

PARDEE RESOURCES COMPANY

1ST QUARTER 2025



Responsible Development of Natural Resource Properties
Integrity Creativity Excellence Respect Teamwork Family

To Our Shareholders:

During Q1 2025, Pardee Resources Company earned \$4.67 per share, a 2.9 % decrease versus the \$4.81 per share earned during Q1 2024. EBITDA during the quarter was \$8.18 per share, 5.3% above EBITDA of \$7.77 per share earned during Q1 2024. The Company's results were negatively impacted by lower coal production and weather-related disruptions in railroad operations, leading to a decline in coal shipments from our properties. Meanwhile, increases in both production and prices helped boost our oil and gas revenues year-over-year. Strong gains from our real estate operations more than offset the impact of a decline in timber production, lifting our timber and surface results. Revenues earned by our solar portfolio, typically low during the winter months, were flat versus a year ago.

Metallurgical Coal Division: During the quarter, disruptions in rail service, caused by winter storms and flooding, curtailed coal producers' ability to ship and sell coal to their customers. Meanwhile, the industry was operating under the cloud of weakening international coal prices, pressured by China's dumping of excess steel production into the World markets. While Central Appalachia, where Pardee's coal reserves are located, remained the Nation's top metallurgical coal region, coal shipped from our properties during the period declined 29%, driven lower by a 20% decline in production and weather-related rail service disruptions. Consequently, Division revenues fell from \$5.5 million during Q1 2024 to \$3.3 million during Q1 2025, or a 40% decline.

Oil & Gas Division: The winter heating season was significantly cooler than that of 2023-2024 season, causing the U.S. natural gas storage levels to drop from above-average in December 2024 to below-average in March 2025, putting upward pressure on natural gas prices. Appalachian Basin prices climbed from an average of \$1.71 per Mcf during Q1 2024, to \$3.27 per Mcf in 2025, a gain of 91%. In addition to higher energy prices, the Company benefited from an 18% increase in production from our properties resulting from new wells coming online in Colorado and contributions from oil and gas investments made in mid-2024. Division revenues, which include a one-time upward adjustment to past royalties, totaled \$3.2 million during the quarter, a 144% improvement over Q1 2024 results.

Timber & Surface Division: Timber markets generally remained under pressure with inflation and interest rates continuing to weigh on the housing markets. Lately, hardwood stumpage prices have seen additional downward pressure due to the U.S. - China trade war and China's resulting ban on U.S. log imports, a traditionally important market for U.S. hardwoods. Due mainly to harvest timing variances, hardwood and softwood production on our properties declined year-over-year, leading to a 45% drop in timber revenues, from \$1.2 million in Q1 2024 to \$676,000 in Q1 2025. Our Virginia real estate efforts resulted in the sale of 189 acres during the quarter, generating net gains of \$1.1 million, boosting Division revenues to \$2.3 million, a 31% increase above the \$1.7 million earned during Q1 2024.

Alternative Energy Division: During 2024, growth of the U.S. solar industry continued apace, with a record-breaking 50 GW of new installations completed, accounting for 66% of all new electricity-generating capacity added to the U.S. grid in 2024. Behind this growth was a 190% year-over-year increase in domestically manufactured solar PV modules, an industry highly incentivized by tax benefits contained in the Inflation Reduction Act. In order to participate in the industry's growth, we continue to seek additional alternative energy investments. During Q1 2025, our solar PV portfolio performed as expected and roughly unchanged versus the prior year period, producing 2.6 million kWh of electricity while yielding \$440,000 in revenue. Please note that electricity production during the first quarter months, as during the fourth quarter months, is typically lower than during the mid-year months as the sun sits lower in the sky.

Agriculture Division: Consistently mild spring weather in California resulted in large grape cluster counts and vine canopies loaded heavy with fruit, pointing to a healthy crop later this summer. Meanwhile, with California table grape growers shipping to as many as 56 separate export markets in 2024, the tariff war has the industry scrambling to adjust marketing strategies. In Portugal, where our almonds have a distinct advantage over California growers in reaching European customers "tariff free," unusually heavy rains during Q1 2025 may negatively impact almond yields. Meanwhile, almond prices trended higher during the period, allowing us to project positive cash flows from our almond operations for the first time.

Summary: Pardee's operating results during the quarter once again underscored the benefits of maintaining a diversified asset portfolio. The Company ended the quarter with cash balances of \$30 million and limited debt, while earning \$243,000 in interest income during the quarter. Thanks to our strong cash flow, diversified asset portfolio, and healthy balance sheet, the Company is well-positioned to achieve our dual goals of returning capital to our shareholders and investing for future growth.

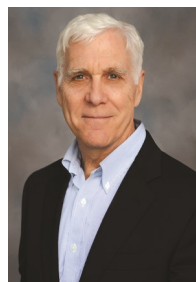
Sincerely yours,

Benjamin A. Burditt



Chairman
Benjamin A. Burditt

Carleton P. Erdman



President & CEO
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Pardee Resources Company
Unaudited Consolidated Balance Sheets

(Dollars in Thousands)

| ASSETS | 3/31/2025 | 12/31/2024 |
|--|-------------------------|-------------------------|
| Current Assets: | | |
| Cash & Cash Equivalents | \$30,829 | \$27,382 |
| Accounts Receivable | 5,992 | 8,439 |
| Prepaid Income Taxes | 0 | 280 |
| Other | <u>2,443</u> | <u>980</u> |
| | <u>39,264</u> | <u>37,081</u> |
| Fixed Assets: (Net of Depl. & Deprec.) | | |
| Land & Right-of-Ways | 26,636 | 26,867 |
| Mineral Rights - Coal | 32,569 | 32,593 |
| Timber | 8,652 | 8,711 |
| Solar Equipment | 10,137 | 10,329 |
| Building & Structures | 964 | 984 |
| Agriculture Development | 8,243 | 8,351 |
| Equipment | 434 | 470 |
| Automobiles | 167 | 186 |
| Other Fixed Assets | <u>1,751</u> | <u>1,801</u> |
| | <u>89,553</u> | <u>90,292</u> |
| Investments & Other: | | |
| Oil & Gas Investments (Net of Depl. & Deprec.) | 29,930 | 30,970 |
| Right of Use Asset | 3,569 | 3,627 |
| Other | <u>145</u> | <u>147</u> |
| Total Assets | <u><u>\$162,461</u></u> | <u><u>\$162,117</u></u> |
| LIABILITIES & EQUITY | | |
| Current Liabilities: | | |
| Accounts Payable | \$1,578 | \$2,483 |
| Deferred Revenues | 909 | 1,585 |
| Taxes Payable | 1,885 | 1,220 |
| Current Portion of Note Payable (non-recourse) | 229 | 208 |
| Current Portion Lease Liability | 397 | 387 |
| Other Current Liability | <u>125</u> | <u>125</u> |
| | 5,123 | 6,008 |
| Noncurrent Liabilities: | | |
| Non-recourse Debt | 577 | 598 |
| Supplemental Pension Plan | 682 | 662 |
| Deferred Taxes | 14,265 | 14,265 |
| Deferred Revenue, Net of Current Portion | 600 | 256 |
| Asset Retirement Obligation | 2 | 2 |
| Lease Liability | <u>3,636</u> | <u>3,752</u> |
| Total Liabilities | <u>24,885</u> | <u>25,543</u> |
| Shareholders' Equity: | | |
| Common Stock | 775 | 775 |
| Additional Paid in Capital | 11,773 | 12,924 |
| Accumulated Other Comprehensive Income | (141) | (141) |
| Retained Earnings | 147,404 | 145,532 |
| Treasury Stock | <u>(25,621)</u> | <u>(26,310)</u> |
| | 134,190 | 132,780 |
| Noncontrolling Interest | <u>3,386</u> | <u>3,794</u> |
| Total Equity | <u>137,576</u> | <u>136,574</u> |
| Total Liabilities & Equity | <u><u>\$162,461</u></u> | <u><u>\$162,117</u></u> |

Pardee Resources Company
Unaudited Consolidated Income Statements

(Dollars in Thousands)

| | Three Months Ended <u>3/31/2025</u> | Three Months Ended <u>3/31/2024</u> |
|---|--|--|
| Divisional Revenues: | | |
| Metallurgical Coal | \$3,308 | \$5,493 |
| Oil & Gas | 3,168 | 1,299 |
| Timber & Surface | 2,265 | 1,723 |
| Alternative Energy | 440 | 436 |
| Agriculture | <u>15</u> | <u>0</u> |
| | <u>9,196</u> | <u>8,951</u> |
| Divisional Expenses: | | |
| Metallurgical Coal | 977 | 980 |
| Oil & Gas | 1,458 | 1,092 |
| Timber & Surface | 738 | 840 |
| Alternative Energy | 480 | 445 |
| Agriculture | <u>225</u> | <u>209</u> |
| | <u>3,878</u> | <u>3,566</u> |
| Net Operating Income | \$5,318 | \$5,385 |
| Interest and Other Income | 243 | 361 |
| Gain (Loss) on Equity Investment | 10 | 0 |
| General and Administrative | (1,618) | (1,599) |
| Interest Expense | <u>(12)</u> | <u>(16)</u> |
| Income Before Taxes | \$3,941 | \$4,131 |
| Taxes | <u>946</u> | <u>1,056</u> |
| NET INCOME | \$2,995 | \$3,075 |
| Net Loss - Noncontrolling Interest | <u>58</u> | <u>56</u> |
| Net Income - Pardee Resources | | |
| Shareholders | <u><u>\$3,053</u></u> | <u><u>\$3,131</u></u> |
| EARNINGS PER SHARE | <u><u>\$4.67</u></u> | <u><u>\$4.81</u></u> |
| EBITDA PER SHARE | <u><u>\$8.18</u></u> | <u><u>\$7.77</u></u> |
| (earnings before interest, taxes, depreciation and amortization) | | |
| Weighted Average Number of Common Shares Outstanding | <u><u>653,831</u></u> | <u><u>650,851</u></u> |

Pardee Resources Company Comparison Data Sheet

| | Three Months Ended 3/31/2025 | Three Months Ended 3/31/2024 | % Change |
|--|---------------------------------------|---------------------------------------|-------------|
| Metallurgical Coal | | | |
| Revenues - Millions | \$3.31 | \$5.49 | -39.7% |
| Coal Tons Sold - Millions | 0.48 | 0.68 | -29.4% |
| Royalty/Coal Ton | \$6.29 | \$7.18 | -12.4% |
| Oil & Gas | | | |
| Revenues - Millions | \$3.17 | \$1.30 | 143.8% |
| Production - bcfe | 0.59 | 0.50 | 18.0% |
| Price/mcfe | \$3.46 | \$2.33 | 48.5% |
| Timber & Surface | | | |
| Revenues - Millions | \$2.27 | \$1.72 | 32.0% |
| Hardwood Production - Board feet - Millions | 2.28 | 3.47 | -34.3% |
| Hardwood Stumpage Price/Thousand Bd. Ft. | \$251.20 | \$261.73 | -4.0% |
| Softwood Production - Tons - Thousands | 5.87 | 19.44 | -69.8% |
| Softwood Stumpage Price/Ton | \$14.43 | \$14.74 | -2.1% |
| Hardwood Production - Tons - Thousands | 7.34 | 10.89 | -32.6% |
| Hardwood Stumpage Price/Ton | \$2.58 | \$2.61 | -1.1% |
| Rural Real Estate Gains - Thousands | \$1,074.5 | \$300.7 | 257.3% |
| Alternative Energy | | | |
| Revenues - Millions | \$0.440 | \$0.436 | 0.9% |
| Production - k/w - Millions | 2.43 | 2.35 | 3.4% |
| Electric Sales Price per k/w | \$0.120 | \$0.122 | -1.6% |
| Production - SREC Units | 2,651 | 2,461 | 7.7% |
| SREC Price/Credit | \$47 | \$51 | -7.8% |
| NET DIVISIONAL OPERATING INCOME: | | | |
| (Dollars in Millions) | | | |
| Metallurgical Coal | \$2.33 | \$4.51 | -48.3% |
| Oil & Gas | 1.71 | 0.21 | 714.3% |
| Timber & Surface | 1.53 | 0.88 | 73.9% |
| Alternative Energy | (0.04) | (0.01) | 300.0% |
| Agriculture | (0.21) | (0.21) | 0.0% |
| Net Operating Income | <u>\$5.32</u> | <u>\$5.38</u> | -1.1% |
| EBITDA - Millions | <u>\$5.35</u> | <u>\$5.06</u> | 5.7% |
| (earnings before interest, taxes, depreciation and amortization) | | | |

DC Solar Solutions, Inc.

In December 2015, the Company invested \$7.7 million in a limited liability company (Fund) that purchased mobile solar generators (MSGs) from DC Solar Solutions, Inc. (DC Solar) and, in turn, leased the MSGs to DC Solar Distribution, Inc., an affiliate of DC Solar. In early 2019, the Company learned through public sources that, in December 2018, the U.S. government had seized substantially all of the assets of DC Solar and its affiliates. In February 2019, DC Solar and its affiliates, including our lessee, filed for Chapter 11 bankruptcy protection. In February 2019, an affidavit from a Federal Bureau of Investigation special agent was filed in the bankruptcy proceeding asserting that DC Solar was operating a fraudulent “Ponzi-like scheme” and that a majority of the MSGs sold to investors and a majority of the lease revenues claimed to have been received by DC Solar Distribution, Inc. may not have existed. The Chapter 11 proceedings were subsequently converted to Chapter 7 liquidations. Due to the bankruptcy proceedings being converted to Chapter 7, the Company evaluated its remaining equity investment value of \$485,332 and recorded an impairment charge in that amount as of December 31, 2018.

In 2022, the Company received a draft “Notice of Proposed Adjustment” (NOPA) from the IRS related to their exam of the Company’s 2018 tax return. The NOPA included a \$1.4 million tax assessment associated with the investment tax credits the Company utilized in tax years 2018 and 2019, plus interest. According to the NOPA, the IRS is challenging the values the Company had initially assigned to the MSGs and whether they had all been effectively placed in service, and consequently whether the amount of the associated investment tax credits were appropriate. The Company is considering an appeal of these conclusions when the IRS finalizes the NOPA, but while the process is pending, established a reserve for the full \$1.4 million as of December 31, 2022. Due to various uncertainties, the Company is currently unable to determine the final financial impact arising from this complex situation; however, this impact could be as much as \$1.6 million, which includes the full amount of the IRS tax assessment plus interest.

The Company received a total of \$1,705,448 and \$1,014,566 in legal recoveries, in 2024 and 2023, respectively, against various participants in the DC Solar Ponzi-like scheme. These distributions were recorded into income upon receipt. Additional recoveries, while likely, are not guaranteed and have not been estimated or accrued as of December 31, 2024 and will be recorded into income if and when received.

In addition to the above referenced matters, we are subject to claims and legal actions in the ordinary course of business. We expense legal costs as they are incurred. While there are uncertainties in predicting the outcome of any claim or legal action, we believe the ultimate resolution of these claims or actions is not reasonably likely to have a material adverse effect on our financial condition, results of operations, or cash flows.

Forward-Looking Statement

Certain of the statements contained herein (other than statements of historical facts) are forward-looking statements. Such forward-looking statements include estimates and assumptions related to the Company’s growth, reserves, the state of future markets for natural resource, renewable and agricultural products, and the ability of the Company to sell its natural resource, renewable and agricultural products on a profitable basis. These forward-looking statements are subject to change and uncertainty which are, in many instances, beyond the Company’s control and have been made based upon management’s expectations and beliefs concerning future developments and their potential effect on the Company. There can be no assurance that future developments will be in accordance with management’s expectations or that the effect of future developments on the Company will be those anticipated by management. Actual financial results, including revenue growth and earnings results, could differ materially from those anticipated by the Company depending on the outcome of certain factors, which may include, among others, changes in the wholesale prices for timber, oil, natural gas, coal, renewable and agricultural products; increases in property acquisition costs; adverse weather conditions; litigation; failures of our lessees to mine, drill and harvest at rates we currently anticipate; differences between actual reserves and estimated amounts; legislative changes or government regulations which make it more difficult or expensive to sell, extract or harvest our natural resource, renewable and agricultural products or impose greater financial burdens on the users of such products; unanticipated costs for remediation and reclamation; and other risks and uncertainties.

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