

PARDEE RESOURCES COMPANY

1ST QUARTER 2026



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

To Our Shareholders:

During Q1 2026, Pardee Resources Company reported earnings of \$2.16 per share, representing a significant decline of 54% compared to the \$4.67 per share earned in the same period of 2025. EBITDA for the quarter was \$4.30 per share, 47% lower than the \$8.18 per share achieved in Q1 2025. The decrease in earnings was driven by several factors: a reduction in coal revenues following the idling of mining operations on one property, a negative year-over-year comparison in oil and gas due to a previous one-time royalty adjustment, and the absence of large gains from real estate sales that had occurred in Q1 2025.

Metallurgical Coal Division: The metallurgical coal market faced considerable downward pricing pressure, largely due to an influx of low-cost steel and coke exports from China and increased production from new long-wall mines in northern and southern Appalachia. To adapt to these market dynamics, a Pardee lessee suspended operations at older, high-cost mines. Despite these challenges, production from newer, more efficient mines on Pardee properties showed improvement, and a lessee began construction on a new mine portal accessing a substantial 15-million-ton reserve of premium coal. The Division experienced a decrease in production and a slight drop in royalty per ton, resulting in revenues of \$2.5 million, which is 25% lower than the \$3.3 million earned in the same period of 2025.

Oil & Gas Division: The winter months brought a series of extreme cold weather events in January and February, leading to heightened demand for U.S. natural gas and increased prices. Significant withdrawals reduced natural gas storage to below the five-year average throughout January and February, but storage levels rebounded and prices moderated as the weather warmed in March. In the Appalachian Basin, average prices reached \$4.61 per Mcf during the quarter, up 41% from last year. Although production from Pardee's properties fell by 14% due to high output from new wells in the previous year, the rise in prices resulted in a 28% increase in total royalties, excluding the one-time royalty adjustment in Q1 2025. Division revenues for the quarter totaled \$2.6 million, an 18% decrease from the \$3.2 million earned in Q1 2025.

Timber & Surface Division: While the home construction markets improved during the quarter, timber markets remained sluggish due to declines in global demand. U.S. hardwood exports to China, the industry's largest export customer, dropped by 25% year-over-year. Production from Pardee's properties was down 14%, primarily because cold winter conditions hindered logging activities, while average stumpage prices declined by 1%. The Division's Virginia real estate operations did not produce gains during the quarter, compared to \$1.1 million in Q1 2025, but several sale transactions were pending at the close of the quarter. Division revenues totaled \$842,000 in Q1 2026, a 63% decrease compared to \$2.3 million earned in the same prior period.

Alternative Energy Division: We are pleased to have successfully added new solar photovoltaic projects in Roanoke, Virginia to our portfolio in late 2025. These additions were timely since changes in the One Big Beautiful Bill Act of 2025 will reduce federal renewable energy tax incentives over time, thus making future new investments more

challenging. During the quarter, these new rooftop installations generated 743,000 kWh of electricity and earned revenues of \$223,000. Overall, the Division's revenues reached \$632,000, marking a 44% increase over the \$440,000 earned in Q1 2025.

Agriculture Division: Weather and growing conditions in California's Central Valley, where Pardee's two table grape ranches are located, were favorable during the quarter, pointing to strong yields later in the year. The Company has agreed to sell its interest in these ranches for \$6.1 million, with the transactions expected to close in Q2 2026. In contrast to last year's excessive rainfall which caused significant damage to the Company's almond orchard in Evora, Portugal, this quarter, dry and calm weather allowed for successful flowering, pollination, and early nut development. While progressing, we don't expect the orchard to fully recover from last year's damage and reach profitability until 2027.

Summary and Outlook: Although our operating results for the quarter were disappointing, Pardee Resources Company remains well positioned to benefit from improvements in its markets going forward. At the end of the quarter, the Company held cash balances of \$31 million and non-recourse debt totaling \$9.6 million. Interest income earned during the quarter totaled \$204,000. Looking ahead, the Company remains committed to achieving its dual goals of returning capital to shareholders and investing for future growth.

Sincerely yours,



Chairman
Benjamin A. Burditt



President & CEO
Carleton P. Erdman

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Pardee Resources Company
Unaudited Consolidated Balance Sheets

(Dollars in Thousands)

ASSETS	<u>3/31/2026</u>	<u>12/31/2025</u>
Current Assets:		
Cash & Cash Equivalents	\$31,255	\$27,855
Accounts Receivable	7,285	10,551
Prepaid Income Taxes	821	821
Assets Held for Sale	4,340	0
Other	<u>1,544</u>	<u>847</u>
	<u>45,245</u>	<u>40,074</u>
Fixed Assets: (Net of Depl. & Deprec.)		
Land & Right-of-Ways	25,565	26,383
Mineral Rights - Coal	32,484	32,499
Timber	8,564	8,562
Solar Equipment	20,907	20,652
Building & Structures	112	958
Agriculture Development	5,480	7,915
Equipment	172	358
Automobiles	57	70
Other Fixed Assets	<u>1,714</u>	<u>1,767</u>
	<u>95,055</u>	<u>99,164</u>
Investments & Other:		
Oil & Gas Investments (Net of Depl. & Deprec.)	28,102	28,413
Right of Use Asset	3,392	3,453
Other	<u>134</u>	<u>136</u>
Total Assets	<u><u>\$171,928</u></u>	<u><u>\$171,240</u></u>
LIABILITIES & EQUITY		
Current Liabilities:		
Accounts Payable	\$3,840	\$5,376
Current Portion of Deferred Revenues	238	317
Taxes Payable	1,283	839
Current Portion of Note Payable (non-recourse)	945	324
Current Portion Lease Liability	361	409
Other Current Liability	<u>1</u>	<u>0</u>
	6,668	7,265
Noncurrent Liabilities:		
Note Payable (non-recourse)	8,613	8,428
Supplemental Pension Plan	741	719
Deferred Income Taxes	13,429	13,429
Deferred Revenues	441	339
Asset Retirement Obligation	2	2
Lease Liability	<u>3,494</u>	<u>3,600</u>
Total Liabilities	<u>33,388</u>	<u>33,782</u>
Shareholders' Equity:		
Common Stock	775	775
Additional Paid in Capital	12,579	12,500
Accumulated Other Comprehensive Loss	(175)	(175)
Retained Earnings	147,672	147,447
Treasury Stock	<u>(25,442)</u>	<u>(26,366)</u>
	135,409	134,181
Noncontrolling Interest	<u>3,131</u>	<u>3,277</u>
Total Equity	<u>138,540</u>	<u>137,458</u>
Total Liabilities & Equity	<u><u>\$171,928</u></u>	<u><u>\$171,240</u></u>

Pardee Resources Company
Unaudited Consolidated Income Statements

(Dollars in Thousands)

	Three Months Ended <u>3/31/2026</u>	Three Months Ended <u>3/31/2025</u>
Divisional Revenues:		
Metallurgical Coal	\$2,504	\$3,308
Oil & Gas	2,593	3,168
Timber & Surface	842	2,265
Alternative Energy	632	440
Agriculture	<u>86</u>	<u>15</u>
	<u>6,657</u>	<u>9,196</u>
Divisional Expenses:		
Metallurgical Coal	671	977
Oil & Gas	926	1,458
Timber & Surface	784	738
Alternative Energy	537	480
Agriculture	<u>291</u>	<u>225</u>
	<u>3,209</u>	<u>3,878</u>
Net Operating Income	\$3,448	\$5,318
Interest and Other Income	215	243
Gain on Equity Investment	0	10
General and Administrative	(1,738)	(1,618)
Interest Expense	<u>(142)</u>	<u>(12)</u>
Income Before Taxes	\$1,783	\$3,941
Taxes	<u>428</u>	<u>946</u>
NET INCOME	\$1,355	\$2,995
Net Loss - Noncontrolling Interest	<u>59</u>	<u>58</u>
Net Income - Pardee Resources Shareholders	<u>\$1,414</u>	<u>\$3,053</u>
EARNINGS PER SHARE	<u>\$2.16</u>	<u>\$4.67</u>
EBITDA PER SHARE	<u>\$4.30</u>	<u>\$8.18</u>
(earnings before interest, taxes, depreciation and amortization)		
Weighted Average Number of Common Shares Outstanding	<u><u>653,943</u></u>	<u><u>653,831</u></u>

**Pardee Resources Company
Comparison Data Sheet**

	Three Months Ended <u>03/31/26</u>	Three Months Ended <u>03/31/25</u>	% <u>Change</u>
Metallurgical Coal			
Revenues - Millions	\$2.50	\$3.31	-24.5%
Coal Tons Sold - Millions	0.38	0.48	-20.8%
Royalty/Coal Ton	\$5.88	\$6.29	-6.5%
Oil & Gas			
Revenues - Millions	\$2.59	\$3.17	-18.3%
Production - bcfe	0.51	0.59	-13.6%
Price/mcfe	\$5.06	\$3.46	46.2%
Timber & Surface			
Revenues - Millions	\$0.84	\$2.27	-63.0%
Hardwood Production - Board feet - Millions	1.97	2.28	-13.6%
Hardwood Stumpage Price/Thousand Bd. Ft.	\$248.73	\$251.20	-1.0%
Softwood Production - Tons - Thousands	8.50	5.87	44.8%
Softwood Stumpage Price/Ton	\$11.91	\$14.43	-17.5%
Hardwood Production - Tons - Thousands	6.47	7.34	-11.9%
Hardwood Stumpage Price/Ton	\$2.39	\$2.58	-7.4%
Rural Real Estate Gains - Thousands	\$0.0	\$1,074.5	-100.0%
Alternative Energy			
Revenues - Millions	\$0.632	\$0.440	43.6%
Production - k/w - Millions	3.21	2.43	32.1%
Electric Sales Price per k/w	\$0.119	\$0.120	-0.8%
Production - SREC Units	4,966	2,561	93.9%
SREC Price/Credit	\$23	\$48	-52.1%
NET DIVISIONAL OPERATING INCOME:			
(Dollars in Millions)			
Metallurgical Coal	\$1.83	\$2.33	-21.5%
Oil & Gas	1.67	1.71	-2.3%
Timber & Surface	0.06	1.53	-96.1%
Alternative Energy	0.10	(0.04)	350.0%
Agriculture	(0.21)	(0.21)	0.0%
Net Operating Income	<u>\$3.45</u>	<u>\$5.32</u>	-35.2%
EBITDA - Millions	<u>\$2.81</u>	<u>\$5.35</u>	-47.5%
(earnings before interest, taxes, depreciation and amortization)			

DC Solar Solutions, Inc.

There have been no recent material developments in the DC Solar Solutions, Inc. matter from those described in our 2025 Annual Report. Please refer to our 2025 Annual Report, including page 34 thereof for more details.

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.

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