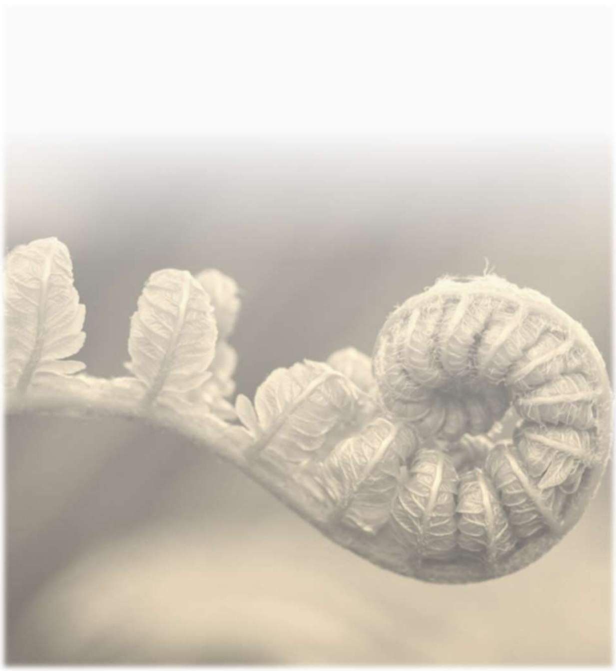

FIDDLEHEAD RESOURCES CORP.

(FORMERLY ALPHA PEAK CAPITAL INC.)

(TSXV:FHR)

**CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2024 AND 2023**

Balance Sheets

(Expressed in Canadian Dollars)

	Notes	As at September 30, 2024	As at December 31, 2023
		(Unaudited)	*(Audited)*
ASSETS			
Current			
Cash		**1,576,245**	372,153
Accounts receivable	6	**159,819**	16,433
Prepaid expenses		**240,365**	-
Total Current Assets		**1,976,430**	388,586
Non-Current			
Property and equipment	9	**24,817,263**	
Right-of-use assets	9	**469,344**	-
Total Assets		**27,263,036**	388,586
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**567,942**	32,295
Current portion of long-term debt	12	**2,650,000**	-
Current portion of lease obligations	11	**50,873**	-
Total current liabilities		**3,268,815**	32,295
Non-Current			
Long-term debt	12	**9,299,385**	-
Deferred consideration payable	9	**1,250,000**	
Asset retirement obligation	10	**5,201,609**	-
Lease obligations	11	**418,470**	-
Total Liabilities		**19,438,280**	32,295
SHAREHOLDERS' EQUITY			
Share capital	14	**71,355,096**	64,707,097
Warrants	14	**2,760,684**	-
Contributed surplus		**627,431**	595,014
Deficit		**(66,918,455)**	(64,945,820)
Total Shareholders' Equity		**7,824,756**	356,291
Total Liabilities & Shareholders' Equity		**27,263,036**	388,586

Going concern (Note 1)

Commitments and Contingencies (Note 13)

Subsequent Events (Note 18)

The accompanying notes are an integral part of these Interim Financial Statements.

Approved on behalf of the Board of Directors:

[signed] "Brent Osmond"
Chairman, President & Chief Executive Officer and Director

[signed] "Gregory Turnbull"
Gregory Turnbull, Director

Statements of Loss and Comprehensive Loss

(Unaudited, Expressed in Canadian Dollars)

	Notes	Three Months Ended September 30 2024	2023	Nine Months Ended September 30 2024	2023
REVENUE					
Petroleum and natural gas sales, net of royalties	7	**693,048**	-	**693,048**	-
		693,048	-	**693,048**	-
EXPENSES					
Operating		**597,757**	-	**597,757**	-
Transportation costs		**5,563**	-	**5,563**	-
General and administrative		**1,013,793**	55,554	**1,326,244**	57,333
Finance costs	8	**267,676**	-	**267,676**	-
Share based compensation	15	**11,232**	2,894	**32,418**	2,894
Depletion, depreciation and amortization	9	**436,024**	-	**436,024**	-
		2,332,045	58,448	**2,665,682**	60,227
NET LOSS AND COMPREHENSIVE LOSS		**(1,638,997)**	(58,448)	**(1,972,634)**	(60,227)
Weighted average number of common shares outstanding[1]					
Basic		**26,729,577**	6,920,881	**13,596,339**	4,719,523
Diluted		**26,729,577**	6,920,881	**13,596,339**	4,719,523
Net loss per share					
Basic		**(0.06)**	(0.01)	**(0.15)**	(0.01)
Diluted		**(0.06)**	(0.01)	**(0.15)**	(0.01)

[1] Common Shares outstanding have been adjusted as a result of the Share Consolidation.

The accompanying notes are an integral part of these Interim Financial Statements.

Statements of Changes in Shareholders' Equity

(Unaudited, Expressed in Canadian Dollars)

	Notes	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance at January 1, 2022		64,132,017	-	581,585	(64,696,691)	16,910
Issuance of shares for cash		581,800	-	-	-	581,800
Share issuance costs		(6,720)	-	-	-	(6,720)
Share-based payments		-	-	13,429	-	13,429
Net loss and comprehensive loss		-	-	-	(249,129)	(249,129)
Balance at December 31, 2023		64,707,097	-	595,014	(64,945,820)	356,291
Issuance of subscription units	14	**7,959,316**	**2,760,684**	**-**	**-**	**10,720,000**
Share issuance costs	14	**(1,311,317)**	**-**	**-**	**-**	**(1,311,317)**
Share-based payments	15	**-**	**-**	**32,418**	**-**	**32,418**
Net loss and comprehensive loss		**-**	**-**	**-**	**(1,972,634)**	**(1,972,634)**
Balance at September 30, 2024		**71,355,096**	**2,760,684**	**627,431**	**(66,918,455)**	**7,824,756**

The accompanying notes are an integral part of these Interim Financial Statements.

Statements of Cash Flows

(Unaudited, Expressed in Canadian Dollars)

	Notes	Three Months Ended September 30 **2024**	2023	Nine Months Ended September 30 **2024**	2023
OPERATING					
Net loss		**(1,638,997)**	(58,448)	**(1,972,634)**	(60,227)
Adjustments for:					
Depletion, depreciation and amortization	9	**436,024**	-	**436,024**	-
Share-based compensation	15	**11,232**	2,894	**32,417**	2,894
Finance costs	8	**128,416**	-	**128,416**	-
Changes in non-cash working capital	17	**161,366**	(1,021)	**151,895**	(13,637)
Net cash used in operating activities		**(901,960)**	(56,575)	**(1,223,882)**	(70,970)
INVESTING					
Property acquisitions	11	**(18,835,634)**	-	**(18,835,634)**	-
Net cash used in investing activities		**(18,835,634)**	-	**(18,835,634)**	-
FINANCING					
Issuance of share capital	14	**7,959,316**	581,800	**7,959,316**	581,800
Share issuance costs	14	**(1,311,317)**	-	**(1,311,317)**	-
Issuance of warrants	14	**2,760,684**	-	**2,760,684**	-
Increase in long-term debt	12	**13,000,000**	-	**13,000,000**	-
Debt issuance costs	12	**(1,145,075)**	-	**(1,145,075)**	-
Net cash generated by financing activities		**21,263,608**	581,800	**21,263,608**	581,800
NET INCREASE IN CASH		**1,526,014**	525,225	**1,204,092**	510,830
CASH, BEGINNING OF PERIOD		**50,231**	15,433	**372,153**	29,828
CASH, END OF PERIOD		**1,576,245**	540,658	**1,576,245**	540,658

The accompanying notes are an integral part of these Interim Financial Statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

As at and for the periods ended September 30, 2024 and September 30, 2023

(All amounts expressed in Canadian Dollars, except as otherwise noted)

1. CORPORATE INFORMATION AND GOING CONCERN

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") and trades 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.

Going concern:

These 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. These unaudited Interim 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.

2. BASIS OF PREPARATION

These financial statements as at September 30, 2024 (the "Interim Financial Statements") have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") applicable to the preparation of Interim Financial Statements, including IAS 34 Interim Financial Reporting.

The Company prepared these Interim Financial Statements on a going concern basis, which contemplates the realization of assets and liabilities in the normal course of business as they become due. Accordingly, these Interim Financial Statements have been prepared on a historical cost basis and other long-term liabilities that have been measured at fair value. The method used to measure fair value is discussed further in Notes 3 and 6.

Unless otherwise indicated, the Interim Financial Statements are presented and expressed in Canadian dollars ("C$"), which is the functional and presentation currency of the Company.

The Company's Board of Directors approved these Interim Financial Statements on November 27, 2024.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Interim Financial Statements.

Cash

Cash comprises cash on hand. As at September 30, 2024, all of the Company's cash is on deposit with a high credit-quality financial institution.

Financial instruments

Financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument:

- Fair value through profit or loss - subsequently carried at fair value with changes recognized in net loss; and
- Amortized cost - subsequently carried at amortized cost using the effective interest method. Financial instruments under this classification include cash, accounts receivable, accounts payable and accrued liabilities, lease obligations, deferred consideration payable and long-term debt.

Refer to Note 6 for the classification and measurement of these financial instruments.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Leases

A contract is, or contains, a lease if the contract provides the right to control the use of an identified asset for a period of time in exchange for consideration. A lease obligation is recognized at the commencement of the lease term measured as the present value of the lease payments not already paid at that date. Interest expense is recognized on the lease obligations using the effective interest rate method and net payments are applied against the lease obligation. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease obligation, adjusted for lease incentives received and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term.

Property and equipment and intangible exploration and evaluation assets

Exploration and evaluation assets

Exploration and evaluation ("E&E") costs related to each license/prospect are initially capitalized within "intangible exploration and evaluation assets". Such E&E costs may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing, directly attributable expenses, including remuneration of production personnel and supervisory management, and the projected costs of retiring the assets (if any), but do not include pre-licensing costs incurred prior to having obtained the legal rights to explore an area, which are expensed directly to net loss as they are incurred and presented as exploration expenses on the Statements of Loss and Comprehensive Loss.

Intangible exploration and evaluation assets are not depleted. They are carried forward until technical feasibility and commercial viability of extracting a mineral resource is determined, at which point they are transferred to petroleum and natural gas ("PNG") assets. The technical feasibility and commercial viability is considered to be determined when proved and/or probable reserves are determined to exist or they can be empirically supported with actual production data or conclusive formation tests.

Petroleum and natural gas assets

PNG assets and other assets are recognized at cost less accumulated depletion, depreciation and amortization, and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, including qualifying E&E costs on reclassification from intangible exploration and evaluation assets, and for qualifying assets, where applicable, borrowing costs. When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items.

Gains and losses on disposal of items of property and equipment, including oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in net loss immediately.

Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as petroleum properties or other assets only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized property and equipment generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a well, field or geotechnical area basis, together with the discounted value of estimated future costs of asset retirement obligations.

When components of PNG assets are replaced, disposed of or no longer in use, the carrying amount is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net loss as incurred.

Depletion, depreciation and amortization

The depletion, depreciation and amortization of PNG assets and other assets are recognized in net loss.

The net carrying value of the PNG assets included in petroleum properties is depleted using the unit of production method by reference to the ratio of production to the related proved plus probable reserves using estimated future prices and costs. Costs subject to depletion include estimated future development costs necessary to bring those reserves into production. Natural gas reserves and production are converted at the energy equivalent of six thousand cubic feet to one barrel of oil.

Furniture and fixtures are depreciated at a declining balance rate of 20% whereas computer system & equipment are depreciated at a declining balance rate of 55%.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Impairment

Financial assets carried at amortized cost

Fiddlehead applies the simplified approach to providing for expected credit losses ("ECL") prescribed by IFRS 9 Financial Instruments ("IFRS 9") which permits the use of the lifetime expected loss provision for all trade receivables carried at amortized cost.

At each reporting date, the Company measures the lifetime expected loss provision taking into consideration Fiddlehead's historical credit loss experience as well as forward-looking information in order to establish loss rates. The amount recognized for ECL that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized is recognized in net loss.

Non-financial assets

At each reporting date, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is an indication of impairment, except for E&E assets, which are reviewed when circumstances indicate impairment may exist. If there is an indication of impairment, the asset's recoverable amount is estimated and compared to its carrying value.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit). The recoverable amount of an asset or a cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. The Company's CGUs are not larger than a segment. In assessing both fair value less costs to sell and value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net loss.

For PNG assets, fair value less costs to sell and value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved plus probable reserves.

Impairment losses recognized in prior periods are assessed at each reporting date for indication that the loss has decreased or no longer exists. An impairment loss may be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

Share-based payment transactions

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which equity instruments are granted and is recognized as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using the Black-Scholes option pricing model. An estimated forfeiture rate is taken into consideration when assigning a fair value to options granted such that no expense is recognized for awards that do not ultimately vest.

At each financial reporting date before vesting, the cumulative expense is calculated, which represents the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous financial reporting date is recognized in net loss, with a corresponding entry in contributed surplus in equity.

When the terms of an equity-settled award are modified or a new award is designated as replacing a canceled or settled award, the cost based on the original award terms continues to be recognized over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognized if this difference is negative.

Provisions and asset retirement obligations

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

The Company provides for asset retirement obligations on all of its operations based on current legislation and industry operating practices. The estimated present value of the asset retirement obligation is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. This increase is depleted with the related depletion unit and is allocated to a CGU for impairment testing. The liability is increased each reporting period to reflect the passage of time with a corresponding charge to accretion expense. The asset retirement obligation can also increase or decrease due to changes in the estimated timing of cash flows, changes in the discount rate and/or changes in the original estimated undiscounted costs. Increases or decreases in the obligation will result in a corresponding change in the carrying amount of the related asset. Actual costs incurred upon settlement of the asset retirement obligation are charged against the asset retirement obligation to the extent of the liability recorded. Asset retirement obligations are measured at each reporting period to reflect the discount rates in effect at that time. On an annual basis, the Company reviews its estimates of the expected costs to reclaim the net interest in its wells and facilities. Resulting changes are accounted for prospectively as a change in estimate.

Revenue recognition

The Company's revenue is derived exclusively from contracts with customers, except for immaterial amounts related to interest and other income. Royalties are considered to be part of the price of the sale transaction and are therefore presented as a reduction to revenue. Revenue associated with the sale of crude oil, natural gas and natural gas liquids ("NGLs") is measured based on the consideration specified in contracts with customers. Revenue from contracts with customers is recognized when the Company satisfies a performance obligation by transferring a good or service to a customer. A good or service is transferred when the customer obtains control of the good or service. The transfer of control of oil, natural gas and NGLs usually coincides with title passing to the customer and the customer taking physical possession. Fiddlehead mainly satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

Revenues from the sale of crude oil, natural gas, condensate and NGLs are recognized by reference to actual volumes delivered at contracted delivery points and prices. Prices are determined by reference to quoted market prices in active markets (crude oil - NYMEX WTI, crude oil - Edmonton light, natural gas - AECO, condensate - NYMEX WTI, and NGLs - various based on product), adjusted according to specific terms and conditions applicable per the sales contracts. Revenues are recognized prior to the deduction of transportation costs. Revenues are measured at the fair value of the consideration received. Fiddlehead pays royalties to the Alberta provincial government and other mineral rights owners in accordance with the established royalty regime.

Revenue segregated by product type is disclosed in Note 7.

Finance revenue and costs

Finance revenue comprises interest income on funds invested. Interest income is recognized as it accrues in net loss, using the effective interest method.

Finance costs comprise interest expense on borrowings.

Borrowing costs incurred for qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. Qualifying assets are comprised of those significant assets that require a period greater than one year to be available for their intended use. All other borrowing costs are recognized in net loss.

Royalties

Royalties are recorded at the time the product is produced and sold. Royalties are calculated in accordance with the applicable regulations and/or the terms of individual royalty agreements. Crown royalties for natural gas, condensate and other associated liquids are based on Alberta Government posted reference prices as all of the Company's producing assets are in Alberta.

Income tax

Income tax expense is comprised of current and deferred tax. Fiddlehead is subject to income taxes based on the tax legislation of each respective jurisdiction in which Fiddlehead conducts business.

Current tax

Current tax assets and liabilities for the current and prior periods are measured as the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of these Interim Financial Statements.

Deferred tax

The Company determines the amount of deferred income tax assets and liabilities based on the difference between the carrying amounts of the assets and liabilities reported for financial accounting purposes from those reported for tax. Deferred income tax assets and liabilities are measured using the substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. Deferred income tax assets are recognized to the extent it is probable the Company will have sufficient future taxable earnings available against which the unused tax losses can be utilized.

Joint arrangements

A joint arrangement involves joint control and offers joint ownership by the Company and other joint interest partners of the financial and operating policies, and of the assets associated with the arrangement. Joint arrangements are classified into one of two categories: joint operations or joint ventures.

A joint operation is a joint arrangement whereby the Company and the other parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. Parties involved in joint operations must recognize in relation to their interests in the joint operation their proportionate share of the revenues, expenses, assets and liabilities. A joint venture is a joint arrangement whereby the Company and the other parties that have joint control of the arrangement have rights to the net assets of the arrangement. Parties involved in joint ventures must recognize their interests in joint ventures as investments and must account for that investment using the equity method.

The Company conducts some of its oil and gas production activities through joint operations and the Interim Financial Statements reflect only the Company's proportionate interest in such activities. Joint control exists for contractual agreements governing Fiddlehead's assets whereby Fiddlehead has less than 100% working interest, all of the partners have control of the arrangement collectively, and spending on the project requires the unanimous consent of all parties that collectively control the arrangement and share the associated risks. Fiddlehead does not have any joint arrangements that are individually material to the Company or that are structured through joint venture arrangements.

Business Combination

Business combinations are accounted for using the acquisition method under IFRS 3 Business Combinations (“IFRS 3”). Management's determination of whether a transaction constitutes a business combination or an asset acquisition is determined based on the criteria in IFRS 3. The identifiable assets acquired and liabilities assumed in a business combination are measured at their fair values at the acquisition date. The decommissioning obligations associated with the acquired property is subsequently re-measured at the end of the reporting period using a credit-adjusted risk-free rate, with any changes recognized in the decommissioning liabilities and PP&E on the Statements of Financial Position. The cost of an acquisition is measured as the fair value of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the acquisition date. The excess of the acquisition cost over the fair value of the identifiable net assets acquired is recognized as goodwill. If the cost of the acquisition is less than the fair value of the net identifiable assets acquired, a gain on business combination is recognized immediately in net income or loss. Any deferred tax asset or liability arising from the business combination is recognized at the acquisition date. Transaction costs associated with a business combination are expensed as incurred. Results of acquisitions are included in the Interim Financial Statements from the closing date of acquisition.

Future 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) and Comprehensive 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.

4. 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. The effect of these estimates, assumptions and the use of judgments are explained throughout the notes to the Interim Financial Statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Recoverability of asset carrying values

The recoverability of PNG asset carrying values are assessed at the CGU level. Determination of what constitutes a CGU is subject to management judgment of the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other groups of assets or properties. The factors used by Fiddlehead to determine CGUs may vary by jurisdiction due to unique operating and geographic circumstances in each jurisdiction. In general, Fiddlehead assesses the following factors in determining whether a group of assets generate largely independent cash inflows:

- geographic proximity of the assets within a group to one another;
- geographic proximity of the group of assets to other groups of assets; and
- homogeneity of the production from the group of assets and the sharing of infrastructure used to process and/or transport production.

CGUs are determined by regional geography and one CGU has been identified. The asset composition of a CGU can directly impact the recoverability of the assets included therein. In assessing the recoverability of the Company's petroleum properties, each CGU's carrying value is compared to its recoverable amount, defined as the greater of its fair value less costs to sell and value-in-use. The recoverable amounts of the Company's CGUs are estimated as their fair value less costs to sell based on the net present value of the after-tax cash flows from the oil and natural gas reserves of each CGU based on reserves estimated by the Company's independent reserves evaluator.

Key input estimates used in the determination of cash flows from oil and natural gas reserves include the following:

- Reserves - There are numerous uncertainties inherent in estimating oil and gas reserves. An external reserves engineering report which incorporates a full evaluation of reserves is prepared on an annual basis with internal reserves updates completed at each quarterly period. Estimating reserves is highly complex, requiring many judgments including forward price estimates, production costs, and recovery rates based on available geological, geophysical, engineering and economic data. Changes in these judgments may have a material impact on the estimated reserves. These estimates may change, resulting in either negative or positive impacts on net loss as further information becomes available and as the economic environment changes.
- Commodity prices - Forward price estimates of crude oil and natural gas prices are incorporated into the determination of expected future net cash flows. Commodity prices have fluctuated significantly in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, foreign exchange rates, economic, and geopolitical factors.
- Discount rate - The discount rate used to determine the net present value of future cash flows is based on the Company's estimated weighted average cost of capital. Changes in the economic environment could change the Company's weighted average cost of capital.

Depletion of petroleum properties

Reserves and resources are used in the units of production calculation for depletion, depreciation and amortization. Depletion of petroleum properties is calculated based on total proved plus probable reserves as well as estimated future development costs associated with these reserves as determined by the Company's independent reserves evaluator. See above for discussion of estimates and judgments involved in reserves estimation.

Income taxes
Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the Interim Financial Statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly affect the amount of the deferred tax asset or liability calculated at a point in time. Tax interpretations, regulations and legislation in the jurisdiction in which Fiddlehead operates are subject to change and interpretation. Such changes can affect the timing of the reversal of temporary tax differences, the tax rates in effect when such differences reverse and Fiddlehead's ability to use tax losses and other tax pools in the future. The Company's income tax filings are subject to audit by taxation authorities in different jurisdictions and the results of such audits may increase or decrease the tax liability. The determination of current and deferred tax amounts recognized in the Interim Financial Statements are based on management's assessment of the tax positions, which includes consideration of their technical merits, communications with tax authorities and management's view of the most likely outcome. These differences could materially impact net loss.

Asset retirement obligations

The provision for site restoration and abandonment is based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, market conditions, discovery and analysis of site conditions and changes in technology.

Leases

Management uses judgement to determine the incremental borrowing rate and lease term related to the application of IFRS 16. Incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying amount of the right-of-use assets, lease obligations, and the resulting interest and depletion and depreciation expense, may differ due to changes in the market conditions and lease term. Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

5. BUSINESS COMBINATION

In a transaction that closed on August 29, 2024 (effective date of April 1, 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 (the "Acquisition") from a senior Canadian producer ("Vendor"). The total consideration of the Acquisition was $20.1 million after adjustments ("Purchase Price"). At closing, $18.8 million was funded by a Credit Facility (the "Credit Facility) of $13.0 million and private placement of subscription receipts for aggregate gross proceeds of $10.2 million (the "Private Placement"). 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 accordance with IFRS, a property acquisition is accounted for as a business combination when certain criteria are met, such as the acquisition of inputs and processes to convert those inputs into beneficial outputs. Fiddlehead assessed the property acquisition and determined that it constitutes a business combination under IFRS. In a business combination, acquired assets and liabilities are recognized by the acquirer at their fair market value at the time of purchase. Any variance between the determined fair value of the assets and liabilities and the purchase price is recognized as either goodwill or a gain in the statement of comprehensive income in the period of acquisition.

The estimated fair value of the property, plant and equipment acquired through the transaction was determined based on the present value of the expected future cash flows associated with the acquired property using both internal estimates and an independent reserve evaluation. The decommissioning liabilities assumed were determined using the timing and estimated costs associated with the abandonment, restoration and reclamation of the wells and facilities acquired. The total net fair value of the acquired property was equal to the consideration paid by the Company. As a result, no bargain purchase gain or goodwill was recognized for the period ended September 30, 2024 relating to the acquisition. There were $0.37 million of transaction costs incurred by the Company and expensed through earnings.

The consideration paid and fair values of the identifiable assets acquired and liabilities assumed by the Company are as follows:

Total consideration	
Cash	18,827,789
Deferred consideration payable	1,250,000
	20,077,969

Net assets acquired	
Property, plant and equipment	25,245,622
Less: Asset retirement obligations assumed (Note 10)	5,167,653
	20,077,969

Fiddlehead assessed and determined the Acquisition to constitute a business combination in accordance with IFRS 3 and the PP&E acquired was valued using fair value less cost of disposal ("FVLCD") methodology (Level 3 fair value measurement) using the present value of the expected future cash flows after-tax. The expected future cash flows used in the FVLCD calculation were derived from a reserve report on the acquired oil and gas reserves, which was prepared by an independent qualified reserve evaluator. The cash flow estimates derived from the independent reserve report were internally updated to reflect the following changes to key assumptions as of August 29, 2024:

- the long-term forecast for commodity prices and foreign exchange rates were revised based on an average of the forecasts published by three independent qualified reserve evaluators, current as of the acquisition date;
- mechanical update of the reserves database to August 29, 2024, such that forecast cash flows for 2024 are for the remaining period ending December 31, 2024; and
- FDC expenditures were reduced to reflect Fiddlehead's planned capital expenditures.

The Statements of Net Loss and Comprehensive Loss for the nine months ended September 30, 2024 includes the results of operations for the Acquisition starting from the closing date. Specifically, Fiddlehead's net income for the nine months ended September 30, 2024, includes $0.7 million of revenue (after royalties) and $0.1 million of operating income generated from the Acquisition for the period from August 29 to September 30, 2024. "Operating income" does not have a standardized meaning under IFRS Accounting Standards. For purposes of this pro-forma disclosure, the Company has calculated operating income as revenue (after royalties), less operating and transportation expenses.

If the acquisition had occurred on January 1, 2024, pro-forma revenue (after royalties) and operating income is estimated to be approximately $8.7 million and $3.1 million, respectively, for the nine months ended September 30, 2024. This pro-forma information is not necessarily indicative of the results of operations that would have resulted had the acquisition been effected on the dates indicated, or the results that may be obtained in the future.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values of financial instruments

Financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, lease obligations, deferred consideration payable and long-term debt.

The Company has classified its cash and accounts receivable are classified as assets at amortized cost; accounts payable and accrued liabilities, deferred consideration payable, lease obligations and long-term debt are classified as liabilities at amortized cost, all of which are measured initially at fair value, and subsequently at amortized cost. Transaction costs attributable to financial instruments carried at amortized cost are included in the initial measurement of the financial instrument and are subsequently amortized using the effective interest rate method.

Carrying value and fair value of financial assets and liabilities are summarized as follows:

	September 30, 2024		December 31, 2023	
Classification	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial assets at fair value through profit or loss	**-**	**-**	-	-
Financial assets at amortized cost	**1,736,064**	**1,736,064**	388,586	388,586
Financial liabilities at fair value through profit or loss	**-**	**-**	-	-
Financial liabilities at amortized cost	**15,287,286**	**15,287,286**	32,295	32,295

Assets and liabilities as at September 30, 2024 that are measured at fair value are classified into levels reflecting the method used to make the measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level. There were no transfers between levels in the fair value hierarchy in the period.

Overview of Risk Management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities:

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors and Audit Committee oversee management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

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 petroleum 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**	2,523
Accounts receivable	**159,819**	16,433

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.

Market risk

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. Please see Note 1 regarding going concern.

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**

Capital disclosures

The Company's objective when managing capital is to ensure the Company will have the financial capacity, liquidity and flexibility to fund the ongoing exploration and development of its petroleum assets. These objectives and strategy are reviewed on an annual basis.

The Company defines and computes its capital as follows:

	Periods ended September 30	
	2024	2023
Long-term debt, excluding deferred debt issuance costs	**13,000,000**	-
Deferred consideration payable	**1,250,000**	-
Current assets	**(1,976,430)**	(388,586)
Current liabilities	**618,815**	32,295
Net debt obligations	**12,892,386**	(356,291)
Shareholders' equity	**7,824,756**	356,291
Total capital	**20,717,142**	-

7. PETROLEUM AND NATURAL GAS SALES

	Periods ended September 30	
	2024	2023
Light oil sales	**380,961**	-
Natural gas sales	**80,394**	-
Natural gas liquids sales	**547,876**	-
Less: Royalties	**(316,183)**	-
Petroleum and natural gas sales, net of royalties	**693,048**	-

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

8. FINANCE COSTS

Finance costs recognized in net loss were as follows:

	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**	-

9. PROPERTY AND EQUIPMENT

The Company's PP&E includes development and production ("D&P") assets and corporate assets. D&P assets include the Company's interests in developed crude oil and natural gas properties, as well as interests in facilities and pipelines.

The following tables reconcile the movements in the cost and accumulated depletion and depreciation during the periods:

Cost	PNG Assets	Right-Of-Use Assets	Total
Balance at December 31, 2022	-	-	-
Additions	-	-	-
Balance at December 31, 2023	-	-	-
Additions in right-of-use assets (Note 11)	-	469,344	469,344
Acquisitions	20,085,634	-	20,085,634
Asset retirement obligations (Note 10)	5,167,653	-	5,167,653
Balance at September 30, 2024	**25,253,287**	**469,344**	**25,722,631**
Accumulated depreciation, depletion, amortization and impairment losses			
Balance at December 31, 2022	-	-	-
Depletion, depreciation and amortization for the year	-	-	-
Balance at December 31, 2023	-	-	-
Depletion, depreciation and amortization for the year	435,961	-	435,961
Balance at September 30, 2024	**435,961**	**-**	**435,961**
Net book value			
At December 31, 2023	-	-	-
At September 30, 2024	**24,817,263**	**469,344**	**25,286,606**

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 date of 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.

The following table discloses the carrying amount and depreciation charge for right-of-use assets by the class of underlying asset as at and for the period ended September 30, 2024:

	Right-Of-Use Assets	Total
Net book value at December 31, 2022	-	-
Additions to right-of-use assets	-	-
Depreciation for the year	-	-
Net book value at December 31, 2023	-	-
Additions to right-of-use assets	469,344	469,344
Depreciation for the year	-	-
Net book value as at September 30, 2024	**469,344**	**469,344**

Impairment of PP&E

Fiddlehead assessed its CGU for indicators of potential impairment as at September 30, 2024 and concluded there are no indicators of impairment or indicators of impairment reversals.

10. ASSET RETIREMENT OBLIGATION

The following table reconciles the change in Fiddlehead's asset retirement obligation:

	As at September 30, 2024	As at December 31, 2023
Balance, beginning of year	**-**	-
Obligations acquired	**5,167,653**	-
Asset retirement obligation accretion	**33,956**	-
Balance, end of period	**5,201,609**	-

Fiddlehead has estimated the net present value of its asset retirement obligation to be $5.2 million as at September 30, 2024 (2023 - nil) based on a total undiscounted future liability of $16.1 million (2023 - nil). These payments are expected to be made between 2026 and 2048. Fiddlehead calculated the present value of the obligations using credit-adjusted-risk-free rate of 7.88% (2023 – nil) to reflect the market assessment of the time value of money as well as risks specific to liabilities that have not been included in the cash flow estimates. The inflation rate used in determining the cash flow estimate was 2% per annum (2023 – nil).

11. LEASE OBLIGATIONS

As at September 30, 2024, the present value of the Company's total lease liabilities are $0.5 million, of which approximately $0.05 million is expected to be settled in the next twelve months. A continuity of the lease obligations is provided below:

	As at September 30, 2024	As at December 31, 2023
Less than 1 year	**51,292**	-
1 - 4 years	**465,198**	-
Total lease payments	**516,490**	-
Amounts representing interest	**47,147**	-
Present value of net lease payments	**469,344**	-
Current portion of lease obligations	**50,873**	-
Non-current portion of lease obligations	**418,470**	-

During the period ended September 30, 2024, the Company spent nil (2023 – nil) on interest expense and paid a total cash outflow of nil (2023 - nil) relating to lease obligations.

12. LONG-TERM DEBT

The following table reconciles the changes in Fiddlehead's long-term debt:

Principal	**As at September 30, 2024**	As at December 31, 2023
Balance, beginning of period	**-**	-
Additions	**13,000,000**	-
Balance, end of period	**13,000,000**	-
Debt issue costs		
Additions, debt issue costs	**1,145,075**	-
Amortization	**(94,460)**	-
Balance, end of period	**1,050,616**	-
Carrying value	**11,949,385**	
Current	**2,650,000**	-
Long-term	**9,299,385**	-

The Company's interest-bearing loans and borrowings are measured at amortized cost. As at September 30, 2024, the only significant interest-bearing loan and borrowings are related to the Credit Facility as described below.

Credit Facility

	As at September 30, 2024	As at December 31, 2023
Credit Facility - amount drawn	**13,000,000**	-

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 at 18.00% per annum beginning August 28, 2025, payable monthly.

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

Based on the Company's current forecast of future production and prices the estimated future debt payments on long-term debt as of September 30, 2024 are as follows:

Year	Credit Facility
2024	400,000
2025	12,600,000

13. 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 Note 6.

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.

14. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares, each with no par value.

On July 31, 2024, the Corporation completed a share consolidation of one post-consolidation Common Share for every two pre-consolidation Common Shares outstanding (the "Share 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 53.6 million 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. 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.

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

Common shares issued as part of the Private Placement were valued at $0.15 per common share based on a proration of the Private Placement value of $0.20 per share less the value attributed to the Fiddlehead Warrants of $0.05 per Fiddlehead Warrant.

The following table summarizes the change in common shares issued and outstanding.

	As at September 30, 2024		As at December 31, 2023	
	Shares	**Amount**	Shares[1]	Amount
Balance, beginning of year[1]	**6,920,881**	**64,707,097**	4,496,714	64,132,017
Issuance of shares for cash	**53,600,000**	**7,959,316**	2,424,168	581,800
Share issuance costs	**-**	**(1,311,317)**	-	(6,720)
Balance, end of period	**60,520,881**	**71,355,096**	6,920,881	64,707,097

[1] Common Shares outstanding have been adjusted as a result of the Share Consolidation.

Warrants

The following table summarizes the change in common share purchase warrants issued and outstanding:

	September 30, 2024			December 31, 2023		
	Warrants	**Amount**	**Weighted average exercise price**	Warrants	Amount	Weighted average exercise price
Balance, beginning of period	**-**	**-**	**-**	**-**	-	-
Expired	**-**	**-**	**-**	**-**	-	-
Issued	**53,600,000**	**2,760,684**	**0.24**	**-**	-	-
Balance, end of period	**53,600,000**	**2,760,648**	**0.24**	**-**	-	-

Each Fiddlehead Warrant entitled the holder to purchase one Fiddlehead Share at an exercise price of $0.24 per common share expiring on August 29, 2029. During the three months ended September 30, 2023, no Fiddlehead Warrants were exercised and no Fiddlehead Warrants were forfeited or expired.

The fair value of the Fiddlehead Warrants was estimated on the date of issue using the Black Scholes option pricing model with the following assumptions:

	Fiddlehead Warrants
Risk free interest rate	**2.73%**
Expected volatility[1]	**47.00%**
Expected dividend yield	**0.00**%
Expected forfeiture rate	**0.00**%
Average fair value of warrants granted (CA$/share)	**0.05**

[1] Fiddlehead has estimated the expected volatility over the life of the warrant based on a peer group average for junior oil and gas companies.

15. SHARE-BASED PAYMENTS

Stock option plan

The Company operates a omnibus incentive plan (the "Plan") to provide equity-settled share-based remuneration to directors, officers and employees. The number of common shares that may be issued pursuant to the exercise of options awarded under the Plan is 10% of the common shares outstanding from time to time. The fair value of all common stock options granted is estimated on the date of grant using the Black Scholes option pricing model. Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value and the resulting fair value is amortized over the vesting period of the respective tranche.

The following tables summarize information about the stock options outstanding and exercisable at the dates indicated:

	Periods Ended			
	September 30, 2024		December 31, 2023	
	Number of Options	**Weighted-Average Exercise Price ($C)**	Number of Options[1]	Weighted-Average Exercise Price ($CA)
Options outstanding, beginning of year[1]	**630,000**	**0.18**	380,000	0.14
Granted	**-**	**-**	250,000	0.24
Exercised	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Options outstanding, end of period	**630,000**	**0.18**	630,000	0.18
Options exercisable, end of period	**630,000**	**0.18**	380,000	0.18

[1] Options outstanding have been adjusted as a result of the Share Consolidation.

	Options Outstanding			**Options Exercisable**		
Exercise Price	**Number Outstanding at September 30, 2024[1]**	**Weighted-Average Remaining Contractual Life (Years)**	**Weighted-Average Exercise price**	**Number Exercisable at September 30, 2024[1]**	**Weighted-Average Remaining Contractual Life (Years)**	**Weighted-Average Exercise price**
0.14	380,000	0.6	0.14	380,000	0.6	0.14
0.24	250,000	3.9	0.24	250,000	3.9	0.24
	630,000	**1.9**	**0.18**	**630,000**	**1.9**	**0.18**

[1] Options outstanding have been adjusted as a result of the Share Consolidation.

Share-based compensation expense of $32,418 was recorded during the period ended September 30, 2024 (December 31, 2023 - $13,429) in general and administrative expenses in the Statements of Loss and Comprehensive Loss and Changes in Shareholders' Equity in respect of stock options.

16. 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

17. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital consisted of the following:

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2024	2023	**2024**	2023
Operating activities				
(Increase) decrease in current assets				
Accounts receivable	**(137,320)**	-	**(143,386)**	-
Prepaids and other	**(219,210)**	-	**(240,365)**	-
Increase (decrease) in current liabilities				
Accounts payable and accrued liabilities	**517,896**	(1,021)	**535,647**	(13,637)
Total changes in non-cash working capital	**161,366**	(1,021)	**151,895**	(13,637)

18. 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.