

PARDEE RESOURCES COMPANY

3RD QUARTER 2025



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

To Our Shareholders:

In Q3 2025, Pardee Resources Company reported earnings of \$3.77 per share, representing a 50% decrease compared to the \$7.49 per share recorded in Q3 2024. EBITDA for the period was \$6.12 per share, marking a 45% decline from the \$11.13 per share achieved in Q3 2024. The results for Q3 2024 were positively impacted by a significant real estate transaction and a substantial legal settlement, neither of which occurred in Q3 2025. Furthermore, increased costs associated with exploratory coal drilling during Q3 2025 contributed to the year-over-year reduction in operating performance. Overall, Company revenues declined 12% from \$8.9 million in Q3 2024 to \$7.8 million in Q3 2025, while revenues for the first nine months decreased 6% from \$27.2 million in 2024 to \$25.7 million in 2025.

Metallurgical Coal Division: Global metallurgical coal markets faced ongoing challenges due to surplus steel exports from China, which negatively impacted demand and pricing. The continuing tariff dispute between the U.S. and China further complicated conditions for U.S. producers. Metallurgical coal exports, which in 2024 comprised 79% of total U.S. metallurgical coal shipments, are projected to decline 6.8% in 2025. Additional low-cost longwall mine production is scheduled to commence in the U.S. during 2026, potentially increasing competitive pressures on Central Appalachian producers. As a result of our ongoing exploratory drilling program, an independent geologic consultant confirmed the addition of 12.2 million tons of metallurgical coal to our reserve base this quarter, with most of these reserves currently under lease. During Q3 2025, royalty per ton decreased by 8.7%, while coal shipments from our properties rose by 11.5%. Overall, Division revenues reached \$4.4 million during the quarter, representing a 12.9% increase compared to the \$3.9 million earned during Q3 2024.

Oil & Gas Division: The domestic natural gas sector experienced robust demand growth from two primary sources: LNG exports and electricity consumption by data centers. In the first seven months of 2025, demand from LNG export facilities rose by 21% compared to the same period last year, and represented 15% of total domestic consumption. During Q3 2025, Appalachian natural gas prices averaged \$2.15 per mcf, an increase of 44% over the average of \$1.49 per mcf during Q3 2024, enabling Pardee to realize a 37% increase in revenues generated from our Appalachian assets. Unfortunately, this improvement was offset by decreased production from our Colorado holdings, which in 2024 benefited from elevated output associated with several newly completed horizontal wells. On balance, overall production from our portfolio declined by 15%, while the realized price increased 9.4%, resulting in Division revenues of \$1.4 million, a 6.6% decrease compared to Q3 2024 results.

Timber & Surface Division: Although mortgage rates declined over the quarter, the decrease was insufficient to stimulate a significant recovery in residential construction and lumber markets. Additionally, the ongoing tariff dispute between the U.S. and China continued to pose challenges for exporters of U.S. lumber to the Chinese market. Production volumes of both hardwood and softwood from our properties during Q3 2025 were lower compared to Q3 2024. This reduction reflects the impact of weaker market conditions, as well as the fact that 2024 production levels exceeded

our sustainable targets. Real estate gains for the current quarter were considerably below those recorded in Q3 2024, however, cumulative gains for the first nine months of 2025 reached \$1.9 million, consistent with the same period in 2024. Overall, Q3 2025 revenues for the Division amounted to \$1.2 million, representing a 57% decrease from the \$2.9 million reported in Q3 2024.

Alternative Energy Division: In Q2 2025, Pardee entered into agreements to invest \$15.2 million for a 90% stake in four partnerships, which collectively plan to install 4.6 MW of commercial solar PV rooftop capacity at Roanoke City Public Schools located in Virginia. Construction is currently in progress, and all systems are on schedule to be placed in service by December 31, 2025. This investment is partially financed through commercial bank loans, which are non-recourse to the Company, and is eligible for federal investment tax credits. During Q3 2025, Division revenues totaled \$626,000, representing a slight decrease compared to Q3 2024.

Agriculture Division: With harvests almost finished, our table grape ranches in Central Valley, California are projected to achieve strong yields and favorable operating results this season. In contrast, heavy rainfall in Portugal, where it rained an exceptional 55 days within a 60-day period during the spring, led to widespread fungal disease across our almond orchard. Although measures are underway to repair the damage and revive commercial operations, these issues have and will result in financial setbacks for both 2025 and 2026.

Summary: In Q3 2025, the Company achieved solid operating results despite continued weakness in both the metallurgical coal and timber markets, sectors that are key for Pardee. During the quarter, we increased our metallurgical coal reserves and made a promising new investment in solar PV infrastructure. The Company earned \$348,000 in interest and finished the quarter with \$37 million in cash and minimal debt. Pardee is well positioned to accomplish two main objectives: invest in future growth and return capital to shareholders.

Sincerely yours,



Chairman
Benjamin A. Burditt

Physical Address:
Pardee Resources Company
201 King of Prussia Road, Suite 220
Radnor, PA 19087
(215) 405-1260
pardee@pardee.com
www.pardee.com



President & CEO
Carleton P. Erdman

Pardee Resources Company
Unaudited Consolidated Balance Sheets

(Dollars in Thousands)

ASSETS	<u>9/30/2025</u>	<u>12/31/2024</u>
Current Assets:		
Cash & Cash Equivalents	\$37,091	\$27,382
Accounts Receivable	6,689	8,439
Prepaid Income Taxes	0	280
Other	<u>8,208</u>	<u>980</u>
	<u>51,988</u>	<u>37,081</u>
Fixed Assets: (Net of Depl. & Deprec.)		
Land & Right-of-Ways	26,183	26,867
Mineral Rights - Coal	32,505	32,593
Timber	8,638	8,711
Solar Equipment	9,755	10,329
Building & Structures	923	984
Agriculture Development	8,031	8,351
Equipment	388	470
Automobiles	82	186
Other Fixed Assets	<u>1,774</u>	<u>1,801</u>
	<u>88,279</u>	<u>90,292</u>
Investments & Other:		
Oil & Gas Investments (Net of Depl. & Deprec.)	28,812	30,970
Right of Use Asset	3,454	3,627
Other	<u>138</u>	<u>147</u>
	<u>32,404</u>	<u>34,744</u>
Total Assets	<u><u>\$172,671</u></u>	<u><u>\$162,117</u></u>
LIABILITIES & EQUITY		
Current Liabilities:		
Accounts Payable	\$1,948	\$2,483
Deferred Revenues	474	1,585
Taxes Payable	1,998	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>
	5,171	6,008
Noncurrent Liabilities:		
Non-recourse Debt	420	598
Supplemental Pension Plan	713	662
Deferred Taxes	14,265	14,265
Deferred Revenue, Net of Current Portion	305	256
Asset Retirement Obligation	2	2
Lease Liability	<u>3,663</u>	<u>3,752</u>
Total Liabilities	<u>24,539</u>	<u>25,543</u>
Shareholders' Equity:		
Common Stock	775	775
Additional Paid in Capital	12,258	12,924
Accumulated Other Comprehensive Income	(141)	(141)
Retained Earnings	157,363	145,532
Treasury Stock	<u>(25,898)</u>	<u>(26,310)</u>
	144,357	132,780
Noncontrolling Interest	<u>3,775</u>	<u>3,794</u>
	<u>148,132</u>	<u>136,574</u>
Total Equity	<u><u>148,132</u></u>	<u><u>136,574</u></u>
Total Liabilities & Equity	<u><u>\$172,671</u></u>	<u><u>\$162,117</u></u>

Pardee Resources Company
Unaudited Consolidated Income Statements

(Dollars in Thousands)

	Three Months Ended <u>09/30/2025</u>	Three Months Ended <u>09/30/2024</u>	Nine Months Ended <u>09/30/2025</u>	Nine Months Ended <u>09/30/2024</u>
Divisional Revenues:				
Metallurgical Coal	\$4,384	\$3,882	\$12,013	\$14,719
Oil & Gas	1,408	1,509	6,390	4,065
Timber & Surface	1,237	2,857	5,341	6,580
Alternative Energy	626	659	1,750	1,756
Agriculture	<u>162</u>	<u>37</u>	<u>177</u>	<u>52</u>
	<u>7,817</u>	<u>8,944</u>	<u>25,671</u>	<u>27,172</u>
Divisional Expenses:				
Metallurgical Coal	925	169	2,922	2,327
Oil & Gas	1,080	1,241	3,468	3,591
Timber & Surface	783	1,035	2,320	2,723
Alternative Energy	400	517	1,381	1,317
Agriculture	<u>346</u>	<u>370</u>	<u>884</u>	<u>799</u>
	<u>3,534</u>	<u>3,332</u>	<u>10,975</u>	<u>10,757</u>
Net Operating Income	\$4,283	\$5,612	\$14,696	\$16,415
Interest and Other Income	348	389	924	1,120
Gain (Loss) on Equity Investment	0	1,705	10	1,705
General and Administrative	(1,416)	(1,439)	(4,512)	(4,695)
Gain on Asset Disposal	0	0	8,897	0
Interest Expense	<u>(8)</u>	<u>(14)</u>	<u>(29)</u>	<u>(45)</u>
Income Before Taxes	\$3,207	\$6,253	\$19,986	\$14,500
Taxes	<u>770</u>	<u>1,501</u>	<u>4,797</u>	<u>3,480</u>
NET INCOME	\$2,437	\$4,752	\$15,189	\$11,020
Net Loss - Noncontrolling Interest	<u>24</u>	<u>123</u>	<u>178</u>	<u>239</u>
Net Income - Pardee Resources Shareholders	<u><u>\$2,461</u></u>	<u><u>\$4,875</u></u>	<u><u>\$15,367</u></u>	<u><u>\$11,259</u></u>
EARNINGS PER SHARE	<u><u>\$3.77</u></u>	<u><u>\$7.49</u></u>	<u><u>\$23.52</u></u>	<u><u>\$17.30</u></u>
EBITDA PER SHARE	<u><u>\$6.12</u></u>	<u><u>\$11.13</u></u>	<u><u>\$35.13</u></u>	<u><u>\$26.52</u></u>
(earnings before interest, taxes, depreciation and amortization)				
Weighted Average Number of Common Shares Outstanding	<u><u>653,408</u></u>	<u><u>650,903</u></u>	<u><u>653,408</u></u>	<u><u>650,903</u></u>
Common Dividend Per Share	<u><u>\$1.80</u></u>	<u><u>\$1.80</u></u>	<u><u>\$5.40</u></u>	<u><u>\$5.40</u></u>
Total Shareholder Return (dividend paid plus change in stock price)			<u><u>-1.53%</u></u>	<u><u>21.33%</u></u>

**Pardee Resources Company
Comparison Data Sheet**

	Three Months Ended <u>09/30/25</u>	Three Months Ended <u>09/30/24</u>	%Change	Nine Months Ended <u>09/30/25</u>	Nine Months Ended <u>09/30/24</u>	%Change
Metallurgical Coal						
Revenues - Millions	\$4.38	\$3.88	12.9%	\$12.01	\$14.72	-18.4%
Coal Tons Sold - Millions	0.68	0.61	11.5%	1.84	2.00	-8.0%
Royalty/Coal Ton	\$5.85	\$6.41	-8.7%	\$5.98	\$6.78	-11.8%
Oil & Gas						
Revenues - Millions	\$1.41	\$1.51	-6.6%	\$6.39	\$4.07	57.0%
Production - bcfe	0.51	0.60	-15.0%	1.72	1.61	6.8%
Price/mcfe	\$2.57	\$2.35	9.4%	\$2.95	\$2.41	22.4%
Timber & Surface						
Revenues - Millions	\$1.24	\$2.86	-56.6%	\$5.34	\$6.58	-18.8%
Hardwood Production - Board feet - Millions	1.65	3.94	-58.1%	5.61	11.23	-50.0%
Hardwood Stumpage Price/Thousand Bd. Ft.	\$249.21	\$231.25	7.8%	\$281.54	\$247.07	14.0%
Softwood Production - Tons - Thousands	10.44	22.19	-53.0%	17.42	50.06	-65.2%
Softwood Stumpage Price/Ton	\$15.54	\$14.22	9.3%	\$15.03	\$14.46	3.9%
Hardwood Production - Tons - Thousands	4.36	8.06	-45.9%	14.87	34.17	-56.5%
Hardwood Stumpage Price/Ton	\$2.52	\$1.83	37.7%	\$2.47	\$2.26	9.3%
Rural Real Estate Gains - Thousands	\$96.5	\$1,103.0	-91.2%	\$1,899.9	\$1,983.5	-4.2%
Alternative Energy						
Revenues - Millions	\$0.626	\$0.659	-5.0%	\$1.750	\$1.756	-0.3%
Production - k/w - Millions	3.83	3.41	12.3%	10.55	9.71	8.7%
Electric Sales Price per k/w	\$0.118	\$0.118	0.0%	\$0.118	\$0.119	-0.8%
Production - SREC Units	3,918	3,869	1.3%	10,850	10,347	4.9%
SREC Price/Credit	\$38	\$60	-36.7%	\$40	\$51	-21.6%
NET DIVISIONAL OPERATING INCOME:						
(Dollars in Millions)						
Metallurgical Coal	\$3.46	\$3.71	-6.7%	\$9.09	\$12.39	-26.6%
Oil & Gas	0.33	0.27	22.2%	2.92	0.47	521.3%
Timber & Surface	0.45	1.82	-75.3%	3.02	3.86	-21.8%
Alternative Energy	0.23	0.14	64.3%	0.37	0.44	-15.9%
Agriculture	(0.18)	(0.33)	45.5%	(0.71)	(0.75)	5.3%
Net Operating Income	<u>\$4.29</u>	<u>\$5.61</u>	-23.5%	<u>\$14.69</u>	<u>\$16.41</u>	-10.5%
EBITDA - Millions	<u>\$4.00</u>	<u>\$7.22</u>	-44.6%	<u>\$22.96</u>	<u>\$17.26</u>	33.0%
(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 resources, renewables and agricultural products, and the ability of the Company to sell its natural resources, renewables 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, renewables 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 resources, renewables 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.

Mailing Address:

Pardee Resources Company
145 East Swedesford Road, #1126
Wayne, PA 19087