the State of West Virginia, USA, began in October 2021. As of June 30, 2026, the Company operates a coal preparation plant and a railroad load-out facility and processes coal for third parties. The Company continues to develop additional mines.

Corporate Information

The Company's corporate address is 40 Temperance Street, Suite 3200, ON MH 0B4 Toronto, Canada.

During the first quarter of 2026, Arrow completed a reverse takeover transaction (the "RTO") with Clinch, resulting in Clinch becoming publicly listed. The transaction has been accounted for as a capital transaction, as Clinch did not meet the definition of a business under IFRS.

In connection with the RTO, Clinch acquired all issued and outstanding shares of Arrow, and Arrow's shareholders exchanged their shares for shares of Clinch. Concurrently, the Company completed an equity financing, issued additional convertible notes, and effected a comprehensive restructuring of its capital structure.

As of December 31, 2025, the Company had approximately $96,300,000 of convertible notes outstanding and approximately $15,600,000 of accrued interest. During the three months ended March 31, 2026, substantially all outstanding convertible notes and related accrued interest were either repaid or converted into common shares in connection with the RTO. The total obligation settled exceeded $110,000,000 and represented a significant non-cash financing transaction.

1. Nature of Operations and Basis of Presentation (continued)

In connection with the RTO financing, 1406681 B.C., Ltd. ("Finco"), a financing company which was acquired by Clinch as part of the RTO, issued approximately 15,668,844 common shares at a price of $1.80 per share for gross proceeds of approximately $28,200,000. Transaction costs associated with the financing and related transactions were recorded as a reduction of share capital to the extent attributable to equity issuance, with the remainder recorded as debt issuance costs.

As a result of the RTO and related transactions, the Company's issued and outstanding common shares increased significantly from approximately 146,700,000 shares at December 31, 2025 to approximately 355,000,000 shares on a post-transaction basis. The Company is in the process of finalizing the detailed allocation of shares issued in connection with the conversion of convertible notes and accrued interest, including the determination of conversion pricing applied at closing.

Statement of Compliance

The consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations as approved by the International Accounting Standards Board (IASB) effective as of June 30, 2026. The Company has consistently applied the same accounting policies throughout all periods presented.

Prior to the RTO, the Company had multiple tranches of convertible notes issued between 2021 and 2025 with differing economic terms. These instruments included conversion features at fixed prices and variable prices based on discounts to future equity offerings, generally ranging from approximately 60% to 75% of the offering price. In addition, certain convertible notes included original issue discounts, issuance of common shares and warrants, and overriding royalty provisions tied to coal production.

As a result of these transactions, the Company eliminated substantially all outstanding derivative liabilities associated with embedded conversion features and significantly reduced its outstanding liabilities.

The consolidated financial statements were authorized for issuance by the Board of Directors on August 6, 2026.

These consolidated financial statements have not been reviewed or audited by an independent auditor, and no assurance is provided by them. These consolidated financial statements are meant to be read in conjunction with the December 31, 2025, audited financial statements.

2. Summary of Significant Accounting Policies

Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in United States dollars.

2. Summary of Significant Accounting Policies (continued)

Subsidiaries

Subsidiaries include all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is acquired by the Company and are de-consolidated from the date control ceases.

Financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. All intercompany balances, revenues, expenses, earnings, and losses from intercompany transactions are eliminated upon consolidation.

Currency

The functional currency of the Company and each of its subsidiaries is the United States dollar, which is also the presentation currency of the consolidated financial statements.

Company Environment and Risk Factors

The Company, in the course of its business activities, is exposed to a number of risks including fluctuating market conditions of coal, transportation and fuel costs, changing government regulations, unexpected maintenance and equipment failure, employee benefits cost control, changes in estimates of proven and probable coal reserves, necessary mining permits, and control of adequate recoverable mineral properties. In addition, adverse weather and geological conditions may increase operating costs, sometimes substantially.

Accounting Pronouncements Issued but Not Yet Effective

No new standards, interpretations, amendments, or improvements to existing standards issued by the IASB or the International Financial Reporting Interpretations Committee that will have a significant impact on the Company's consolidated financial statements and are mandatory for future accounting periods have been issued.

3. Property, Plant, and Equipment

	Plant and Improvements	Mining Equipment	Capitalized Asset Retirement Cost	Total
Cost				
Balance as of December 31, 2024	$ 5,060,437	$ 1,878,397	$ 77,044	$ 7,015,878
Additions in 2025	–	**592,801**	–	**592,801**
Disposals in 2025	–	**(178,301)**	–	**(178,301)**
Balance as of December 31, 2025	**5,060,437**	**2,292,897**	**77,044**	**7,430,378**
Additions in 2026	**490,000**	**281,228**	–	**771,228**
Disposals in 2026	–	–	–	–
Balance as of June 30, 2026	**$ 5,550,437**	**$ 2,574,125**	**$ 77,044**	**$ 8,201,606**
Accumulated depreciation				
Balance as of December 31, 2024	$ 1,372,779	$ 801,806	$ 77,044	$ 2,251,629
Depreciation and amortization	506,044	119,002	–	625,046
Disposals in 2025	–	(125,097)	–	(125,097)
Balance as of December 31, 2025	1,878,823	795,711	77,044	2,751,578
Depreciation and amortization	**540,739**	**366,270**	–	**889,657**
Disposals	–	–	–	–
Balance as of June 30, 2026	**$ 2,419,562**	**$ 1,161,981**	**$ 77,044**	**$ 3,658,587**
Carrying amounts, excluding assets held for sale and construction in progress				
As of December 31, 2025	**$ 3,181,614**	**$ 1,497,186**	**$ –**	**$ 4,678,800**
As of June 30, 2026	**$ 3,130,875**	**$ 1,412,145**	**$ –**	**$ 4,543,019**

	Plant and Equipment	Land and Assets Held for Sale	Construction in Progress	Total
Carrying amounts				
As of December 31, 2025	**$ 4,678,800**	**$ 150,000**	**$1,331,584**	**$ 6,160,384**
As of June 30, 2026	**$ 4,543,019**	**$ 3,150,000**	**$1,981,084**	**$ 9,674,103**

3. Property, Plant, and Equipment (continued)

Construction in progress as of June 30, 2026 included costs primarily related to continued expansion, renovation, and upgrades to a preparation plant and loadout.

During the three months ended June 30, 2026, additions to property, plant, and equipment primarily related to mining equipment. Depreciation and amortization expense related to property, plant, and equipment commences upon in-service date.

4. Exploration and Evaluation Assets

	Mines Under Construction	Producing Mines	Total
Cost			
Balance as of December 31, 2024	$10,738,625	$ 887,104	$11,625,729
Additions in 2025	3,753,214	–	3,753,214
Balance as of December 31, 2025	14,491,839	887,104	15,378,943
Additions during the three months ended June 30, 2026	**3,245,217**	**–**	**3,245,217**
Balance as of June 30, 2026	**$ 17,737,056**	**$ 887,104**	**$ 18,624,160**
Accumulated amortization			
Balance as of December 31, 2025	**$ –**	**$ 887,104**	**$ 887,104**
Balance as of June 30, 2026	**$ –**	**$ 887,104**	**$ 887,104**
Carrying amounts			
As of December 31, 2025	$ 14,491,839	$ –	$14,491,839
As of June 30, 2026	**$ 17,737,056**	**$ –**	**$17,737,056**

Amortization expense related to exploration and evaluations assets for producing mines commences when production begins.

5. Mineral Properties

Cost	
Balance as of December 31, 2025 and June 30, 2026	**$ 1,746,632**
Accumulated depletion	
Balance as of December 31, 2025 and June 30, 2026	**$ –**
Carrying amounts	
Balance as of December 31, 2025 and June 30, 2026	**$ 1,746,632**

No capitalized costs for mineral properties are associated with mines that were producing as of June 30, 2026.

6. Accrued Expenses

The Company's accrued expenses are summarized below as of:

	June 30 2026	**December 31 2025**
Accrued royalties	**$6,197,402**	$11,197,402
Accrued interest	**147,072**	16,227,210
Accrued insurance financing	**821,713**	829,147
Accrued compensation	**261,230**	174,767
Other accrued liabilities	**1,894,627**	1,227,248
Balance at end of period, total	**$ 9,322,044**	$29,655,774

As of December 31, 2025, accrued expenses included $16,227,210 of accrued interest related primarily to the Company's convertible notes. During the three months ended March 31, 2026, in connection with the RTO, all this accrued interest was eliminated through a combination of (i) conversion into common shares together with the related debt instruments and (ii) cash repayment of the remaining balances not converted.

7. Reclamation Provision for Asset Retirement Obligations

Changes in the Company's ARO liabilities are summarized below:

	Six months ended June 30, 2026	Year ended December 31, 2025
Balance at beginning of period	$ 2,274,417	$ 3,221,665
Accretion expense (*Note 13*)	–	–
Change in estimate	–	(947,248)
Balance at end of period	2,274,417	2,274,417
Less current portion	74,453	74,453
Long-term portion	$ 2,199,964	$ 2,199,964

The current portion represents the amount of costs expected to be incurred by the Company within one year from the balance sheet date. As of June 30, 2026 and December 31, 2025, to secure reclamation obligations, the Company had $3,485,218 in surety bonds outstanding, of which $1,742,606 in surety bond collateral deposits were included in other noncurrent assets.

8. Lease Liabilities and Right-of-Use Assets

The Company's lease liabilities are summarized below:

	Interest Rate	Maturity	June 30, 2026	December 31 2025
Equipment, 2023	10.5%	February 2027	**$ 206,079**	$2,793,000
Facilities, 2024	12%	June 2027	**142,512**	201,519
Equipment, 2026	5.9 - 9%	December 2030	**22,724,024**	201,519
Balance end of period			**23,743,439**	2,994,519
Less current portion			**5,118,947**	2,921,137
Long-term portion			**$17,953,671**	$ 73,382

Lease liabilities and minimum lease obligations as of June 30, 2026 are as follows:

Less than 1 year	**$ 5,504,244**
1-5 years	**18,239,195**
Total payments	**23,743,439**
Less amounts representing interest	**670,821**
Total minimum lease obligations	**$23,072,618**

8. Lease Liabilities and Right-of-Use Assets (continued)

The Company's right-of-use assets are summarized below:

	Equipment	Facilities	Total
Gross right-of-use asset			
Balance, December 31, 2024	$5,715,042	$346,930	$6,061,972
Disposals and transfers	(2,372,043)	–	(2,372,043)
Balance, December 31, 2025	3,342,999	346,930	3,689,929
Lease expiration during the six months ended June 30, 2026	–	–	–
Additions during the six months ended June 30, 2026	**28,459,904**	–	**28,459,904**
Disposals and transfers during the six months ended June 30, 2026	–	–	–
Balance as of June 30, 2026	**$31,802,903**	**$ 346,930**	**$32,149,833**
Accumulated amortization			
Balance, December 31, 2024	$1,788,385	$57,823	$1,846,208
Amortization	216,512	115,642	332,154
Lease modification	(1,956,986)	–	(1,956,986)
Balance, December 31, 2025	47,911	173,465	221,376
Amortization during the six months ended June 30, 2026	**24,005**	**170,182**	**211,538**
Lease expiration during the six months ended June 30, 2026	–	–	–
Balance as of June 30, 2026	**$ 71,916**	**$ 343,647**	**$ 415,563**
Net book value			
December 31, 2025	**$ 3,295,088**	**$ 173,465**	**$ 3,468,553**
June 30, 2026	**$31,730,987**	**$ 3,285**	**$31,734,272**

Amortization related to the right-of-use assets is included in depreciation and amortization expense in the consolidated statements of operations. Lease expense for short term leases totaled $121,834 for the six months ended June 30, 2026.

9. Investments

Investment In Related Party

Effective March 18, 2026, the Company acquired approximately 39% of the outstanding equity interests in JJ Resources, Inc. ("JJ Resources").

The consideration for the transaction included $5,000,000 million in cash and the issuance of 26,507,634 common shares. The issuance of these shares represents a significant component of the total equity issued in connection with the RTO and related transactions.

The Company expects to account for this investment under the equity method based on its ownership interest and level of influence.

Other Investments

During 2025, the Company advanced approximately $1,235,388 to Virginia Carbon Products, LLC ("VCP") in exchange for a $1,500,000 convertible note.

During the six months ended June 30, 2026, the Company exchanged the $1,500,000 convertible note and issued 900,000 common shares at approximately $1.10 per share in exchange for 2,384,839 Series A Preferred Units of VCP, representing approximately a 30% ownership interest in VCP.

The Series A Preferred Units provide the Company with preferential economic rights relative to common equity holders, including priority return of capital and preferential return provisions. The Company expects to account for this investment under the equity method based on its ownership interest and level of influence.

During 2025, the Company advanced approximately $396,100 to Catalyst Resources, LLC ("Catalyst") in exchange for a $500,000 convertible note.

During the six months ended June 30, 2026, the Company exchanged the $500,000 convertible note and issued approximately 6,000,000 common shares to obtain a 50% ownership interest in Active Catalyst North Carolina JV, LLC ("Active Catalyst JV"), which was formed to hold certain lease assets.

The Company shares control over Active Catalyst JV with its partner, including decision-making rights over significant activities. Accordingly, the Company expects to account for this investment under the equity method based on its ownership interest and level of influence.

During the six months ended June 30, 2026, the Company formed Aster Resources, LLC ("Aster") as a wholly owned subsidiary. As of March 31, 2026, Aster has not commenced operations and has no material assets, liabilities, or transactions. Accordingly, no significant activity has been recognized in the condensed interim consolidated financial statements related to this entity.

These other investments have been included in Other noncurrent assets on the accompanying consolidated balance sheet.

10. Notes Payable

The Company's notes payable are summarized below as of:

	June 30 2026	December 31 2025
Note payable to founder - May 2019	$ –	$ –
Note payable to related entity - April 2020	–	1,600,000
Notes payable to investors - September 2022	–	7,500,000
Notes payable to investors - December 2022	–	6,000,000
Notes payable to investor - October 2025	–	1,072,907
Balance at end of period, total	–	16,172,907
Unamortized discounts	–	–
Balance at end of period, net	**$ –**	$ 16,172,907

During the six months ended June 30, 2026, as part of the RTO (*Note 1*), the Company repaid all the outstanding balances of notes payable and related accrued interest.

11. Convertible Notes and Derivative Liabilities

Changes in the Company's convertible notes are summarized below:

	Six months ended June 30, 2026	Year ended December 31, 2025
Balance at beginning of period	**$103,703,507**	$49,938,987
Issuance of convertible notes	**18,227,889**	53,728,507
Recognition of derivative liabilities	**(4,497,900)**	–
Conversion of notes in exchange for common shares	**(103,703,507)**	
Principal payments	**–**	(3,550,000)
Accretion of convertible notes	**606,296**	3,586,013
Balance at end of period, total	**14,336,285**	103,703,507
Unamortized discounts and debt issuance costs	**(2,372,936)**	(7,370,134)
Balance at end of period, net	**11,963,349**	96,333,373
Less current portion of convertible notes, net of unamortized discounts and debt issuance costs	**–**	96,333,373
Long-term portion of convertible notes, net of unamortized discount and debt issuance costs	**$ 11,963,349**	$ –

11. Convertible Notes and Derivative Liabilities (continued)

Changes in the Company's derivative liabilities are summarized below:

	June 30 2026	December 31 2025
Balance at beginning of period	**$ –**	$ 8,150,323
Recognition of derivative liabilities	**6,210,984**	(8,150,323)
Gain on revaluation of derivative liabilities	**(4,497,900)**	–
Balance at end of period, total	**1,713,084**	–
Less current portion of derivative liabilities	**–**	–
Long-term portion of derivative liabilities	**$ 1,713,084**	$ –

Convertible notes issued in connection with the RTO

In connection with the RTO, financing activities were undertaken through Clinch Resources Subco. Ltd. ("Finco"), a subsidiary of the Company.

Prior to the RTO, the Company had multiple tranches of convertible notes issued between 2021 and 2025 with differing economic terms. These instruments included conversion features at fixed prices and variable prices based on discounts to future equity offerings, generally ranging from approximately 60% to 75% of the offering price. In addition, certain convertible notes included original issue discounts, issuance of common shares and warrants, and overriding royalty provisions tied to coal production.

During the three months ended March 31, 2026, the Company settled substantially all outstanding convertible notes and related accrued interest through a combination of repayment and conversion into common shares. As a result of these transactions, the Company eliminated substantially all outstanding derivative liabilities associated with embedded conversion features and significantly reduced its outstanding liabilities.

The conversion of convertible notes and accrued interest into common shares represents a significant non-cash financing activity and resulted in substantial dilution to existing shareholders. Due to the varying terms of the underlying instruments, the final number of shares issued and the effective conversion pricing applied remain subject to completion of closing schedules.

During March 2026, the Company issued additional convertible notes totaling approximately $18.2 million, including approximately $6.0 million issued to investors, $11.8 million issued to the founder and additional convertible notes of $879,110 issued for debt issuance costs. These notes bear interest at 9.5% per annum, mature in March 2029, and include 4,277,194 common share purchase warrants. These share purchase warrants are convertible into common shares of the Company at a price of approximately $2.16 per share, subject only to customary anti-dilution adjustments for stock splits, stock dividends, recapitalizations, and similar events. Accordingly, the number of shares issuable upon conversion is fixed or determinable based on the outstanding principal and accrued interest divided by the stated conversion price. The Company determined that the embedded conversion feature is indexed to the Company's own stock and does not require separate accounting as a derivative liability.

11. Convertible Notes and Derivative Liabilities (continued)

Derivative liabilities

The initial fair value of the 2025 embedded derivative liabilities was determined using the Black-Scholes Option Pricing model using the assumptions as follows:

Ordinary share price	$0.08
Exercise price	$0.70-$1.08
Expected term (years)	.33-.50
Risk-free interest rates	4.00%-4.33%
Expected / weighted-average volatility	65%
Dividend yield	0%

The fair value of the 2025 embedded derivative liabilities as of December 31, 2025 was determined using the Black-Scholes Option Pricing model using the assumptions as follows:

Ordinary share price	$0.50
Exercise price	$1.08
Expected term (years)	.25-.50
Risk-free interest rates	3.75%
Expected / weighted-average volatility	65%
Dividend yield	0%

The initial fair value of the 2026 embedded derivative liabilities was determined using the Black-Scholes Option Pricing model using the assumptions as follows:

Ordinary share price	$1.80
Exercise price	$ 2.16
Expected term (years)	3.0
Risk-free interest rates	4.00%
Expected / weighted-average volatility	65%
Dividend yield	0%

The fair value of the 2026 embedded derivative liabilities as of June 30, 2026 was determined using the Black-Scholes Option Pricing model using the assumptions as follows:

Ordinary share price	$1.17
Exercise price	$ 2.16
Expected term (years)	2.99
Risk-free interest rates	4.00%
Expected / weighted-average volatility	65%
Dividend yield	0%

12. Share Capital

The authorized capital of the Company consists of voting common shares with such rights, privileges, restrictions and conditions as the Board of Directors of the Company may determine from time to time. The holders of common shares are entitled to one vote per share at meetings of

12. Share Capital (continued)

the Company. As of June 30, 2026, 355,317,908 voting common shares were outstanding.

The components of equity on the Company's consolidated balance sheet include Share Capital, Contributed Surplus, and Accumulated Deficit. Share Capital is used to recognize the value of equity-settled ordinary share-based transactions. Contributed Surplus is used to record the issuance of options and warrants (*Note 12*). Accumulated Deficit is used to record the Company's change in operating deficit over time.

In April 2025, Arrow issued 3,000,000 common shares as additional consideration for convertible notes for a total of $240,000 (*Note 10*).

In June 2025, Arrow issued 8,615,453 common shares for payment of accrued interest of $662,355 for certain convertible notes (*Note 10*).

In August 2025, Arrow issued 500,000 common shares for payment of accrued interest and an overriding royalty of $449,129 for certain convertible notes (*Note 10*).

In August and September 2025, Arrow issued 12,892,437 common shares as additional consideration for convertible notes for a total of $1,672,829 (*Note 10*).

In October, November and December 2025, Arrow issued 5,374,494 common shares as additional consideration for convertible notes for a total of $4,499,000 (*Note 10*).

Effective in March 2026, the Company acquired certain real estate property in exchange for the issuance of 2,400,000 common shares valued at $3,000,000.

During March 2026, in connection with the RTO (*Note 1*), the Company exchanged $5,000,000 of overriding royalties for 8,217,773 common shares.

In connection with the RTO, during March 2026, Clinch Resources Subco. Ltd. (at such time, existing under the name 1406681 B.C. Ltd. (Finco)) issued an aggregate of 15,668,844 common shares, upon the conversion of an aggregate of 15,668,844 subscription receipts previously issued by Finco at an issue price of $1.80 per subscription receipt, for cash proceeds of $28,203,919.

Total fees paid in connection with the issuance of the common shares and convertible notes totaled approximately $371,000 in addition to the issuance of 1,938,889 common shares valued at $3,490,000. The costs incurred related to the issuance of the common shares is recorded as a reduction of share capital, and the costs incurred related to the issuance of the convertible notes is recorded as debt issuance costs.

In connection with the RTO, outstanding convertible notes of the Company, outstanding accrued interest, and other liabilities were converted into 152,742,638 common shares valued at $274,936,748, which represented approximately 95% of the outstanding convertible notes of the Company and related accrued interest (Note 6). Additionally, the remaining approximately 5% of outstanding convertible notes and related accrued interest was paid in full.

13. Other Share-based Payments

The Company's options activity is summarized below:

	Number of Options	Weighted Average Exercise Price
Total outstanding as of December 31, 2024	8,650,000	$0.75
Forfeited during 2025	**(1,850,000)**	$1.25
Total outstanding as of December 31, 2025	**6,800,000**	$0.74
Granted during the six months ended June 30, 2026	**12,500,000**	$1.69
Exercised during the six months ended June 30, 2026	**(3,000,000)**	$0.52
Total outstanding as of June 30, 2026	**16,300,000**	$1.51

Related to the options, the Company recorded share-based compensation expense of $126,459 in 2025, which was recorded as a component of general and administrative expense. Exercisable options totaled 16,400,000 as of June 30, 2026. The Company recorded $488,348 of share-based compensation expense for the six months ended June 30, 2026, compared to $77,062 for the six months ended June 30, 2025.

Share purchase warrants

The Company's share purchase warrants activity is summarized below:

	Number of Warrants	Exercise Price	Expiration Date
Total issued, outstanding and exercisable as of December 31, 2024	18,474,000		
Issued during 2025	9,972,628	$1.25	January - December 2027
Exchanged during 2025	(1,200,000)		
Extended during 2025	5,900,000		
Total issued, outstanding and exercisable as of December 31, 2025	33,146,628		
Issued during the six months ended June 30, 2026	**4,277,194**	$2.16	March 11, 2029
Exchanged during the six months ended June 30, 2026	**-**		
Exercised during the six months ended June 30, 2026	**(32,044,600)**		
Total issued, outstanding and exercisable as of June 30, 2026	**5,379,222**		

13. Other Share-based Payments (continued)

Share purchase warrants (continued)

During February 2023, in connection with certain professional services, the Company issued 2,000,000 share purchase warrants valued at $920,000, with an exercise price of $1.30 per share and exercisable until February 2025.

During May 2024, in connection with the issuance of certain convertible notes (*Note 10*), the Company issued 3,068,000 share purchase warrants valued at $1,098,828 with an exercise price of $1.25 per share and exercisable until March 2026. In connection with the debt issuance costs of the convertible notes, the Company issued 499,000 of share purchase warrants valued at $160,179 with an exercise price of $1.25 per share and exercisable until March 2026.

In July 2024, in connection with a short term advance, the Company issued 200,000 share purchase warrants valued at $75,600 with an exercise price of $1.25 per share and exercisable until July 2026.

During October and December 2024, in connection with the issuance of certain convertible notes (*Note 10*) the Company issued 2,300,000 share purchase warrants valued at $860,180 with an exercise price of $1.25 per share and exercisable until December 2026. In connection with the debt issuance costs of the convertible notes, the Company issued 32,000 of share purchase warrants valued at $11,968 with an exercise price of $1.25 per share and exercisable until December 2026.

During January 2025, in connection with the issuance of certain convertible notes (*Note 10*), the Company issued 5,360,000 share purchase warrants valued at $1,334,640 with an exercise price of $1.25 per share and exercisable until January 2027.

During March 2025, in connection with the issuance of certain convertible notes (*Note 10*), the Company issued 120,000 share purchase warrants valued at $29,880 with an exercise price of $1.25 per share and exercisable until April 2027.

13. Other Share-based Payments (continued)

Share purchase warrants (continued)

During April 2025, in connection with the issuance of certain convertible notes (*Note 10*), the Company issued 3,000,000 share purchase warrants valued at $747,000 with an exercise price of $1.25 per share and exercisable until March 2027.

During August and September 2025, in connection with the issuance of certain convertible notes (*Note 10*), the Company issued 390,600 of share purchase warrants valued at $0, with an exercise price of $1.25 per share and exercisable until August and September 2027, respectively.

During December 2025, in connection with the issuance of certain convertible notes (*Note 10*), the Company issued 1,102,028 of share purchase warrants valued at $0, with an exercise price of $1.25 per share and exercisable until December 2027.

During November 2025, the Board of Directors approved the extension of the expiration date of 7,900,000 share purchase warrants previously expired and 10,375,000 share purchase warrants with an expiration date of November 30, 2025 to March 31, 2026.

During December 2025, in connection with the issuance of certain convertible notes (*Note 10*), the Company issued convertible notes in exchange for 1,000,000 share purchase warrants.

During March 2026, in connection with the issuance of certain convertible notes (*Note 10*), the Company issued for 4,277,194 share purchase warrants. In connection with the RTO (*Note 20*), 32,044,600 of share purchase warrants were exercised in exchange for 8,267,180 common shares.

Fair Value of Options and Warrants Issued During the Period

The fair value of each award is estimated on the date of the grant using an option pricing model and has been expensed by the Company over the service period. The Company used the following ranges of weighted average assumptions during 2026 and 2025:

Ordinary share price	$0.08 to $1.80
Expected term (years)	1 to 3
Risk-free interest rates	3.99% to 5.05%
Expected / weighted-average volatility	65%
Dividend yield	0%

The risk-free interest rate is based on the U.S. Treasury rate for the expected life at the time of grant, volatility is based on the average long-term implied volatilities of peer companies as the Company's trading history is limited, and the expected term is determined using the simplified method.

14. Finance Costs

Finance costs are summarized below for each of the six months ended June 30:

	2026	2025
Accretion of convertible notes	**$ 606,296**	$ 170,000
Accretion of convertible notes	**–**	3,586,013
Interest on notes payable to founder	**195,130**	187,447
Interest on notes payable to a related entity	**–**	21,057
Interest related to lease liabilities	**170,035**	27,839
Amortization of debt issuance costs and discounts related to convertible notes	**82,377**	**6,297,681**
Interest on convertible notes	**1,632,984**	4,576,301
Interest on other notes payable	**–**	372,622
Total finance costs	**$ 2,686,822**	$15,238,960

15. Provision for Income Taxes

For tax purposes as of June 30, 2026 and December 31, 2025, the Company has net operating loss (NOL) carryovers which are available to offset future taxable income. The Federal and the state NOL carryovers total approximately $108,222,000 as of December 31, 2025 and are limited to recognition of approximately $21,665,000 annually by Change in Ownership rules of Internal Revenue Code Section 382. The State NOL carryovers expire between 2034 and 2040.

In accordance with International Accounting Standard 12, as a result of the Company's recent losses, the Company recognizes the net deferred tax assets only to the extent that there is convincing evidence that the amounts will be utilized by the Company.

The provision for income tax expense recognized differs from the amount that would result from applying federal statutory rates to income before income taxes due primarily to permanent differences, state income taxes, and the valuation allowance.

16. Other Related Party Transactions

Related party transactions include any transactions with employees, other than amounts earned as a result of their employment, transactions with companies that employees or Directors either control or have significant influence over, transactions with companies who are under common control with the Company's key management personnel, and transactions with close family members of key management personnel.

Previously disclosed related party transactions include the note payable to founder (*Note 10*), notes payable to a related entity (controlled by a former Director) (*Note 10*), convertible notes and related derivative liabilities to related parties (*Note 11*), convertible notes and related derivative liabilities to employees and related entities (*Note 11*), common shares issued to former Directors (*Note 12*), share purchase warrants issued to a related entity (controlled by a former Director) (*Note 13*), share purchase warrants issued to founder (*Note 13*).

17. Commitments

The Company leases coal reserves from land holding companies and various individuals under agreements that call for royalties to be paid as the coal is mined. The duration of these leases varies, but typically the lease terms are automatically extended as long as future mining is anticipated. Royalty payments are generally based upon a specified rate per ton or a percentage of the gross realization from the sale of the coal. The Company incurred royalty expenses of approximately $130,000 for the six months ended June, 2026 and 2025. Certain agreements require minimum annual royalties to be paid regardless of the amount of coal mined during the period.

Future noncancelable minimum royalty and lease payments under these agreements are as follows as of June 30, 2026:

2026	**$ 245,000**
2027	**490,000**
2028	**410,000**
2029	**410,000**
2030	**410,000**
Thereafter	**607,000**
Total	**$ 2,572,000**

18. Contingencies

Environmental Matters

The Company believes it is in compliance with federal, state and local environmental laws and regulations as currently promulgated. However, the exact nature of environmental control matters, if any, that the Company may encounter in the future cannot be predicted, primarily because of the increasing number, complexity and changing characteristics of environmental requirements that may be enacted by federal, state and local authorities. The Company's policy is to accrue for environmental expenses when the costs are probable and can be reasonably estimated.

18. Contingencies (continued)

Litigation

Liabilities for loss contingencies arising in the ordinary course of its business from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The effect of the outcome of any matters on the Company's future results of operations cannot be predicted with certainty. The

Company believes that the final outcome of any litigation will not have a material adverse effect on the Company's consolidated financial statements.

In March 2023, the related party convertible note holder (*Note 11*) (the "Plaintiff") commenced litigation by filing a claim with the Supreme Court of Queensland, in Brisbane, Australia against Active, the founder and Arrow (the "Defendants"), seeking damages pursuant to Australian Consumer Law and breach of contract of their debt and equity investments for $16 million, interest, costs, and an order that certain transactions are void, among other remedies.

In June 2024, Plaintiff and the Defendants entered into a Deed of Settlement and Release, pursuant to which Active agreed to pay Plaintiff an aggregate of $11,212,621 in installments, and Plaintiff agreed to transfer and deliver to the Company, in installments, $2,000,000 in principal amount of convertible notes, accrued interest on the convertible notes, and 14,316,701 common shares. The Company paid $2,000,000 under the settlement deed and the Plaintiff obtained a judgement against the Company in the amount of $9,212,621 in Queensland, Australia.

In October 2025, Plaintiff and the Defendants entered into another Deed of Settlement and Release, pursuant to which Active agreed to pay Plaintiff the judgment amount of $9,212,621, of which $1,912,110 was paid immediately, and $7,300,511 was to be paid on or before December 31, 2025 in exchange for Plaintiff's delivery of 14,316,701 common shares of Arrow.

In December 2025, Plaintiff and the Defendants entered into a Deed of Variation to the October 2025 Deed of Settlement and Release, pursuant to which several investors funded the Company's payment to Plaintiff of $3,000,000 of the settlement sum in exchange for Plaintiff's return to the Company, and the Company's delivery to the investors of 6,000,000 common shares. The parties further agreed that, upon completion of the reverse takeover, the remaining $4,300,511 of the settlement amount would be deemed paid and satisfied by Plaintiff's retention of 4,300,511 common shares, which would be exchanged for shares of the acquirer in the reverse takeover (*Note 11*), and Plaintiff would return to the Company the remaining 4,016,190 common shares, all in final settlement of the parties disputes. On April 30, 2026, the related party note holder returned to the Company the remaining 4,016,190 Arrow shares held by such party pursuant to the settlement arrangements previously disclosed. Upon completion of this transaction, Clinch held ownership of 100% of the Arrow shares.