



FIDDLEHEAD



**FIDDLEHEAD
RESOURCES
CORP.**

(FORMERLY ALPHA PEAK CAPITAL INC.)

(TSXV:FHR)

**MANAGEMENT'S DISCUSSION &
ANALYSIS**

**AS AT AND FOR THE THREE AND
NINE MONTHS ENDED**

SEPTEMBER 30, 2024 AND 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiddlehead Resources Corp. ("Fiddlehead" or the "Company") was incorporated on June 24, 2011, under the British Columbia Business Corporations Act as "Alpha Peak Capital Inc.". Articles of Amendment were filed to change its name to "Fiddlehead Resources Corp." on September 5, 2023. On September 16, 2024, the Company completed the continuance of the Company to the Province of Alberta under the Business Corporations Act from the Province of British Columbia and the adoption of new articles of continuance (Province of Alberta) effective as of September 12, 2024. The Company is engaged in oil and natural gas exploration, development and production, and the acquisition of oil and natural gas properties, focused in the South Ferrier, Strachan areas of west central Alberta. The Company's shares are traded on the TSX Venture Exchange ("TSXV") under the symbol "FHR". The Company's head office is located at Suite 1200, 715 – 5th Avenue SW, Calgary, Alberta, Canada, T2P 2X6 and its registered office address is Suite 1000, 250 – 2nd Street SW, Calgary, Alberta, Canada, T2P 0C1.

The following Management's Discussion and Analysis ("MD&A") has been prepared by management as of November 27, 2024, in accordance with the requirements of National Instrument 51-102 – Continuous Disclosure Requirements. This MD&A should be read in conjunction with the Company's unaudited condensed interim financial statements and related notes as at and for the three and nine months ended September 30, 2024 and 2023 (the "Interim Financial Statements") and the audited annual financial statements and related notes for the years ended December 31, 2023 and 2022 (the "Annual Financial Statements"). Additional information relevant to the Company can be found on SEDAR+ at www.sedarplus.ca and the Company's website www.fiddleheadresources.com.

Unless otherwise noted, the financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") up to November 27, 2024, also known as Canadian generally accepted accounting principles ("GAAP"). This MD&A contains forward-looking statements, non-GAAP financial measures and other financial and non-financial measures. Non-GAAP financial measures and ratios reported in this MD&A have been identified using capital letters and are defined herein. Readers are cautioned that the MD&A should be read in conjunction with the Company's disclosures under the headings "Non-GAAP and Other Financial Measures", "Other Measurements", "Risk and Uncertainties" and "Forward-Looking Statements" included in this MD&A. Unless otherwise indicated, all dollar amounts are quoted in Canadian dollars ("C\$"), the reporting and functional currency of the Company.

ACQUISITION AND FINANCINGS

On August 29, 2024, the Company completed the acquisition (the "Acquisition") of the South Ferrier, Strachan area assets ("Assets") in Alberta from a senior Canadian producer ("Vendor"). In addition, the Company closed the underwritten private placement of subscription receipts at a price of \$0.20 per subscription receipt for aggregate gross proceeds of \$10.2 million (the "Private Placement") and a secured credit facility with a private lender for \$13.0 million (the "Credit Facility", together with the Private Placement, the "Financings").

The total consideration of the Acquisition was \$20.1 million after adjustments ("Purchase Price"). At closing, \$18.8 million was funded by the Financings. The net proceeds of the Private Placement were used to fund \$5.8 million the Purchase Price, and the remaining amounts for general corporate and working capital purposes. The Company shall pay the Vendor an additional \$1.25 million in cash by December 31, 2025. The Company shall also pay the Vendor \$1.25 million and \$1.0 million if the ICE NGX AB-NIT Same Day Index 2A gas price averages greater than C\$2.25 per gigajoule ("GJ") and C\$3.75 per GJ, respectively, over a 12-month period beginning on January 1, 2025, payable by January 31, 2026.

In connection with the completion of the Acquisition and the Financings, 1487477 B.C. Ltd ("FinanceCo"), a wholly owned subsidiary of Fiddlehead and 1487448 B.C. Ltd. amalgamated such that all the outstanding FinanceCo securities were exchanged for Fiddlehead securities on equivalent terms. The common shares of Fiddlehead ("Fiddlehead Shares") and the Fiddlehead Warrants (as defined herein) were listed on the TSX Venture Exchange ("TSXV") on September 10, 2024.

Q3 2024 HIGHLIGHTS

- During the third quarter, Fiddlehead completed a share consolidation of one post-consolidation Common Share for every two pre-consolidation Common Shares outstanding;
- Fiddlehead closed a private placement of subscription receipts at a price of \$0.20 per subscription receipt for aggregate gross proceeds of \$10.2 million;
- Fiddlehead secured a credit facility with a private lender for \$13.0 million;
- The Company also completed the acquisition of the South Ferrier, Strachan area assets on August 29, 2024
 - Produced 1,641 boe/d (32% liquids) in 32 days of activity;
- Fiddlehead common shares and common share purchase warrants commenced trading on the TSXV on September 10, 2024.

The table below summarizes selected highlights from the Company's financial and operating results:

(Expressed in \$000s, except per share, price and volumes amounts)

	Three months ended September 30		Nine months ended September 30	
	2024 ³	2023	2024 ³	2023
OPERATING HIGHLIGHTS AND NETBACKS¹				
Average production and sales volumes ³				
Light oil (bbls/d)	144	-	144	-
NGLs (bbls/d)	375	-	375	-
Natural gas (Mcf/d)	6,733	-	6,733	-
Total (boe/d)	1,641	-	1,641	-
Average realized sales prices ³				
Light oil (\$/bbl)	82.85	-	82.85	-
NGLs (\$/bbl)	45.67	-	45.67	-
Natural gas (\$/Mcf)	0.37	-	0.37	-
Total oil equivalent (\$/BOE)	19.22	-	19.22	-
Netbacks (\$/BOE) ^{1,3}				
Petroleum and natural gas sales	19.22	-	19.22	-
Royalties	6.02	-	6.02	-
Operating expenses	11.38	-	11.38	-
Transportation expenses	0.11	-	0.11	-
Operating netback ^{1,3}	1.71	-	1.71	-
General and administrative expenses	19.52	-	25.88	-
Finance costs	5.10	-	5.10	-
Adjusted Funds Flow Netback ^{1,2,3}	(22.91)	-	(29.27)	-
FINANCIAL HIGHLIGHTS				
Petroleum and natural gas sales ³	1,009	-	1,009	-
Petroleum and natural gas sales, net of royalties ³	693	-	693	-
Net loss & comprehensive loss	(1,639)	58	(1,973)	60
Basic per share	(0.06)	0.01	(0.15)	0.01
Diluted per share	(0.06)	0.01	(0.15)	0.01
Cash flow used in operating activities	(902)	(57)	(1,224)	(71)
Funds flow from operations ¹	(1,063)	(56)	(1,376)	(57)
Basic per share	(0.04)	(0.01)	(0.10)	(0.01)
Diluted per share	(0.04)	(0.01)	(0.10)	(0.01)
Acquisitions	20,085	-	20,085	-
Total assets	27,263	543	27,263	543
Total long-term debt, including current portion	11,949	-	11,949	-
Shareholders' equity	7,825	541	7,825	541
Weighted average common shares outstanding (000s) – basic ⁴	26,730	6,921	13,596	4,720
Weighted average common shares outstanding (000s) – diluted ⁴	26,730	6,921	13,596	4,720
Common shares outstanding (000s), end of period ⁴	60,521	6,921	60,521	6,921

¹ "Netbacks" are non-GAAP financial ratios calculated per unit of production. "Operating Netback", and "Adjusted Funds Flow Netback" do not have standardized meanings under IFRS Accounting Standards. See "Non-GAAP Financial Measures" section

² "Funds Flow from Operations" ("FFO") does not have standardized meanings under IFRS Accounting Standards. See "Non-GAAP Financial Measures".

³ The Q3-2024 information includes the results of the operations of the South Ferrier, Strachan assets from August 30, 2024 to September 30, 2024 (32 days). The South Ferrier, Strachan assets were acquired in a transaction that closed on August 29, 2024 (effective April 1, 2024).

⁴ Common Shares outstanding have been adjusted as a result of the Share Consolidation.

BUSINESS ENVIRONMENT

The Company's financial results are influenced by fluctuations in commodity prices, including price differentials. The following table shows select market benchmark prices and foreign exchange rates:

Benchmark prices and exchange rates	2024			2023	
	Q-3	Q-2	Q-1	Q-4	Q-3
Crude oil					
WTI (C\$/bbl) ¹	102.46	110.22	103.82	106.52	110.52
WTI (US\$/bbl) ²	75.14	80.55	76.97	78.21	82.29
Edmonton light index (C\$/bbl) ³	98.88	105.57	94.93	96.30	107.26
Natural gas					
AECO (C\$/MMBtu) ³	0.74	1.19	2.08	2.37	2.64
US/Canadian Dollar average exchange rate ⁴	1.36	1.37	1.35	1.36	1.34

¹ West Texas Intermediate ("WTI"). Source: GLJ Price Charts

² Calculated based on the C\$ WTI price multiplied by the average C\$/US\$ exchange rate for the period

³ Source: GLJ Price Charts

⁴ Alberta Energy Company ("AECO") Daily Index for natural gas. Source: GLJ Price Charts

⁵ Source: Bank of Canada

Fiddlehead pays royalties to the Alberta provincial government and landowners in accordance with the established royalty regime. In Alberta, Crown royalty rates are based on reference commodity prices, production levels and well depths, and are offset by certain incentive programs in place to promote drilling activity by reducing overall royalty expense.

In the third quarter of 2024, the average price of Edmonton Sweet index oil was 6% and 8% lower than Q2-2024 and Q3-2023, respectively. In Q3-2024, the average price of AECO natural gas was 38% and 72% lower than Q2-2024 and Q3-2023, respectively.

OPERATING RESULTS AND NETBACK**Daily Volumes before Royalties****Production & Sales Volumes**

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	2024	2023
Light oil (bbls/d)	144	-	144	-
NGLs (bbls/d)	375	-	375	-
Natural gas (Mcf/d)	6,733	-	6,733	-
Total Company (boe/d)	1,641	-	1,641	-

The production information presented in the table above represents 32 days of activity, following the closing of the Acquisition on August 29, 2024.

Netback¹

	Three Months Ended September 30			
	2024		2023	
	\$	\$/boe	\$	\$/boe
Light oil sales	380,976	82.85	-	-
NGL sales	547,876	45.67	-	-
Natural gas sales	80,394	2.24	-	-
Total petroleum and natural gas sales	1,009,231	19.22	-	-
Royalties	316,183	6.02	-	-
Operating expenses	597,757	11.38	-	-
Transportation expenses	5,563	0.11	-	-
Netback¹	89,728	1.71	-	-

¹ "Netback" is a non-GAAP financial ratios calculated per unit of production and does not have standardized meanings under IFRS Accounting Standards. See " Non-GAAP Financial Measures " section

	Nine Months Ended September 30			
	2024		2023	
	\$	\$/boe	\$	\$/boe
Light oil sales	380,976	82.85	-	-
NGL sales	547,876	45.67	-	-
Natural gas sales	80,394	2.24	-	-
Total petroleum and natural gas sales	1,009,231	19.22	-	-
Royalties	316,183	6.02	-	-
Operating expenses	597,757	11.38	-	-
Transportation expenses	5,563	0.11	-	-
Netback¹	89,728	1.71	-	-

¹ "Netback" are non-GAAP financial ratios calculated per unit of production and does not have standardized meanings under IFRS Accounting Standards. See " Non-GAAP Financial Measures " section

The financial information presented in the tables above represents 32 days of activity, following the closing of the Acquisition on August 29, 2024.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

	Three Months Ended September 30			
	2024		2023	
	\$	\$/boe ¹	\$	\$/boe
Gross G&A	1,013,793	19.31	55,554	-
Stock-based compensation	11,232	0.21	2,894	-
Net G&A	1,025,025	19.52	58,448	-

¹The per boe information presented in the table above represents 32 days of activity, following the closing of the Acquisition on August 29, 2024.

	Nine Months Ended September 30			
	2024		2023	
	\$	\$/boe ¹	\$	\$/boe
Gross G&A	1,326,244	25.26	57,333	-
Stock-based compensation	32,418	0.62	2,894	-
Net G&A	1,358,662	25.88	8,397	-

¹The per boe information presented in the table above represents 32 days of activity, following the closing of the Acquisition on August 29, 2024.

The increase for the three and nine months ended September 30, 2024 was primarily due to an increase in legal and marketing expenses related to the Acquisition and Private Placement.

FINANCE COSTS

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	2024	2023
Interest on long-term debt	139,260	-	139,260	-
Accretion of decommissioning liabilities	33,953	-	33,953	-
Amortization of deferred debt issuance costs	94,460	-	94,460	-
Finance costs	267,767	-	267,767	-
Interest paid	139,260	-	139,260	-

Finance costs for the three and nine months ended September 30, 2024, were \$267,767 and nil, respectively, for the same periods in 2023. Interest expense in the period represents 34 days of interest incurred related to the Credit Facility from August 28, 2024 to September 30, 2024.

DEPLETION, DEPRECIATION AND AMORTIZATION ("DD&A")

	Three Months Ended September 30			
	2024		2023	
	\$	\$/boe	\$	\$/boe
PNG assets ¹	435,961	8.30	-	-
Corporate	63	0.00	-	-
Total	436,024	8.30	-	-

¹ Petroleum and natural gas ("PNG")

	Nine Months Ended September 30			
	2024		2023	
	\$	\$/boe	\$	\$/boe
PNG assets	435,961	8.30	-	-
Corporate	63	0.00	-	-
Total	436,024	8.30	-	-

For both the three and nine months ended September 30, 2024, the Company recorded depletion for 32 days of production, following the closing of the Acquisition on August 29, 2024.

CAPITAL EXPENDITURES

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	2024	2023
Acquisitions	20,085,634	-	20,085,634	-
Capital expenditures	20,085,634	-	20,085,634	-

On August 29, 2024, Fiddlehead completed the acquisition of production and working interests in certain facilities in the Cardium fairway in the South Ferrier, Strachan area of west central Alberta for a total cash consideration to the Vendor of \$20.1 million. The Acquisition was effective April 1, 2024. At closing, \$18.8 million was funded by the Credit Facility of \$13.0 million and private placement of subscription receipts for aggregate gross proceeds of \$10.2 million. The net proceeds of the Private Placement were used to fund \$5.8 million the Purchase Price, and the remaining amounts for general corporate and working capital purposes. The Company shall pay the Vendor an additional \$1.25 million in cash by December 31, 2025. The Company shall also pay the Vendor \$1.25 million and \$1.0 million if the ICE NGX AB-NIT Same Day Index 2A gas price averages greater than C\$2.25 per gigajoule ("GJ") and C\$3.75 per GJ, respectively, over a 12-month period beginning on January 1, 2025, payable by January 31, 2026.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity describes a company's ability to access cash. Companies operating in the upstream oil and gas industry require sufficient cash in order to fund capital programs that maintain and increase production and reserves, to acquire strategic oil and gas assets, to repay current liabilities and debt and ultimately to provide a return to shareholders.

Fluctuations in commodity prices, product demand, foreign exchange rates, interest rates and various other risks may impact capital resources and capital expenditures.

All of the Company's cash and cash equivalents are on deposit with a high credit-quality financial institution.

The Company actively monitors its liquidity to ensure that cash flows, credit facilities and working capital are adequate to support its financial liabilities, as well as the Company's capital programs.

As at September 30, 2024, the Company considers its capital structure to include shareholders' equity, bank debt and working capital. Fiddlehead uses "Net Debt (Surplus)" as a capital management measure which is calculated by the Company as bank debt, net of Adjusted Working Capital. Net Debt (Surplus) and Adjusted Working Capital are both non-GAAP financial measures. "Adjusted Working Capital" is calculated by Fiddlehead as current liabilities less current assets and the current portion of bank debt.

The significant components of the Company's capital structure and Net Debt (Surplus) are summarized below:

(Assets) Liabilities	September 30, 2024	December 31, 2023
Cash	(1,576,245)	(372,153)
Accounts receivable	(159,819)	(16,433)
Prepaid expenses and deposits	(240,365)	-
Accounts payable and accrued liabilities	567,942	32,295
Current portion of lease liabilities	50,873	-
Adjusted Working Capital ¹	(1,357,614)	(356,291)
Deferred consideration payable	1,250,000	-
Bank Debt, excluding deferred debt issuance costs	13,000,000	-
Net Debt (Surplus)	12,892,386	(356,291)
Total shareholders' equity	7,824,756	356,291

¹ Refer to "Non-GAAP Financial Measures" section of this MD&A.

Fiddlehead had Net Debt of \$12.9 million as at September 30, 2024. Net Debt increased compared to a \$0.4 million Net Surplus at December 31, 2023, primarily due to the Company entering into a secured Credit Facility, discussed below. During the nine months ended September 30, 2024, the Company utilized borrowings under its Credit Facility and net proceeds from the Private Placement to fund the Acquisition.

CREDIT FACILITY

On August 27, 2024, the Company entered into a secured credit facility with a private lender. The authorized borrowing base available under the Credit Facility is \$13.0 million. As at September 30, 2024, Fiddlehead has drawn \$13.0 million and is to repay \$400,000 towards the Credit Facility on December 31, 2024, and \$750,000 every quarter thereafter until the term date of November 30, 2025, at which the outstanding balance is due. The Company is not to exceed an outstanding principal amount drawn against the Credit Facility in excess of 50% of the Proved Developed Producing ("PDP") reserves value at a 10% discount based on the year end reserve report. In the event the price of WTI falls below US\$70 on average for any 30-day period, the Company is required to make principal repayments in the amount of \$250,000 on the last business day of each of the 6 calendar months following such 30-day period. In the event the price of WTI falls below US \$60 on average for any 30-day period, the Company is required to make principal repayments in the amount of \$1,000,000 on the last business day of each of the 6 calendar months following such 30-day period.

The Credit Facility bears interest at a rate of the greater of the Royal Bank of Canada Prime Rate plus applicable margin of 4.75%, or 11.50% per annum for the first 12 months and 18.00% per annum beginning August 28, 2025, payable monthly.

As at September 30, 2024, the Company was compliant with all covenants.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value.

On July 31, 2024, the Company completed a share consolidation of one post-consolidation Common Share for every two pre-consolidation Common Shares outstanding (the "Consolidation"). Prior to completing the Consolidation, the Corporation had 13,841,757 Common Shares outstanding and following the completion of the Consolidation, the Corporation had approximately 6,920,881 Common Shares outstanding.

On August 23, 2024, Fiddlehead completed the two brokered financings in the Private Placement for a total of 53,600,000 subscription receipts at a price of \$0.20 per subscription receipt for aggregate gross proceeds of \$10.2 million. The net proceeds of the subscription receipts were used to fund the Purchase Price of the Acquisition, and the remaining amounts for general corporate and working capital purposes. Subsequent to the completion of the offering and satisfaction of certain escrow release conditions, the subscription receipts were each exchanged for one unit of Fiddlehead ("Fiddlehead Unit").

Each Fiddlehead Unit consists of one Fiddlehead Share and one common share purchase warrant of Fiddlehead ("Fiddlehead Warrant"). Each Fiddlehead Warrant entitles the holder thereof to purchase one Fiddlehead Share at an exercise price of \$0.24 per Fiddlehead Share at any time up to 60 months, expiring on August 31, 2029. During the three months ended September 30, 2023, no Fiddlehead Warrants were exercised and no Fiddlehead Warrants were forfeited or expired.

The Fiddlehead Shares and Fiddlehead Warrants commenced trading on the TSXV on September 10, 2024.

Common shares of Fiddlehead were listed on the TSXV and commenced trading on September 10, 2024, under the symbol "FHR". The volume weighted average trading price ("VWAP") of the Company's common shares on the TSXV for the period from listing on September 10, 2024 to September 30, 2024 was \$0.15 per share.

As at September 30, 2024 and November 27, 2024, the Company had 60,520,881 common shares issued and outstanding, 53,600,000 warrants issued and outstanding.

On October 17, 2024, the Company granted, subject to regulatory approval, a total of 4,200,000 stock options (the "Options") to certain directors, officers, employees and consultants of the Corporation under Fiddlehead's omnibus incentive plan. Options were issued with an exercise price of \$0.20 per share and an expiry date of October 3, 2034. Following the issuance of the Options, Fiddlehead has 4,830,000 options issued and outstanding.

As at September 30, 2024 and November 27, 2024, the Company had 630,000 and 4,830,000 stock options issued and outstanding respectively, of which 630,000 and 4,830,000 are exercisable at the respective date in accordance with their terms into an equal number of common shares of the Company.

The total number of outstanding securities of the Company is provided below:

<i>Number of securities outstanding</i>	November 27, 2024	September 30, 2024	December 31, 2023
Common shares ¹	60,520,881	60,520,881	6,920,881
Warrants	53,600,000	53,600,000	-
Stock options ¹	4,830,000	630,000	630,000
Total securities outstanding	118,950,881	114,750,881	7,550,881

¹ Common Shares and stock options outstanding have been adjusted as a result of the Share Consolidation.

The table below summarizes the weighted average number of common shares outstanding used in the calculation of diluted EPS and diluted FFO per share:

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	2024	2023
Weighted average shares outstanding, basic ¹	26,729,577	6,920,881	13,596,339	4,719,523
Dilutive effect of outstanding securities ¹	-	-	-	-
Weighted average shares outstanding, diluted	26,729,577	6,920,881	13,596,339	4,719,523

¹ Common Shares and stock options outstanding have been adjusted as a result of the Share Consolidation.

COMMITMENTS AND CONTINGENCIES

As part of its normal business, the Company entered into arrangements and incurred obligations that will impact the Company's future operations and liquidity. The Company's financial liabilities and undiscounted liabilities are discussed further in the Liquidity Risk section below.

In the normal course of its operations, the Company may be subject to litigation and claims. Although it is not possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies would not have a material adverse impact on the results of operations, financial position or liquidity of the Company.

The Company is not aware of any material provisions or other contingent liabilities as at September 30, 2024.

OFF-BALANCE SHEET ARRANGEMENTS

Except for the commitments and contingencies disclosed herein, the Company does not believe it has any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future impact of the Company's financial condition, results of operations, liquidity or capital expenditures.

RELATED PARTY DISCLOSURES

The Company's key management includes directors (executive and non-executive), the Chief Executive Officer, and Chief Financial Officer. The remuneration of key management of the Company for the nine months ended September 30, 2024, and 2023 was as follows:

	Periods ended September 30	
	2024	2023
Consulting fees (included in general and administrative expenses)	201,800	-
Share-based payments	21,186	2,894
Total related party transactions	222,986	2,894

SUBSEQUENT EVENTS

On October 17, 2024, the Company granted, subject to regulatory approval, a total of 4,200,000 stock options (the "Options") to certain directors, officers, employees and consultants of the Corporation under Fiddlehead's omnibus incentive plan. Options were issued with an exercise price of \$0.20 per share and an expiry date of October 3, 2034. Following the issuance of the Options, Fiddlehead has 4,830,000 options issued and outstanding.

MATERIAL ACCOUNTING POLICIES

The material accounting policies applied by the Company are described in note 3 of the Interim Financial Statements for the period ended September 30, 2024.

Upcoming accounting pronouncements

On April 9, 2024, the International Accounting Standards Board issued a new standard IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18") which will replace IAS 1. While many of the existing principles of IAS 1 are retained with limited changes, IFRS 18 introduces changes to the presentation of, and disclosure requirements related to, the Statement of Net Income (Loss). IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027. Fiddlehead is currently assessing the impact of adopting of IFRS 18, which will be adopted on its effective date.

CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

Timely preparation of financial statements in conformity with IFRS as issued by the International Accounting Standards Board requires that management make estimates and assumptions and use judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the Interim Financial Statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. A detailed description of the Company's critical judgements and accounting estimates is provided in note 4 to the Interim Financial Statements for the period ended September 30, 2024.

RISKS AND UNCERTAINTIES

The business of exploring for, developing and producing crude oil and natural gas reserves is inherently risky. The Company is subject to both risks that directly affect Fiddlehead's business and operations, as well as indirect risks that impact third parties or industry generally. The following information is a summary only of certain risk factors relating to the Company. Prospective investors should carefully consider the risk factors set out below and consider all other information contained in this MD&A and in the Company's other public filings before making an investment decision. The risks set out below are not an exhaustive list, nor should be taken as a complete summary or description of all the risks associated with the Company's business and the oil and natural gas business generally.

Market Risks

Market risk is the risk or uncertainty arising from possible market price movements and the associated impact on future performance of the business. The market price movements that the Company is exposed to include commodity prices, foreign currency exchange rates and interest rates, all of which could adversely affect the value of the Company's financial assets, liabilities and financial results.

Commodity price risk

Inherent to the business of producing oil and gas, the Company's revenue and cash provided by operating activities is subject to commodity price risk. Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices are impacted by world economic events that dictate the levels of supply and demand as well as the currency exchange rate relationship between the Canadian and U.S. dollar. The Company does not currently have any commodity risk management contracts in place.

Foreign currency exchange risk

Currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. Fiddlehead is exposed to fluctuations of the Canadian to U.S. dollar exchange rate given the Company's realized pricing in Canadian dollars is directly influenced by U.S. dollar denominated benchmark pricing. The Company does not currently have any foreign exchange risk management contracts in place.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on any debt drawn which bears floating rates of interest. Under the Credit Facility (note 12), interest rates fluctuate based on the bank prime rate plus an applicable margin, with a floor rate of 11.5%. The Company is also exposed to interest rate risk on its cash and cash equivalents. At September 30, 2024, the effect of interest rates increasing by 0.5% would decrease the Company's net earnings by \$73,000 per annum. The Company does not currently have any interest rate risk management contracts in place.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Liquidity describes a company's ability to access cash. Companies operating in the upstream oil and gas industry require sufficient cash in order to fund capital programs necessary to maintain and increase production and proved reserves, to acquire strategic oil and gas assets and to repay liabilities.

The Company actively monitors its liquidity to ensure that its cash flows, credit facilities and working capital are adequate to support these financial liabilities, as well as the Company's capital programs. The Interim Financial Statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business as they become due. For the three and nine-month periods ended September 30, 2024, the Company reported a net loss and comprehensive loss of \$1.6 million and \$2.0 million, respectively, and cash used in operating activities of \$0.9 million and \$1.2 million, respectively. As at September 30, 2024, the Company had a cash and cash equivalents balance of \$1.6 million and a working capital deficiency of \$1.3 million.

The Company's credit facility with its lender provides for a full repayment of outstanding interest and principal on November 30, 2025. The Company's ability to continue as a going concern is dependent on its ability to fulfill this obligation. To meet its November 30, 2025, debt repayment obligation, the Company will have to generate increased cash flows from operations, secure additional funding from debt or equity financings or make other arrangements which may or may not be available. There can be no assurance one or more of these alternatives will be successful.

These considerations include material uncertainties which cast significant doubt upon the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The unaudited Financial Statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

The following table outlines a contractual maturity analysis for the Company's financial liabilities and undiscounted lease liabilities as at September 30, 2023:

	1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Accounts payable and accrued liabilities	567,942	-	-	-	567,942
Long-term debt and interest	4,252,080	10,661,351	-	-	14,913,431
Undiscounted lease liabilities (note 11)	51,292	255,033	210,165	-	516,490
Total	4,871,314	10,916,384	210,165	-	15,997,863

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to fulfill their contractual obligations. The Company's exposure to credit risk primarily relates to cash equivalents and accounts receivable, the majority of which are in respect of oil and natural gas operations. The Company generally extends unsecured credit to these parties and therefore the collection of these amounts may be affected by changes in economic or other conditions. The Company has not experienced any material credit losses in its cash investments or in the collection of accounts receivable to date.

Fiddlehead's accounts receivable related to operations are with customers and joint interest partners in the petroleum and natural gas industry, and are subject to normal industry credit risks. Receivables from oil and natural gas marketers are normally collected in due course. The Company currently sells its production to several purchasers under standard industry sale and payment terms. Purchasers of Fiddlehead's natural gas, crude oil and natural gas liquids are subject to a periodic internal credit review to minimize the risk of non-payment. The Company has continued to closely monitor and reassess the creditworthiness of its counterparties, including financial institutions.

Trade and other receivables are analyzed in the table below.

	As at September 30, 2024	As at December 31, 2023
Neither impaired nor past due	103,161	-
Not impaired and past due in the following period:		
Within 30 days	16,562	13,909
31-60 days	29,790	-
61-90 days	770	-
Over 90 days	9,536	2,525
Accounts receivable	159,819	16,533

Management has reviewed past due accounts receivable balances as at September 30, 2024 and expects the accounts to be collectible. Accordingly, no provision has been recorded for expected credit losses.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Expressed in \$000s, except per share, price and volumes amounts)

	2024			2023				2022
	Q-3 ²	Q-2	Q-1	Q-4	Q-3	Q-2	Q-1	Q-4
Operations								
Average production and sales volumes								
Light oil (bbls/d)	144	-	-	-	-	-	-	-
NGLs (bbls/d)	375	-	-	-	-	-	-	-
Natural gas (Mcf/d)	6,733	-	-	-	-	-	-	-
Total (boe/d)	1,641	-	-	-	-	-	-	-
Average realized sales prices								
Light oil (\$/bbl)	82.85	-	-	-	-	-	-	-
NGLs (\$/bbl)	45.67	-	-	-	-	-	-	-
Natural gas (\$/Mcf)	0.37	-	-	-	-	-	-	-
Total oil equivalent (\$/boe)	19.22	-	-	-	-	-	-	-
Liquids and natural gas sales	1,009	-	-	-	-	-	-	-
Liquids and natural gas sales, net of royalties	693	-	-	-	-	-	-	-
Net loss & comprehensive loss	(1,639)	(196)	(138)	(249)	(58)	-	(2)	(22)
Basic per share ³	(0.06)	(0.03)	(0.02)	(0.04)	(0.01)	-	(0.00)	(0.00)
Diluted per share ³	(0.06)	(0.03)	(0.02)	(0.04)	(0.01)	-	(0.00)	(0.00)
Cash flow used in operating activities	(902)	(176)	(146)	(162)	(57)	(587)	(14)	(15)
Funds Flow from Operations ¹	(1,063)	(185)	(127)	(178)	(56)	-	(2)	(22)
Basic per share ³	(0.04)	(0.03)	(0.02)	(0.03)	(0.01)	-	(0.00)	(0.00)
Diluted per share ³	(0.04)	(0.03)	(0.02)	(0.03)	(0.01)	-	(0.00)	(0.00)
Acquisitions	20,085	-	-	-	-	-	-	-
Total assets	27,263	94	246	389	543	18	19	32
Total long-term debt, including current portion	11,949	-	-	-	-	-	-	-
Shareholders' equity	7,825	44	229	356	541	15	15	17
Weighted average common shares outstanding (000s) – basic ³	26,730	6,921	6,921	6,921	5,163	4,467	4,467	4,467
Weighted average common shares outstanding (000s) – diluted ³	26,730	6,921	6,921	6,921	5,153	4,467	4,467	4,467
Common shares outstanding (000s), end of period ³	60,521	6,921	6,921	6,921	6,921	4,467	4,467	4,467

¹ "Funds Flow from Operations" ("FFO") does not have standardized meanings under IFRS Accounting Standards. See "Non-GAAP Financial Measures".

² The Q3-2024 information includes the results of the operations of the South Ferrier, Strachan assets from August 30, 2024 to September 30, 2024 (32 days). The South Ferrier, Strachan assets were acquired in a transaction that closed on August 29, 2024.

³ Common Shares outstanding have been adjusted as a result of the Share Consolidation.

NON-GAAP FINANCIAL MEASURES**Funds flow from operations**

This document contains the term "Funds Flow from Operations", which should not be considered an alternative to or more meaningful than "cash flow from operating activities" as determined in accordance with IFRS. Funds Flow from Operations is a measure that represents cash generated from operating activities before changes in non-cash working capital. Management considers this a key measure as it demonstrates Fiddlehead's ability to generate the cash flows necessary to fund future growth through capital investment. Funds flow from operations does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures used by other companies.

Reconciliation of funds flow from operations

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	2024	2023
Cash flow generated used in operating activities	(901,960)	(56,575)	(1,223,882)	(70,970)
Changes in non-cash working capital	(161,366)	1,021	(151,895)	13,637
Funds flow from operations¹	(1,063,325)	(55,554)	(1,375,777)	(57,333)
Weighted average common shares outstanding (000s) – basic ²	26,729,577	6,920,881	13,596,339	4,719,523
Weighted average common shares outstanding (000s) – diluted ²	26,729,577	6,920,881	13,596,339	4,709,523
FFO per share				
Basic (\$ per common share)	(0.06)	(0.01)	(0.15)	(0.01)
Diluted (\$ per common share)	(0.06)	(0.01)	(0.15)	(0.01)

- 1 Funds flow from operations does not include interest costs. Interest expense is included in financing costs on the Condensed Interim Statements of Earnings (Loss) and Comprehensive Income (Loss). Cash interest paid is reported as a financing activity on the Condensed Interim Statements of Cash Flows.
- 2 Common Shares outstanding have been adjusted as a result of the Share Consolidation.

Netback, operating netback, and adjusted funds flow netback

The Company's operating netback is a measure of operating results and is computed as sales net of royalties (all government interests, net of income taxes), production and operating expenses, current taxes and transportation expenses. The Company's adjusted funds flow netback is computed as operating netback net of general and administrative expenses and finance costs. Management believes that netback is a useful supplemental measure to analyze operating performance and provide an indication of the results generated by the Company's principal business activities prior to the consideration of other income and expenses. Netback does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures used by other companies.

Net Debt (Surplus) and Adjusted Working Capital

Throughout this MD&A, references to "Net Debt" or "Net Surplus" includes bank debt, net of Adjusted Working Capital. Net Debt (Surplus) and Adjusted Working Capital are both non-GAAP financial measures. "Adjusted Working Capital" is calculated as current liabilities less current assets, and the current portion of bank debt. As at September 30, 2024, the Adjusted Working Capital surplus includes cash and cash equivalents, accounts receivable, prepaid expenses and deposits, accounts payable and accrued liabilities, and the current portion of lease liabilities and decommissioning obligations. A summary of the significant components of Adjusted Working Capital and Net Debt (Surplus) are provided under the heading "Capital Resources and Liquidity".

A reconciliation to working capital determined in accordance with IFRS is also provided below:

	September 30, 2024	December 31, 2023
Current liabilities	3,268,815	32,295
Current Assets	(1,976,430)	(388,586)
Working capital deficit (surplus)	1,282,386	(356,291)
Adjusted for current portion of:		
Long-term debt	(2,650,000)	-
Adjusted Working Capital	(1,357,614)	(356,291)
Deferred consideration payable	1,250,000	-
Long Term Debt, excluding debt issuance costs	13,000,000	-
Net Debt (Surplus)	12,892,386	(356,291)

Capital Expenditures

Fiddlehead uses capital expenditures before acquisitions and disposals ("Capital Expenditures before A&D") to measure its capital investment level compared to the Company's annual budgeted capital expenditures for its organic drilling program, excluding acquisitions or dispositions. "Capital Expenditures" is calculated by adding cash acquisition costs, net of proceeds from dispositions to Capital Expenditures before A&D. The directly comparable GAAP measure is cash used in investing activities.

The following table details the composition of capital expenditures and its reconciliation to cash used in investing activities:

	Three Months Ended September 30		Nine Months Ended September 30	
	2024	2023	2024	2023
Petroleum and natural gas assets	-	-	-	-
Capital expenditures before A&D				
Acquisitions	20,085,634	-	20,085,634	-
Dispositions	-	-	-	-
Capital expenditures	20,085,634		20,085,634	
Deferred consideration payable	(1,250,000)	-	(1,250,000)	-
Cash used in investing activities	18,835,634		18,835,634	

Supplementary Financial Measures

NI 52-112 defines a supplementary financial measure as a financial measure that: (i) is, or is intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of an entity; (ii) is not disclosed in the financial statements of the entity; (iii) is not a non-GAAP financial measure; and (iv) is not a non-GAAP ratio. The supplementary financial measures used in this MD&A are either a per unit disclosure of a corresponding GAAP measure, or a component of a corresponding GAAP measure, presented in the financial statements. Supplementary financial measures that are disclosed on a per unit basis are calculated by dividing the aggregate GAAP measure (or component thereof) by the applicable unit for the period. Supplementary financial measures that are disclosed on a component basis of a corresponding GAAP measure are a granular representation of a financial statement line item and are determined in accordance with GAAP.

BOE PRESENTATION AND OTHER MEASUREMENTS

Boe means barrel of oil equivalent. All boe conversions in this MD&A are derived by converting gas to oil at the ratio of six thousand cubic feet ("Mcf") of natural gas to one barrel ("bbl") of oil. Boe may be misleading, particularly if used in isolation. A Boe conversion rate of 1 Bbl : 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio of oil compared to natural gas based on currently prevailing prices is significantly different than the energy equivalency ratio of 1 Bbl : 6 Mcf, utilizing a conversion ratio of 1 Bbl : 6 Mcf may be misleading as an indication of value.

Throughout this MD&A, "crude oil" or "oil" refers to light and medium crude oil product types as defined by National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Condensate is a natural gas liquid as defined by NI 51-101. References to "natural gas liquids" or "NGLs" throughout this MD&A comprise pentane, butane, propane and ethane, being all NGLs as defined by NI 51-101 other than condensate, which is disclosed by Fiddlehead due to the significant difference in value per barrel. References to "liquids" and "petroleum" includes crude oil, condensate and NGLs. References to "gas" relates to natural gas.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the Interim Financial Statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary in the determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the Interim Financial Statements.

DIRECTORS AND EXECUTIVE OFFICERS

As of the date of this report the Company had the following directors and executive officers:

Brent Osmond	President, Chief Executive Officer, & Chairman of the Board
Ron Hornseth	Chief Operating Officer
Ying Yuen	Chief Financial Officer
Dale Miller	Director
David Ritter	Director
C. Neil Smith	Director
Gregory Turnbull	Director

ADVISORIES AND FORWARD LOOKING STATEMENTS

Certain statements or information contained herein may constitute forward-looking statements or information under applicable securities laws, including, but not limited to, management's assessment of future plans and operations, that Fiddlehead will have the ability to develop its properties in the manner currently contemplated, and other matters, anticipated changes to the Company's reserves and production, timing of directly marketed crude oil and gas sales, drilling plans and the timing thereof, commodity price risk management strategies, reserves estimates, management's expectation for results of operations for 2024, including expected 2024 average production, funds flow from operations, that Fiddlehead will have the ability to pay down its debt, the 2024 capital program for exploration and development, the timing and method of financing thereof, the Company's beliefs regarding the reserves and production growth of its assets and the ability to grow with a stable production base, that Fiddlehead will have the ability to steward capital and reduce costs, commodity prices and expected volatility thereof, and interest rates and the expected volatility thereof. Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Forward-looking statements or information relate to the Company's future events or performance. All statements other than statements of historical fact may be forward-looking statements or information. Such statements or information are often but not always identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", and similar expressions.

Forward-looking statements or information necessarily involve risks including, without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, economic and political instability, volatility of commodity prices, currency fluctuations, fluctuations in operating expenses due to changes in inventory volumes, inability to pay down the Company's debt, imprecision of reserves estimates, environmental risks, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, delays resulting from or inability to obtain required regulatory approvals, operating results, cash flows and/or financial condition, ability to access sufficient capital from internal and external sources. The recovery and reserves estimates of the Company's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Events or circumstances may cause actual results to differ materially from those predicted, as a result of the risk factors set out and other known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Company.

In addition, forward-looking statements or information are based on a number of factors and assumptions which have been used to develop such statements and information in order to provide shareholders with a more complete perspective on the Company's future operations. Such statements and information may prove to be incorrect and readers are cautioned that such statements and information may not be appropriate for other purposes. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements or information because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions which may be identified herein, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the timely receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; the ability of the Company to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development and exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate product transportation; future commodity prices; the ability of the Company's derivative financial instruments to manage its exposure thereto; currency exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the jurisdictions in which the Company operates; the impact of potential litigation and claims on the Company; and the ability of the Company to successfully market and receive payment for its oil and natural gas products.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedarplus.ca) and on the Company's website (www.fiddleheadresources.com).

Furthermore, the forward-looking statements or information contained herein are made as at the date hereof and the Company does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

The reader is further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Estimating reserves is also critical to several accounting estimates and requires judgments and decisions based upon available geological, geophysical, engineering and economic data. These estimates may change, having either a negative or positive effect on net earnings (loss) as further information becomes available, and as the economic environment changes.

This MD&A includes references to certain financial measures which are not specified, defined, or determined under IFRS and are therefore considered non-GAAP financial measures. These non-GAAP financial measures are unlikely to be comparable to similar financial measures presented by other issuers. For a full description of these non-GAAP financial measures and a reconciliation of these measures to their most directly comparable GAAP measures, please refer to "NON-GAAP FINANCIAL MEASURES".

Natural gas volumes have been converted on the basis of six thousand cubic feet of natural gas to one barrel of oil equivalent. Barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.