CLINCH RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2026

November 9, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2026

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Clinch Resources Limited ("Clinch") should be read in conjunction with Clinch's unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2026 and 2025 and the notes thereto. In this MD&A, "Clinch," "the Company," "we," "us," or "our" refers to Clinch and, as applicable, its subsidiaries. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS"). This discussion provides management's analysis of our historical financial and operating results and provides estimates of future financial and operating performance based on information currently available. Actual results will vary from estimates, and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance. All references to"$" or "dollars" are to United States dollars unless otherwise indicated.

Additional information related to the Company, including the Company's most recent Annual Information Form dated March 17, 2026 and other continuous disclosure documents, including the Company's news releases, are accessible on SEDAR+ at www.sedarplus.ca.

Non-IFRS and Other Financial Measures and Ratios

This MD&A reports certain financial measures that are not recognized by IFRS. We believe that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. The non-IFRS financial measures and ratios are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These financial measures and ratios do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

Non-IFRS financial measures are defined in National Instrument 52-112 – *Non-GAAP and Other Financial Measures Disclosure* ("NI 52-112") as a financial measure disclosed that (a) depicts the historical or expected future financial performance, financial position or cash flow of an entity, (b) with respect to its composition, excludes an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the entity, (c) is not disclosed in the financial statements of the entity, and (d) is not a ratio, fraction, percentage or similar representation. A non-IFRS ratio is defined by NI 52-112 as a financial measure disclosed that (a) is in the form of a ratio, fraction, percentage or similar representation, (b) has a non-IFRS financial measure as one or more of its components, and (c) is not disclosed in the financial statements.

Non-IFRS financial measures included in this MD&A do not have a standard meaning under IFRS and, therefore, may not be comparable to similar measures presented by other issuers. Management uses these non-IFRS financial measures and ratios in its evaluation of performance and believes these are useful supplementary measures. We provide shareholders and potential investors with certain non-IFRS financial measures and ratios to evaluate our ability to fund our operations and provide information regarding liquidity. The non-IFRS financial measures referred to in this MD&A are "earnings before interest, taxes, depreciation, depletion and amortization ("EBITDA"), which does not have a standardized meaning prescribed by IFRS. Investors and other readers of this MD&A are cautioned that non-IFRS financial measures should not be construed as alternatives to other measures of financial performance calculated in accordance with IFRS. For the reader's reference, the definition, calculation and reconciliation of non-IFRS financial measures are provided in the "EDITDA" section of this MD&A.

This MD&A was prepared using information that is current as of November 9, 2026, and has been approved by the Board of Directors of Clinch.

Cautionary Notes

Forward-Looking Information

This MD&A may contain statements and information that constitute "forward-looking statements" and "forward-looking information" (collectively, "forward-looking information") within the meaning of applicable Canadian and United States securities laws. All statements, other than statements of historical fact, addressing activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements. Often, the words "aims", "anticipates", "believes", "budget", "could", "estimates", "expects", "forecasts", "intends", "may", "might", "plans", "projects", "schedule", "seeks", "should", "strives", "targets", "will", "would", "pursue", "outlook" (and grammatical variations of such terms) and similar expressions are intended to identify forward-looking information, although not all forward-looking information contains these identifying words. Forward-looking information in this MD&A includes, but is not limited to, statements with respect to, management's assessment of Clinch's future plans and operations of Clinch.

Forward-looking information is based on management's reasonable assumptions at the date such information is provided, including but not limited to, the following assumptions: (i) metallurgical coal prices and demand will remain stable or improve; (ii) all necessary permits and approvals will be obtained in a timely manner; (iii) financing will be available on acceptable terms; (iv) exploration, development and production activities will achieve expected results; (iv) there will not be any material equipment breakdown or failure; (v) the Company will not be subject to unexpected material liabilities or uninsured losses; (vi) the Company will not be impacted by interest rate increases or currency exchange rate fluctuations; (viii) the Company will not experience any significant operational, financial or supply chain disruptions or liability; (ix) there will not be a severe and prolonged downturn in general economic, credit, social or market conditions; (x) the Company will not be materially negatively affected by a change in applicable laws, political conditions, public policies and/or directions by governments; and (xi) general business and economic conditions will not change materially adversely. Although the Company considers these assumptions reasonable, forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from those expressed or implied. Some of those risks and uncertainties are beyond Clinch's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be inaccurate and, as such, reliance should not be placed on forward-looking statements.

Forward-looking information contained in this MD&A is made as of the date of this document and based on the plans, beliefs, estimates, projections, expectations, opinions and assumptions of management on the date hereof. Clinch's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, if any, that Clinch will derive there from. Accordingly, readers should not place undue reliance on forward-looking information. Clinch disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by applicable law. All forward-looking information contained herein is qualified by these cautionary statements.

Market and Industry Data and Information

Market and industry data and information contained in this MD&A have been obtained from industry publications, various publicly available sources and subscription-based reports as well as from management's good faith estimates, which are derived from management's knowledge of the industry and independent sources that management believes to be reliable. Industry publications, surveys and forecasts generally state that the information contained in this MD&A has been obtained from sources believed to be reliable. By their nature, the market and industry data and information

contained in this MD&A, are subject to numerous risks and uncertainties, some of which are beyond Clinch's control, and accordingly, readers are cautioned not to place undue reliance on such data and information and are strongly urged to conduct their own independent research. Clinch has not independently verified any of the information from third-party sources nor has it ascertained the validity or accuracy of the underlying economic assumptions relied upon therein. Clinch hereby disclaims any responsibility or liability whatsoever in respect of any third-party sources of market and industry data or information referred to herein.

Mineral Reserves and Resources

Scientific and technical information contained in this MD&A was reviewed and approved by Justin S. Douthat, P.E., Surface Engineer, a professional engineer and a "qualified person" as defined by National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101"). All mineral reserves and mineral resources have been calculated in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and NI 43-101. Please refer to the following technical report for additional details with respect to the Company's mineral projects.

- Pre-Feasibility Technical Report on the Coal Resource and Coal Reserve Controlled by Active Resources, Inc., West Virginia USA – Prepared in Accordance with National Instrument 43-101 for Disclosure for Mineral Projects, dated December 15, 2025 with an effective date of June 30, 2025.

Highlights, Selected Financial Performance and Subsequent Events for the Nine months Ended September 30, 2026

- During the nine months ended September 30, 2026, net loss for the nine-month period was $17.1 million.
- Cumulative net loss since inception (2021) is $180.3 million.
- For the nine months ended September 30, 2026, revenue increased due to coal sales and processing volumes for the period as the Company began to realize the prior investment and the scaling of production at the Company's surface operations.
- For the nine months ended September 30, 2026, Cost of sales exceeded revenues by $5.9 million, resulting in a gross loss.
- As of September 30, 2026, total assets increased to $142.6 million (December 31, 2025: $34.1 million), primarily due to:
    - Cash increases from financing activities.
    - Additions to right of use assets
    - Additions to exploration and evaluation assets.
    - Investment in a related party
    - Investment in a joint venture and unrelated company
- As of September 30, 2026, the working capital deficit was $13.7 million.
- As of September 30, 2026, cash balance at period-end was $3.8 million.

Overview and Corporate History

Clinch is a United States producer of metallurgical coal with mineral reserves, mining operations and coal properties in the Central Appalachian region of West Virginia. We sell our coal to steelmakers, energy trading firms, producers and marketers of coal and industrial companies.

Arrow Resources Ltd. ("Arrow") was incorporated in April 2021 in Australia, and subsequently acquired 100% of Active Resources, Inc. on July 15, 2021, through an exchange of common shares. Active Resources, Inc. was incorporated in Delaware in March 2019 and is as of the date hereof a subsidiary of the Company. Clinch completed a reverse takeover transaction ("RTO") with Arrow on March 17, 2026, following the completion of which, Clinch commenced trading on the Toronto Stock Exchange under the ticker symbol "CLCH". Clinch was incorporated under the *Business Corporations Act* (British Columbia) on February 23, 2021, and until completion of the RTO, had no significant assets other than cash and no commercial operations.

The Active Resources, Inc., "ARI Project" (comprised of the Hampden property, located in Hampden, Mingo and Logan Counties, West Virginia, and the Lanes Branch property, located in Lanes Branch, Wyoming County, West Virginia) is approximately 80 miles south of Charleston, within the Central Appalachian coal-producing region of the eastern USA. As of September 30, 2026, our properties included our surface operations at Lanes Branch and two underground mines currently under development, a coal processing facility and rail loadout at Gilbert, West Virginia. We lease or own the mineral rights to approximately 49,970 acres in Mingo, Logan and Wyoming Counties, West Virginia. These include five leased tracts ranging in size from 1,000 to 30,000 acres.

We previously processed and loaded coal for other regional producers. This additional revenue allowed us to offset some operating costs and optimize our facilities and equipment while continuing to develop our owned properties.

Our results of operations greatly depend on the cost of coal production and capital development to restart the mines. Primary mining related expenses are wages and benefits, repairs and maintenance, diesel fuel, subcontractors, coal transportation costs, freight and handling costs, royalties and taxes incurred in selling coal. Since our inception, substantially all of our revenues have resulted from the sale of coal and asset sales.

Market Outlook

The global seaborne metallurgical coal market in 2026 is characterized by broadly stable demand, and supply disruptions from the Chinese market have tightened market balances, with prices for premium low-volatility hard coking coal prices sharply higher through August and early September before retreating by the end of the quarter as supply recovery expectations and weak steelmaking margins tempered demand. Metallurgical (met) coal, which includes coking coal (hard, medium, and semi-soft) and pulverized coal injection (PCI) coal, is a primary ingredient in steelmaking. Clinch uses the SGX TSI FOB Australia Premium Coking Coal futures and the US High Vol A FOB United States East Coast as the benchmark reference prices for its coal pricing assumptions, and this is adjusted for term such as quality, transport and individual contract requirements. Coke (produced by heating coking coal in the absence of oxygen) is also used to produce carbides, ferroalloys, and other compounds. The Company's forecast is therefore based on steel production, GDP growth, and industrial activity, among other factors. According to the International Energy Agency's (IEA) Coal Mid-Year Update 2026 (September 2026), global met coal consumption was approximately 1,174 Mt in 2025, broadly unchanged from 2024 despite a decline in steel production, and the IEA expects global coking coal demand to remain broadly stable in 2026 as contrasting regional trends offset one another. In China, the largest consumer, met coal demand is expected to decline very slightly (less than 1%) in 2026 even with and despite continued weakness in the steel sector,

with higher coke production in the first half of 2026 helping to support demand. Chinese imports have nonetheless risen because domestic supply has tightened: a fatal mining accident in May in Shanxi province, which produces more than half of China's coking coal, prompted the temporary closure of more than 100 mines for safety inspections, and China's coal production fell around 10% year-on-year in June and July. Advanced economies such as Japan, Korea, and the European Union are expected to see coking coal demand decline in 2026, reflecting diminished steel output and a lower percentage of steel produced through the blast furnace-basic oxygen furnace (BF-BOF) route. India remains the key growth engine for metallurgical coal demand driven by rising iron production to meet stronger steel demand, most of it from the BF-BOF route that relies on coking coal. Indonesia continues to increase coking coal consumption to feed new export-oriented coke ovens, and the situation in Russia remains uncertain due to the ongoing war in Ukraine. The U.S. market remains an important long-term market for Clinch.

Over the medium term, the IEA does not anticipate significant changes in met coal consumption, which is mainly determined by steel demand in line with the economic outlook. The adoption of hydrogen-based and other steelmaking processes is expected to remain limited due to significant cost barriers and limited scrap availability, meaning coking coal, will continue its prominent role. Consequently, in its Coal 2025 report (December 2025), the IEA forecasts a gradual decline of about 53 Mt over five years, with global met coal demand easing from roughly 1,174 Mt in 2025 to 1,061 Mt by 2030. The most pronounced reduction is expected in China, where demand could fall by 77 Mt to 665 Mt as electric arc furnace (EAF) steelmaking gains share, offsetting gains in India (up 26 Mt) and Indonesia (up 12 Mt), while the European Union, Japan, and Korea contract by a combined 21 Mt.

On trade, global seaborne met coal trade rose 10% year-on-year in January–September 2026, supported by stronger Chinese import demand, with Australian met coal exports up 13% and shipments to China nearly doubling, according to shipbroker Ifchor Galbraiths' Coal Markets Companion Report (October 2026). For full-year 2026, the IEA projects seaborne met coal demand to rise by 16 Mt from 304 Mt in 2025, led by India and Indonesia. The IEA's forecast assumed weaker Chinese seaborne imports, as China shifts toward rail supply from Mongolia, but the Shanxi supply disruption has instead lifted Chinese purchases of both Mongolian and seaborne coal, making China the largest contributor to seaborne trade growth through the third quarter.

On pricing, the Australian Office of the Chief Economist (Department of Industry, Science and Resources, Resources and Energy Quarterly, September 2026) expects metallurgical coal prices to fall from currently elevated levels before stabilizing in real terms over the outlook period to 2031, with supply and demand broadly in balance. Prices rose sharply in late August 2026 to $263/t, the highest level since March 2024. SGX TSI FOB Australia Premium Coking Coal futures averaged approximately $273.73/t in September 2026 (range of $261.00–$279.50/t), and Wood Mackenzie forecasts prices easing to $265/t in October and $252/t in November as weaker steel margins trigger a price correction.

Several factors beyond our control could materially impact actual results and our outlook for the future, including:

- a decline in metallurgical coal prices.
- our ability to complete financing transactions, asset dispositions or other liquidity events and the related effects on our financial condition;
- our ability to obtain or renew surety bonds on financially acceptable terms;
- deterioration in economic conditions in industries in which our customers operate;
- global demand for coal, steel and alloys;
- availability and prices of competing energy sources for electricity generation;
- changes in the application, enforcement and interpretation of existing and potential laws and regulation affecting the production and use of coal;
- deferral of coal shipments by customers and our reliance on major customers and coal brokers;
- the disruption of rail, barge, trucking or other transportation facilities and systems that deliver our coal to market;
- regulatory and court decisions affecting air emissions standards for coal-fired plants;
- weather conditions affecting demand for energy and supply disruption;

- delays in construction of infrastructure projects at our mines;
- geologic and operational risks associated with coal mining, and other factors as further discussed in the forward-looking information and Liquidity and Capital Resources sections of this MD&A.

Our business is very sensitive to changes in supply and demand for metallurgical coal and we carefully manage our mines to maximize operating results. Our profitability in the future will be impacted by the price levels that we achieve on future coal sales agreements. Events beyond our control could impact our cash flow from operations, profit margins and ability to service debt.

Financial Overview

The following tables present selected balance sheet, statement of operations and sales and operating statistics.

($'000)	As of September 30, 2026	As of December 31, 2025	As of September 30, 2025
Balance Sheet			
Cash and cash equivalents	$ 3,764	$ 2,455	$ 6,528
Total Current Assets	7,705	4,846	9,951
Total Assets	142,648	34,088	36,512
Total current liabilties	21,391	147,217	141,311
Total long-term liabilties	42,996	2,273	3,253
Shareholders' equity	$ 78,261	$ (115,402)	$ (108,051)

($'000, except per share)	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
Statement of Operations		
Coal revenues	$ 5,940	$ 1,378
Cost of revenue	11,879	3,284
Gross margin	(5,939)	(1,906)
Loss before taxes	(17,061)	(21,697)
Net loss	(17,061)	(21,697)
Net loss per share	$ (0.14)	$ (0.18)
Net loss per diluted share	$ (0.07)	$ (0.14)

	Nine months ended Sept. 30, 2026	Nine months ended Sept. 30, 2025
Coal sales revenue	$5.85 million	$ -
Production volume (000 tons; defined basis)	49	-
Processing revenue	$0.09 million	$1.38 million
Processing volume (000 tons; defined basis)	12	122

Coal Sales revenue increased by $5.85 million from the three months and nine months period due to the start of production at the Company's surface operations commencing during the third quarter of 2026.

Summary of Quarterly Results

The following table sets forth selected quarterly consolidated financial information for each of the last eight quarters, with the figures for each quarter in United States dollars:

($'000, except per share)	Quarter Ended September 30, 2026	Quarter Ended June 30, 2026	Quarter Ended March 31, 2026	Quarter Ended December 31, 2025
Coal sales	$ 5,856	$ -	$ 85	$ -
Operating income (loss)	$ (5,934)	$ (6,266)	$ (5,130)	$ (1,703)
Net loss per share	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.01)
Net loss per diluted share	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.01)

($'000, except per share)	Quarter Ended September 30, 2025	Quarter Ended June 30, 2025	Quarter Ended March 31, 2025	Quarter Ended December 31, 2024
Coal sales	$ 263	$ 515	$ 600	$ 321
Operating income (loss)	$ (3,710)	$ (2,589)	$ (3,229)	$ (3,464)
Net loss per share	$ (0.04)	$ (0.14)	$ (0.03)	$ (0.03)
Net loss per diluted share	$ (0.03)	$ (0.11)	$ (0.02)	$ (0.03)

	Quarter ended Sept. 30, 2026	Quarter ended Sept. 30, 2025
Coal sales revenue	$5.85 million	$ -
Production volume (000 tons; defined basis)	43	-
Processing revenue	$ -	$0.26 million
Processing volume (000 tons; defined basis)	-	32

Metallurgical Coal Operations

Gilbert

We placed our coal processing facility and railroad loadout at Gilbert, West Virginia into production in April 2022. We produced 43,334 tons of coal during the first three quarters of 2026 and sold 48,760 tons at an average sales price of $118 per ton.

For the quarter ended September 30, 2026, we sold 25,885 tons of metallurgical coal and 22,875 tons of PCI.

Capital Expenditures

We spent approximately $0.9 million on capital expenditures for the nine months ended September 30, 2026. The Company estimates an additional $4.2 million to $5.8 million in capital expenditures will be incurred during the remainder of 2026, for an estimate of $5.1 million to $6.7 million for the full year 2026. These capital expenditures will be targeted for Mines #3, #6, and #8 along with improvements to our coal processing and railroad loading facility at Gilbert, West Virginia. The Company intends to raise capital for these activities.

Comparison of Three Months Ended September 30, 2026 and September 30, 2025

Our gross loss for the three months ended September 30, 2026 was mainly attributable to the continued scaling up of activity in advance of production.

Revenues. Our coal revenues were $5.9 million for the three months ended September 30, 2026 and $0.3 million for the three months ended September 30, 2025. Revenues for the three months ended September 30, 2025 were the result of shipments of third-party coal washed at and shipped from our Gilbert location.

Cost of Revenue. Our cost of coal sales was $8.4 million for the three months ended September 30, 2026 and $1.1 million for the three months ended September 30, 2025. Cost of coal sales consisted of subcontractor costs, hauling costs, royalties, and the costs of operating our coal processing facility and railroad loadout at Gilbert, West Virginia. Increased expense in the three months ended September 30, 2026 was the result of increased activity related to production.

General and administrative expenses. Our general and administrative expenses were $2.4 million for the three months ended September 30, 2026, compared to $2.6 million for the three months ended September 30, 2025. This decrease of $0.2 million, is primarily the result of managing administrative costs associated with production and the completion of the RTO in the previous period.

Depreciation, depletion and amortization. Depreciation, depletion, and amortization expenses for the three months ended September 30, 2026 were $0.9 million as compared to $0.3 million for the three months ended September 30, 2025. This increase in expense was driven by an increase in depreciable and amortizable assets during latter part of 2025 and the first three quarters of 2026.

Finance costs. Finance cost was $1.6 million for the three months ended September 30, 2026 compared to $4.9 million for the three months ended September 30, 2025. The decrease was due to decreased interest expense and debt issuance costs attributable to the conversion of debt to equity in 2026 as part of the reverse takeover.

Income taxes. Our income tax expense for the three months ended September 30, 2026 and 2025 was nil.

Comparison of Nine months Ended September 30, 2026 and September 30, 2025

Our gross loss for the nine months ended September 30, 2026 was mainly attributable to the relatively low operating volume while in ramp-up operations.

Revenues. Our coal revenues were $5.9 million for the nine months ended September 30, 2026 and $1.4 million for the nine months ended September 30, 2025. 2026 revenues were the result of third quarter coal sales of $5.8 million and $0.1 million of shipments of third-party coal washed at and shipped during the first quarter from our Gilbert location.

Cost of Revenue. Our cost of coal sales was $11.9 million for the nine months ended September 30, 2026 and $3.3 million for the nine months ended September 30, 2025. Cost of coal sales consist of subcontractor costs, hauling costs, royalties, and the costs of operating our coal processing facility and railroad loadout at Gilbert, West Virginia.

General and administrative expenses. Our general and administrative expenses were $8.7 million for the nine months ended September 30, 2026, compared to $6.8 million for the nine months ended September 30, 2025. This increase of $2.1 million, is primarily the result of administrative costs associated with the scaling up to production and the completion of the RTO in the previous period.

Depreciation, depletion and amortization. Depreciation, depletion, and amortization expenses for the nine months of 2026 were $2.1 million as compared to $0.7 million for the first nine months of 2025. This increase was driven by an increase in fixed assets during the second and third quarters of 2026.

Finance costs. Finance cost was $4.9 million for the nine months ended September 30, 2026 compared to $20.2 million for the nine months ended September 30, 2025. The decrease was due to decreased interest expense and debt issuance costs attributable to the conversion of debt to equity in 2026 as part of the reverse takeover.

Income taxes. Our income tax expense for the nine months ended September 30, 2026 and 2025 was nil.

The consolidated financial statements were authorized for issuance by the Board of Directors on November 9, 2026.

Liquidity and Capital Resources

At September 30, 2026, the Company had total cash and cash equivalents of $3.8 million and $1.7 million of restricted cash, compared with $6.5 million and $1.7 million at September 30, 2025, respectively.

In addition to cash and cash equivalents of $3.8 million and $1.7 million of restricted cash at September 30, 2026, the Company had additional materials, supplies and other, net totaling approximately $3.1 million at September 30, 2026.

During 2025, the Company issued convertible notes to investors for a total of $5,475,000, which bear interest at a rate of 12% and matured in May 2025. The investors have the option to convert not less than all the outstanding convertible notes to common shares at the lower of $0.90 per dollar converted or 75% of the share price in an IPO. As additional consideration, some of the convertible notes included 3,368,000 of common share purchase warrants with an exercise price of $1.25 per share. The common share purchase warrants have been recorded as a discount on the convertible notes at a fair value of $1,203,008 and are amortized over the term using the interest method.

During March 2025, the Company issued convertible notes to an investor for a total of $14,000,000, which bear interest at a rate of 12% and matured in April 2025. The investors have the option to convert not less than all the outstanding convertible notes to common shares at the lower of $1.80 per dollar converted or 75% of the share price in an IPO. As additional consideration, the convertible notes included a $7,000,000 original issue discount which has been recorded as a discount on the convertible note and amortized over the term using the effective interest method. As additional consideration, the convertible notes included an overriding royalty of $2 per ton of clean coal sold through 99 years of the effective date.

During the three months ended March 31, 2025, in connection with these convertible notes, the Company entered into an amendment for the issuance of 7,815,453 common shares as payment for all accrued but unpaid interest through September 30, 2025.

During April 2025, the Company issued convertible notes to an investor for a total of $3,000,000, which bear interest at a rate of 12% and matured in September 2025. The investors have the option to convert not less than all the outstanding convertible notes to common shares at the lower of $0.70 per dollar converted or 75% of the share price in an IPO. As additional consideration, the convertible notes included 1,000,000 common share purchase warrants with an exercise price of $1.25 per share. The common share purchase warrants have been recorded as a discount on the convertible notes at a fair value of $378,000 and are amortized over the term using the interest method.

During May 2025, the Company issued convertible notes to an investor for a total of $4,000,000, which bear interest at a rate of 12% and matured in November 2025. The investors have the option to convert not less than all the outstanding convertible notes to common shares at the lower of $0.70 per dollar converted or 75% of the share price in an IPO. As additional consideration, the convertible notes included 1,000,000 common share purchase warrants with an exercise price of $1.25 per share. The common share purchase warrants have been recorded as a discount on the convertible notes at a fair value of $378,000 and are amortized over the term using the interest method. As additional consideration, the convertible notes included an overriding royalty of $1.33 per ton of clean coal sold up to a maximum of $2,000,000. The overriding royalty has been recorded as a discount on the convertible notes at a value of $2,000,000 and is amortized over the term.

During the three-month period ended March 31, 2026, in connection with these convertible notes, the Company entered into a forbearance agreement. Under the terms of the forbearance agreement, the investor has agreed to refrain and forebear from enforcing any rights and remedies in the note agreement in exchange for a forbearance fee and extension fee of 3.75% and 6.00%, respectively, of the outstanding principal balance of these convertible notes. The forbearance and extensions fees, as well as accrued and unpaid interest totaling $1,236,813 have been added to the outstanding principal balance of these convertible notes.

During January 2025, the Company issued convertible notes to investors for a total of $6,700,000, which bear interest at a rate of 12% and matured in May 2025. The investors have the option to convert the outstanding convertible notes to common shares at the lower of a 75% discount of the reference price, as defined within the note agreement, and the ceiling price of $0.90. As additional consideration, the convertible notes included 5,360,000 common share purchase warrants with an exercise price of $1.25 per share. The common share purchase warrants have been recorded as a discount on the convertible notes at a fair value of $1,334,640 and are amortized over the term using the interest method.

During March 2025, the Company issued convertible notes to investors for $150,000, which bears interest at of 12% and mature in December 2025. The investors have the option to convert the outstanding convertible notes to common shares at the lower of 75% of the price in an IPO or $0.70. As additional consideration, the convertible notes included 120,000 common share purchase warrants with an exercise price of $1.25 per share. The common share purchase warrants have been recorded as a discount on the convertible notes at a fair value of $29,880 and are amortized over the term using the interest method.

During April 2025, the Company issued convertible notes to investors for a total of $3,600,000, which are noninterest bearing and mature in October 2025. As additional consideration, the convertible notes include a $600,000 original issue discount which has been recorded as a discount on the convertible notes and amortized over the term using the effective interest method. The investors have the option to convert the outstanding convertible notes to common shares at the lower of 75% of the price in an IPO or $0.70. As additional consideration, the Company issued 3,000,000 common shares valued at $240,000 and 3,000,000 common share purchase warrants with an exercise price of $1.25 per share valued at $747,000, both of which were recorded as a discount and are being amortized over the term using the interest method.

During August and September 2025, the Company issued convertible notes to investors for a total of $18,871,200, which are noninterest bearing and mature nine months after issuance in February and March 2026. As additional consideration, the convertible notes include a $3,145,200 original issue discount and 15,726,000 common shares valued at $1,258,080 which have been recorded as a discount on the convertible notes and are amortized over the term using the effective interest method. The investors have the option to convert the outstanding convertible notes and accrued interest to common shares at 60% of the price in an IPO.

During October and November 2025, the Company issued convertible notes to investors for a total of $1,392,000. The convertible notes are non-interest bearing and mature six months after issuance in April and May 2026. As additional consideration, the convertible notes include a $232,000 original issue discount and 1,160,000 common shares. The investors have the option to convert the outstanding convertible notes and accrued interest to common shares at 60% of the price in an IPO.

During August and September 2025, the Company issued convertible notes to certain employees and related parties for a total of $1,421,242 in exchange for services provided. The convertible notes are noninterest bearing and mature six months after issuance in February and March 2026. As additional consideration, the convertible notes include a $236,874 original issue discount and 1,184,368 common shares valued at $94,749 which have been recorded as a discount on the convertible notes and are amortized over the term using the effective interest method. The investors have the option to convert the outstanding convertible notes and accrued interest to common shares at 60% of the price in an IPO.

During October and November 2025, the Company issued convertible notes to certain employees and related parties for a total of $420,000. The convertible notes are noninterest bearing and mature six months after issuance in April and May 2026. As additional consideration, the convertible notes include a $70,000 original issue discount and 350,000 common shares. The investors have the option to convert the outstanding convertible notes and accrued interest to common shares at 60% of the price in an IPO.

The Company's current liabilities exceeded its current assets by $13,686,088. Based on its development focus and limited operations to date, the Company has not generated positive cash flows from operations as of September 30, 2026. The Company is currently reviewing alternatives for a capital raise to provide the necessary additional capital to successfully fund the Company's development of new mines.

Cash Flows from Operating activities. Cash used by operating activities for the nine months ended September 30, 2026, was $21.6 million, compared to cash used by operating activities of $14.4 million for the same period in 2025. This difference in 2026 can be attributed to lesser accounts payable and accrued expenses and a gain on the revaluation of derivative liabilities.

Cash Flows from Investing activities. Cash used in investing activities for the nine months ending September 30, 2026 was $7.3 million compared to cash used in investing activities of $3.0 million for the nine months ended September 30, 2025. The primary item impacting cash used in investing activities was the use of proceeds for the purchase of equipment and capitalized exploration and evaluation costs.

Cash Flows from Financing activities. Cash provided by financing activities was $30.2 million for the nine months ended September 30, 2026 compared to cash provided by financing activities of $23.8 million for the nine months ended September 30, 2025. The change was the result of proceeds from the issuance of convertible notes and common shares less principal payments on lease liabilities.

Capital expenditures. Capital expenditures for purchases of property, plant, and equipment were $0.9 million, expenditures for exploration and evaluation assets were $7.5 million, and capital lease additions and right of use asset acquisitions were $32.9 million, for a total of $41.3 million for the nine months ended September 30, 2026 compared to $3.1 million for the nine months ended September 30, 2025.

EBITDA

Management uses EBITDA as an internal measure of operating performance, to establish operational goals, to allocate resources and to analyze business trends and financial performance. EBITDA has limitations as an analytical tool, and you should not consider them in isolation or as substitutes for analysis of our results as reported under IFRS. EBITDA is a non-IFRS financial measure that does not have any standardized meaning as prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies.

EBITDA is defined as net income (loss) plus (i) interest expense, and (ii) depreciation, depletion, accretion and amortization, minus (iii) interest income, (iv) future income tax benefit (expense), (v) fair value movement on derivative financial liability- warrants, and (vi) stock-based compensation expense.

EBITDA is not required by, or presented in accordance with, IFRS. EBITDA is not a measurement of our financial performance or financial position under IFRS and should not be considered as alternatives to total revenues, net income (loss) or any other performance measures derived in accordance with IFRS or as alternatives to cash flow from operating activities as measures of our liquidity. We present EBITDA because we consider it to be an important supplemental measure of our performance and believe EBITDA is frequently used by securities analysts, investors and other interested parties in the evaluation of high yield issuers, many of which present EBITDA when reporting their operating results.

($'000)	Three Months Ended September 30, 2026	Three Months Ended September 30, 2025
Net Loss	$ (6,585)	$ (8,367)
Finance costs	1,569	4,931
Depreciation and amortization	966	203
Income tax expense	-	-
EBITDA	$ (4,050)	$ (3,233)

($'000)	Nine Months Ended September 30, 2026	Nine Months Ended September 30, 2025
Net Loss	$ (17,061)	$ (21,697)
Finance costs	4,862	20,170
Depreciation and amortization	2,067	746
Income tax expense	-	-
EBITDA	$ (10,132)	$ (781)

Outstanding Share Data

Voting Common Shares

An unlimited number of voting common shares at no par value are authorized. The Company has outstanding and fully paid 355,317,908 and 135,091,140 voting common shares as of September 30, 2026 and December 31, 2025, respectively. The holders of common shares are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regard to the Company's residual assets.

Share Purchase Warrants

During January 2025, in connection with the issuance of certain convertible notes, Arrow issued 5,360,000 common 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, Arrow issued 120,000 common share purchase warrants valued at $29,880 with an exercise price of $1.25 per share and exercisable until April 2027.

During April 2025, in connection with the issuance of certain convertible notes, Arrow issued 3,000,000 common 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, Arrow issued 390,600 of share purchase warrants 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, Arrow issued 1,102,028 of share purchase warrants with an exercise price of $1.25 per share and exercisable until December 2027.

During December 2025, in connection with the issuance of certain convertible notes, Arrow issued convertible notes in exchange for 1,000,000 share purchase warrants.

During March 2026, in connection with the issuance of certain convertible notes, Clinch Resources Subco Ltd. (at such time, 1406681 B.C. Ltd.), issued 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

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 nine months ended September 30, 2026	**4,277,194**	$2.16	March 11, 2029
Exchanged during the nine months ended September 30, 2026	-		
Exercised during the nine months ended September 30, 2026	**(27,237,905)**		
Total issued, outstanding and exercisable as of September 30, 2026	**10,185,917**		

Nature and Purpose of Equity

The reserves recorded in equity on the Company's balance sheet include 'Share Capital', which is used to recognize the value of equity-settled share-based transactions, "Share-based Payments", which is used to record the issuance of options and restricted stock units, "Contributed Surplus", which is used to record the expiration or forfeiture of warrants or options, and "Accumulated Deficit", which is used to record the Company's change in deficit from period to period.

Stock Incentive Plan

Options

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 nine months ended September 30, 2026	**12,500,000**	$1.69
Exercised during the nine months ended September 30, 2026	**(3,000,000)**	$0.52
Total outstanding as of September 30, 2026	**16,300,000**	$1.51

Expenses Arising from Share-Based Payment Transactions

The Company recorded share-based compensation expense of $799,028 for the nine months ended September 30, 2026, compared to $77,062 for the nine months ended September 30, 2025. For the three months ended September 30, 2026, the Company recorded shared-based compensation expense of $310,680, compared to nil for the three months ended September 30, 2025.

Credit risk

Credit risk arises from the potential that a customer or counterparty will fail to perform its obligations. The Company's exposure to credit risk exists primarily related to its trade accounts receivable. While economic factors can affect credit risk, the Company manages risk by providing credit terms on a case-by-case basis. The Company's customers are primarily investment-grade companies and quasi-governmental agencies. The Company's cash is on deposit with quality financial institutions and such deposits are subject to insurance (with certain limitations) by the Federal Deposit Insurance Corporation, an independent agency of the United States of America. Our maximum credit risk exposure at September 30, 2026 is approximately $7.4 million and is equal to the carrying amount of all cash and cash equivalents, restricted cash and trade accounts receivable as listed on the accompanying balance sheet.

Market Risk

Market risk includes interest rate risk and pricing risk. The Company's interest rate risk primarily relates to the Company's interest-bearing debt. As the Company's debt has fixed interest rates, exposure to cash flow interest rate risk has been minimized.

The Company's price risk primarily relates to significant fluctuations in coal sales prices which are caused by many factors outside of the Company's control. The Company minimizes its price risk by entering into long-term sales contracts with customers, to the extent possible, which fix the price of coal sold.

Liquidity Risk

Liquidity risk is the risk that the Company will have difficulty meeting its obligations associated with financial liabilities. To manage this risk, the Company ensures, to the extent possible, that it will have sufficient liquidity to meet its obligations when due by continually monitoring cash balances and cash flow projections.

We have sustained losses since operations commenced in 2019 and have financed these losses mainly through a combination of equity and debt offerings. However, as a result of the RTO and equity issuance in 2026, we had significantly increased our cash balances which we will use for expansion and general corporate purposes.

See the "Liquidity and Capital Resources" section of this MD&A for further details with respect to the Company's current liquidity.

Foreign Currency Risk

All of our transactions are denominated in U.S. dollars, and as a result, we do not have material exposure to currency exchange rate risk.

Contractual Obligations

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 $195,000 for the nine months ended September 30, 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 September 30, 2026:

2026	**$ 180,000**
2027	**490,000**
2028	**410,000**
2029	**410,000**
2030	**410,000**
Thereafter	**607,000**
Total	**$ 2,507,000**

Future noncancelable minimum payments under the synthetic call option agreement (as disclosed in Note 14) are as follows as of September 30, 2026:

2026	**$ 750,000**
2027	**3,000,000**
2028	**1,500,000**
2029	**–**
2030	**–**
Thereafter	**–**
Total	**$ 5,250,000**

Customer Concentration

The Company currently has two customers, which accounted for 100% of the Company's revenues during the nine months ended September 30, 2026.

Equipment, Vehicle, and Other Lease Liabilities

As of September 30, 2026 and 2025, the Company had lease liabilities totaling $24.9 million and $3.4 million, respectively. These leases bear interest at fixed rates ranging from 6.5% to 9.0% and are due in various monthly payments through September 2030.

Derivative Financial Liabilities

During May, June, July and September 2021, the Company issued convertible notes payable to various related parties and investors for a total of $29,323,390, including $4,100,000 exchanged for notes payable and $300,000 exchanged for accounts payable. The convertible notes bear interest at a rate of 12%. $21,323,390 expired one year from the issuance date and the remaining $8,000,000 expire in December 2022. In the event of an IPO or exit sale, the investors' convertible notes automatically convert to Common Shares at the lower of $0.70 per dollar converted or 70% of the share price in either an IPO or an exit sale. In the event of a back door listing, the investors' convertible notes automatically convert to Common Shares at the lower of $0.70 per dollar converted or 70% of the share price multiplied by the ratio at which shares in the Company are exchanged for shares in the listed entity. In April 2022, $11,323,390 of the convertible note payable was converted into Common Shares at $0.70 per share. As of March 31, 2022, the Company had $2,709,040 in accrued interest payable in connection with the remaining $18,000,000 in convertible notes payable.

As the conversion price of the convertible notes varied depending on certain factors, the Company recorded the fair value of the embedded conversion options as derivative liabilities separate from the host contract liability. The fair value of the embedded derivative liabilities are re-measured at the end of each reporting period with any changes in fair value reported in profit and loss.

As of December 31, 2023, derivative liabilities totaled $8,222,863. During 2025, the Company recognized derivative liabilities of $14,060,248 related to the issuance of convertible notes, separate from the host contract liability of $15,864,752. During 2025, the Company recognized a gain on the revaluation of the derivative liabilities of $14,132,788. During the three months ended March 31, 2025, the Company recognized a gain on the revaluation of the derivative liabilities of $8,150,323.

In connection with the RTO, financing activities were undertaken through Clinch Resources Subco. Ltd., 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 nine months ended September 30, 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.

The Company accretes the host contract liability over the term of the convertible notes using the effective interest rate method. The fair value of the 2026 embedded derivative liabilities was $1,012,660 as of September 30, 2026.

Synthetic Call Option Liability: The payment obligation gives rise to a minimum contractual cash commitment remaining of $5,250,000 over its remaining term of eighteen months, together with the potential for additional payments depending on the Company's average realized coal sales prices. The ultimate amount payable may exceed the minimum commitment.

The Company has assessed the agreement under IFRS 9, *Financial Instruments*, and recognized a financial liability in respect of its contractual cash payment obligations. The liability is initially measured at fair value and is subsequently measured in accordance with the applicable IFRS 9 measurement requirements.

At September 30, 2026, the discounted carrying amount of the financial liability was $4,784,781, of which $2,637,572 was classified as current and $2,147,210 as non-current.

The Company's remaining undiscounted minimum contractual payments under the agreement at September 30, 2026 were $5,250,000. Additional payments may become payable depending on average realized coal sales prices during the remaining contractual periods. The agreement exposes the Company to future cash outflows over its term. The Company monitors the associated obligations as part of its liquidity management and cash flow forecasting processes.

The agreement exposes the Company to future cash outflows over its term. The Company monitors the associated obligations as part of its liquidity management and cash flow forecasting processes.

Related Party Entities

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.

A trust established by the Founder made non-interest-bearing advances to the Company, of which the outstanding balance as of December 31, 2023 totaled $450,000. During 2025, the trust made additional advances of $450,000 to the Company. During 2025, the outstanding balance was paid in full.

During 2025, an entity owned by certain members of management made non-interest-bearing advances of $200,000, During 2025, the outstanding balance was paid in full.

Equity Instrument Disclosures Related to Key Management Personnel Option Plan Details

Share-Based Payments outlines the details of the Company's 2019 Stock Incentive Plan and 2022 Stock Incentive Plan related to key management personnel.

Options Holdings

The number of options outstanding over Common Shares in the Company held during the financial period by directors and key management personnel, and insiders of the Company as of September 30, 2026 was 16,400,000. The options expire at various times throughout 2029 through 2035.

Restricted Cash

The Company is required by its surety agency to maintain cash deposits to collateralize outstanding reclamation bonds that are required by various governmental agencies for mining permits. As of September 30, 2026, the Company holds approximately $1,800,000 in restricted cash used for these purposes.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in conformity with IFRS which requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to computing depreciation, depletion, amortization, accretion, reclamation liability, asset impairment, valuation of non-cash transactions, and recovery of receivables. Estimates are then based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Our use of estimates, however, is limited, until we have adequate time to process and record actual results from operations.

We believe our most critical accounting policies include revenue recognition, the corresponding accounts receivable and the methods of estimating depletion and reclamation expense of actual mining operations in relation to estimated total mineable tonnage on our properties. We believe the following accounting policies affect our more significant judgments and estimates used in preparation of our consolidated financial statements.

In the normal course of business, the Company is also involved in various lawsuits, claims and other legal matters. The Company is of the opinion that the outcome of such lawsuits, claims and other legal matters will not have a material impact on the Company's future financial position, results of operations or cash flows.

Revenue recognition. We recognize revenue when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) delivery has occurred or services have been rendered, (3) the seller's price to the buyer is fixed or determinable, and (4) collectability is reasonably assured. In the case of coal we mine and sell, we negotiate a specific sales contract with each customer, which includes a fixed price per ton, a delivery schedule, and terms for payment. We recognize revenue from sales made pursuant to these contracts at the time possession of our coal legally transfers from us to our customer, which generally occurs at the time of shipment.

Accounts receivable. Accounts receivable balances are evaluated on a continual basis and allowances, if any, are provided for potentially uncollectible accounts based on management's estimate of the collectability of customer accounts. If the financial condition of a customer were to deteriorate, resulting in an impairment of our ability to make payments, an additional allowance may be required. Allowance adjustments, if any, are charged to operations in the period in which the facts that give rise to the adjustments become known. It is our policy not to require collateral on trade accounts receivable. Credit losses, when realized, have been in the range of our expectations and, historically, have not been significant.

Asset retirement obligations. Our asset retirement obligation ("ARO") liabilities primarily consist of estimated costs related to reclaiming surface land and support facilities at our mines in accordance with federal and state reclamation laws as defined by each mining permit.

We estimate the fair value of our ARO liabilities for final reclamation and mine closure based upon detailed engineering calculations of the amount and timing of future costs for third-parties to perform the required work. Cost estimates are escalated for inflation, and then discounted at the risk-free rate, which approximated 4% at September 30, 2026. Total estimated undiscounted future costs related to the ARO liabilities totaled approximately $2.3 million as of September 30, 2026 with costs expected to be paid from 2025 to 2060. We record a capital asset retirement cost associated with the initial recorded liability. The capital asset retirement cost is amortized based on the straight-line method, and the ARO liability is accreted to the projected settlement date. Changes in estimates could occur in the near term due to revisions of mine plans, changes in estimated costs, and changes in timing of the performance of reclamation activities.

Stock-based compensation. We use the fair value method of accounting for stock options and warrants granted. The fair value of stock options and warrants is determined using the Black-Scholes option pricing model with assumptions for risk-free interest rates, volatility factors of the expected market price of the Common Shares and an expected life of the options and warrants. The fair value of the instruments granted is amortized over the vesting period.

Contribution expense attributable to stock options granted is measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to stock options, a component of shareholders' equity.

Upon exercise of the stock options, consideration received together with the amount previously recognized is recorded as an increase to share capital.

When warrants or stock options expire, or stock options are forfeited, the amount is transferred to contributed surplus. We have not incorporated an estimated forfeiture rate of stock options that will not vest; rather, we account for actual forfeitures as they occur.

Reserves. We amortize our mineral rights, mine development costs, and capitalized asset retirement costs using the units-of-production method and estimates of proven and probable reserves. We review these estimates on a regular basis and adjust them to reflect our current mining plans. The rate at which we record depletion also depends on the estimates of our reserves. If the estimates of proven and probable reserves decline, the rate at which we record depletion increases. Such a decline in reserves may result from geological conditions, coal quality, effects of governmental, environmental and tax regulations, and assumptions about future prices and future operating costs.

Controls and Procedures

Disclosure Controls and Procedures

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's President and Chief Executive Officer and Chief Financial Officer have concluded that,

as of the end of the period covered by this MD&A, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods, and is accumulated and communicated to management, including the President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

The Company's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the President and Chief Executive Officer and Chief Financial Officer, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes policies and procedures that:

- Pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of
- financial statements in accordance with IFRS and that the Company's receipts and expenditures are made only in accordance with authorizations of management and the Company's Directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

There has been no change in the Company's internal control over financial reporting during the nine months ended September 30, 2026, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Risk Factors

An investment in the Company involves a number of risks. You should carefully consider the following risks and uncertainties in addition to other information in this MD&A in evaluating the Company and its business before making

any investment decision in regard to the securities of the Company. The Company's business, operating and financial condition could be harmed due to any of the following risks. The risks described below are not the only ones facing the Company. Additional risks not presently known to us may also impair business operations.

Exploration and Mining Risks

The Company is engaged in coal exploration and development activities. Coal exploration and development involves a high degree of risk and the long-term profitability of our operations will be in part directly related to the cost and success of our exploration programs, which may be affected by a number of factors beyond our control.

Coal exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of coal, any of which could result in work stoppages, damage to property, and possible environmental damage.

Hazards such as unusual or unexpected formations and other conditions such as, but not limited to, labor disruptions, flooding, explorations, landslides and the inability to obtain suitable machinery, equipment or labor are involved in coal exploration, development and operation. We may become subject to liability for pollution or hazards against which we cannot insure or against which we may elect not to insure. The payment of such liabilities may have a material, adverse effect on our financial position.

The Company relies upon consultants and others for exploration and development expertise. Substantial expenditures are required to, among other things, develop the mining and processing facilities and infrastructure at any site chosen for mining and production. Although substantial benefits may be derived from the discovery of a coal deposit, no assurance can be given that coal will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing coal properties is affected by many factors including the cost of operations, fluctuations in coal markets, allowable production, importing and exporting of coal and environmental protection.

Financing Risks

The Company is limited in financial resources. The Company has no assurance that additional funding will be available to us for further exploration and development of our projects or to fulfil our obligations under any applicable agreements. There can be no assurance that we will be able to obtain adequate financing in the future, or that the terms of such financing will be favorable. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and development of our projects.

Regulatory Requirements

Even if our mineral properties are proven to host economic reserves of coal resources, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits or repatriation of profits. The Company may acquire other properties in other jurisdictions or countries in the future. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect our business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and expropriation of property, environmental legislation and mine safety.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such

risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

No Assurance of Titles

It is possible that any of our current, or future, properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that such licenses and permits as may be required to carry out exploration, development and mining operations at any of our current or future projects will be granted.

Competition

The coal industry is intensely competitive in all its phases. We compete with a number of companies possessing greater financial resources and technical facilities than the Company for, among other things, the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

In addition, there is no assurance that a ready market will regularly exist for the sale of commercial quantities of coal. Factors beyond the control of the Company may affect the marketability of any coal produced by the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, shipping and exporting of coal and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing our investment capital.

Environmental Regulations

Our operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our operations.

No Markets for Securities

There can be no assurance that an active trading market in our securities will be established and/or sustained.

Reliance on Key Individuals

Our success depends to a certain degree upon certain key members of the management. It is expected that these individuals will be a significant factor in our growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Company.

Geopolitical Risks

The Company may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on future exploitation and production, price controls, export controls, currency availability, income taxes, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other nongovernmental organizations, expropriation of property, ownership of assets, environmental legislation, labor relations, limitations on mineral exports, increased financing costs, and site safety. In addition, legislative enactments may be delayed or announced without being enacted and future political action that may adversely affect the Company cannot be predicted. Any changes in regulations or shifts in political attitudes that may result, among other things, in significant changes to mining laws or any other national legal body of regulations or policies are beyond the control of the Company and may adversely affect its business. The possibility that future governments may adopt substantially different policies, which might extend to the expropriation of assets, cannot be ruled out.

Health Epidemics and Outbreaks of Communicable Diseases

The Company’s business could be adversely impacted by the effects of the novel coronavirus or other health epidemics and/or outbreaks of communicable diseases, which could significantly disrupt the Company's exploration and development activities and may have a material adverse effect on Company's business and financial condition. The extent to which such occurrences could impact the Company will depend on future developments, which are highly uncertain and cannot be predicted at this time, including the duration, severity and scope of the health epidemic or outbreak and the actions taken to contain or treat such health epidemic or outbreak. A future health epidemic or outbreak could materially and adversely impact the Company's business including, without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, and/or stoppage or suspension of its operations, any or all of which may have a material adverse effect on the Company's business, financial condition and results of operations. There can also be no assurance that the Company’s personnel will not be impacted by any health epidemic or outbreak that would ultimately result in, for example, all or a portion of the Company’s operations to be suspended or its workforce productivity to be reduced, any or all of which may have a material adverse effect on the Company's business, financial condition and results of operations.