



FIDDLEHEAD



**FIDDLEHEAD
RESOURCES
CORP.**

(TSXV:FHR)

**CONDENSED INTERIM FINANCIAL
STATEMENTS
AS AT AND FOR THE THREE AND
NINE MONTHS ENDED
SEPTEMBER 30, 2025 AND 2024**

Condensed Interim Balance Sheets
(Unaudited, Expressed in Canadian Dollars)

	Notes	As at September 30, 2025	As at December 31, 2024
ASSETS			
Current			
Cash		116,915	699,989
Accounts receivable	5	1,010,872	914,558
Prepaid expenses		209,103	97,818
Total Current Assets		1,336,890	1,712,365
Non-Current			
Property, plant and equipment	8	27,702,843	29,491,132
Right-of-use assets	10	461,940	510,239
Total Assets		29,501,673	31,713,736
LIABILITIES			
Current			
Accounts payable and accrued liabilities		1,920,374	612,746
Current portion of long-term debt	11	12,407,750	12,168,017
Term loan	11	1,000,000	-
Current portion of lease obligations	10	171,130	108,406
Deferred consideration payable	4	-	1,250,000
Total current liabilities		15,499,254	14,139,169
Non-Current			
Asset retirement obligation	9	11,259,087	10,754,737
Lease obligations	10	355,230	408,026
Contingent consideration payable	4	-	502,965
Total Liabilities		27,113,571	25,804,897
SHAREHOLDERS' EQUITY			
Share capital	13	72,155,096	71,355,096
Warrants	13	2,760,684	2,760,684
Contributed surplus		1,006,098	1,006,098
Deficit		(73,533,776)	(69,213,039)
Total Shareholders' Equity		2,388,102	5,908,839
Total Liabilities & Shareholders' Equity		29,501,673	31,713,736

Going Concern (note 1)

Commitments and Contingencies (note 12)

Subsequent Events (note 17)

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

Approved on behalf of the Board of Directors:

[signed] "Brent Osmond"
 Brent Osmond, Chairman, President & CEO and Director

[signed] "Stephanie Bunch"
 Stephanie Bunch, Director

Condensed Interim Statements of Loss and Comprehensive Loss
(Unaudited, Expressed in Canadian Dollars, except per share amounts)

	Notes	Three Months Ended September 30		Nine Months Ended September 30	
		2025	2024	2025	2024
REVENUE					
Oil and gas sales	6	1,700,685	1,009,231	8,450,962	1,009,231
Royalties	6	(508,743)	(316,183)	(2,172,875)	(316,183)
Oil and gas sales, net of royalties		1,191,942	693,048	6,278,087	693,048
Processing and other		35,600	-	82,938	-
		1,227,542	693,048	6,361,025	693,048
Gain on derivative financial instruments	4	-	-	502,965	-
Gain on fair value adjustment	4,8	2,337,539	-	2,337,539	-
Gain on financial instruments	4,11	-	-	1,671,871	-
		2,337,539	-	4,512,375	-
EXPENSES					
Operating		1,073,522	597,757	4,567,727	597,757
Transportation costs		10,204	5,563	36,171	5,563
General and administrative		1,463,173	1,013,793	3,674,834	1,326,244
Finance costs	7	978,969	267,676	2,797,459	267,676
Depletion, depreciation and amortization	8,10	1,107,110	436,024	4,117,946	436,024
Share based compensation	14	-	11,232	-	32,418
		4,632,978	2,332,045	15,194,137	2,665,682
NET LOSS AND COMPREHENSIVE LOSS		(1,067,897)	(1,638,997)	(4,320,737)	(1,972,634)
Weighted average shares					
Basic ¹		65,809,151	26,729,577	62,081,321	13,596,339
Diluted ¹		65,809,151	26,729,577	62,081,321	13,596,339
Net loss per share					
Basic ¹		(0.02)	(0.06)	(0.07)	(0.15)
Diluted ¹		(0.02)	(0.06)	(0.07)	(0.15)

¹ Common Shares outstanding have been adjusted as a result of the Share Consolidation on July 31, 2024.

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

Condensed Interim Statements of Changes in Shareholders' Equity
(Unaudited, Expressed in Canadian Dollars)

	Notes	Share Capital	Warrants	Contributed Surplus	Deficit	Total
Balance at December 31, 2023		64,707,097	-	595,014	(64,945,820)	356,291
Issuance of subscription units	13	7,959,316	2,760,684	-	-	10,720,000
Share issuance costs	13	(1,311,317)	-	-	-	(1,311,317)
Share-based payments	14	-	-	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
Balance at December 31, 2024		71,355,096	2,760,684	1,006,098	(69,213,039)	5,908,839
Shares issued	13	800,000	-	-	-	800,000
Net loss and comprehensive loss		-	-	-	(4,320,737)	(4,320,737)
Balance at September 30, 2025		72,155,096	2,760,684	1,006,098	(73,533,776)	2,388,102

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

Condensed Interim Statements of Cash Flows
(Unaudited, Expressed in Canadian Dollars)

	Notes	Three Months Ended September 30		Nine Months Ended September 30	
		2025	2024	2025	2024
OPERATING					
Net loss		(1,067,897)	(1,638,997)	(4,320,737)	(1,972,634)
Adjustments for:					
Depletion, depreciation and amortization	8,10	1,107,110	436,024	4,117,946	436,024
Share-based compensation	14	-	11,232	-	32,417
Finance costs	7	586,918	128,416	1,682,858	128,416
Share issuance		600,000	-	800,000	-
Gain on derivative financial instruments	4	-	-	(502,965)	-
Gain on fair value adjustment	4,8	(2,337,539)	-	(2,337,539)	-
Gain on financial instruments	4,11	-	-	(1,671,871)	-
Changes in non-cash working capital	16	213,649	161,366	1,170,246	151,895
Net cash used in operating activities		(897,759)	(901,960)	(1,062,062)	(1,223,882)
INVESTING					
Acquisition		-	(18,835,634)	-	(18,835,634)
Property asset additions		-	-	-	-
Additions to other assets	8	-	-	(9,452)	-
Changes in non-cash working capital	16	-	-	-	-
Net cash used in investing activities		-	(18,835,634)	(9,452)	(18,835,634)
FINANCING					
Draw of term loan	11	1,000,000	-	1,000,000	-
Repayment of long-term debt	11	-	-	(400,000)	-
Payments on lease obligations		(43,283)	-	(81,560)	-
Issuance of share capital	13	-	7,959,316	-	7,959,316
Share issuance costs	13	-	(1,311,317)	-	(1,311,317)
Issuance of warrants	13	-	2,760,684	-	2,760,684
Increase in long-term debt	11	-	13,000,000	-	13,000,000
Debt issuance costs	11	(30,000)	(1,145,075)	(30,000)	(1,145,075)
Net cash generated by (used in) financing activities		926,717	21,263,608	(488,440)	21,263,608
NET (DECREASE)/INCREASE IN CASH		28,958	1,526,014	(583,074)	1,204,092
CASH, BEGINNING OF PERIOD		87,957	50,231	699,989	372,153
CASH, END OF PERIOD		116,915	1,576,245	116,915	1,576,245
The following are included in cash flow used in operating activities:					
Interest paid in cash		377,368	139,260	1,107,794	139,260

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

As at and for the three and nine months ended September 30, 2025 and September 30, 2024

(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 Business Corporations Act of British Columbia 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.

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 months ended September 30, 2025, the Company reported a net loss and comprehensive loss of \$1.1 million and \$4.3 million, respectively, and net cash used in operating activities of \$0.9 million and \$1.1 million, respectively. As at September 30, 2025, the Company had a cash balance of \$0.1 million, a cumulative deficit of \$73.5 million and a working capital deficit of \$14.2 million.

On June 26, 2025, the Credit Facility was amended to refinance the outstanding debt of \$12.6 million, originally scheduled to mature on November 30, 2025. The amendment extended the term to eighteen months, with monthly interest payments and no mandatory amortization or principal repayment. Under the amended terms, interest accrues at 12% per annum from July 1, 2025 to November 30, 2025; 15% per annum from December 1, 2025 to April 30, 2026; and 18% per annum from May 1, 2026 to December 31, 2026. Interest is payable on the last business day of each month, and the full principal balance is due on or before December 31, 2026.

As of September 30, 2025, the Company was in default under the Credit Facility agreement (see Note 11 – Long-Term Debt) for failing to make the required September interest payment of \$124,647. Consequently, the amount due was classified as a current liability at period-end. On October 29, 2025, the Company paid the outstanding September interest in full and is current on all Credit Facility interest payments as at November 26, 2025.

On August 7, 2025, the Company entered into an unsecured advance loan agreement ("Term Loan") with a related party for an aggregate principal amount of up to \$1,500,000 that matures on September 30, 2025. The unsecured advance loan agreement is made available in three tranches of \$500,000. The first tranche was advanced on August 8, 2025 net of a commitment fee of \$30,000 for net advance of \$470,000. The second tranche was advanced on August 29, 2025. The unsecured advance loan agreement bears an interest rate of 8% per annum payable on maturity date of September 30, 2025. The Company no longer has access to the third tranche due to the expiry of the agreement on September 30, 2025. As at November 26, 2025, the balance of the Term Loan is outstanding and is in default under the unsecured advance loan agreement. There has been no steps to enforce the terms of default as at November 26, 2025 and the Company does not anticipate that there will be an immediate demand for repayment.

On October 17, 2025, the Company completed the sale of excess equipment to a third-party purchaser for proceeds of \$750,000. Proceeds were received by the Company on October 28, 2025 and are intended for use in managing the Company's working capital.

On October 30, 2025, the Company entered a 1-year natural gas supply agreement, commencing on November 1, 2025, under which the Company will deliver 1,500 GJ/d and receive a price of \$2.86/GJ, less associated deductions. This contract enables the Company to ensure a portion of its revenue and cash flow for 12 months.

As of November 26, 2025, the Company holds a cash balance of \$0.4M. Given the rising interest obligations on the Credit Facility and the outstanding current liabilities, the Company must successfully refinance its existing Credit Facility or secure additional debt or equity financing to continue as a going concern. Assuming the Company is able to meet the conditions, it is expected that a new debt facility and the raising of new equity will be sufficient to satisfy the obligations with its current lender as described above and meet other obligations as they become due. However, while management is actively working to satisfy the conditions, there can be no assurance that these efforts will be successful.

These considerations create 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 condensed interim financial statements as at September 30, 2025 (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. Certain disclosures included in the notes to the annual financial statements have been condensed in the following interim note disclosures or have been disclosed on an annual basis only. Accordingly, these Financial Statements should be read in conjunction with the audited annual financial statements for the year ended December 31, 2024 (the "2024 Annual Financial Statements").

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, except for the following:

- Certain financial assets and liabilities (including derivative instruments) and certain classes of property, plant and equipment ("PP&E") – measured at fair value or revalued amount; and
- Contingent consideration - measured at fair value.

The method used to measure fair value is discussed further in notes 3 and 6 of the 2024 Annual Financial Statements.

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.

Fiddlehead's operations are viewed as a single operating segment by the chief operating decision maker of the Company for the purpose of resource allocation and assessing performance. All assets and liabilities are in Canada, with all revenue being generated in Canada.

The Company's Board of Directors approved these Interim Financial Statements on November 26, 2025.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied by the Company are described in note 3 of the 2024 Annual Financial Statements. These Interim Financial Statements as at September 30, 2025, have been prepared following the same accounting policies and methods of computation as the 2024 Annual Financial Statements.

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 Loss and Comprehensive 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.

In May 2024, the International Accounting Standards Board issued amendments to IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments relating to settling financial liabilities using electronic payment system and assessing contractual cash flow characteristics of financial assets. The amendments will be effective on January 1, 2026 and Fiddlehead is assessing the full impact of this amendment.

4. BUSINESS COMBINATION

On August 29, 2024, the Company completed the acquisition (the "Acquisition") of the South Ferrier, Strachan area assets ("Asset" or "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 \$20.8 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.

On June 24, 2025, Fiddlehead reached an agreement with the Assets Vendor resulting in the elimination of additional payments to the Vendor of the deferred and contingent considerations totalling \$1.25 million and contingent consideration totalling \$2.25 million previously announced, due on December 31, 2025 and January 31, 2026, respectively. Elimination of the deferred consideration resulted in a \$1.25 million gain on financial instruments. The fair value of the net embedded derivative liability related to the contingent consideration is \$nil (December 31, 2024 - \$0.5 million), resulting in a \$0.7 million gain on derivative financial instruments.

Transition Services Agreement

Under the terms of the Asset Sale Agreement ("ASA"), Fiddlehead obtained joint control over its interest in the acquired assets. The Assets are accounted for under joint control until the Company obtains the necessary licenses and legal title to the Assets, which occurred on August 1, 2025. The Company delivered to the Vendor conveyances confirming the transfer of title of the assets sold as approved by the regulator. Since the approval process and title transfer occurred subsequent to the executed closing date of the transaction, during the interim period between the closing date and the satisfaction of this closing condition, the Company and the Vendor entered into a Transition Services Agreement ("TSA"). The agreement was entered into at the time of closing concurrent with the execution of the ASA. The TSA provided for the Vendor to hold the assets & licenses in trust and be the designated representative, registered owner, and licensee of, the Assets for all periods of time following closing and prior to the

completion of the license transfer approvals. As part of the TSA, the Vendor provided transition services to maintain the Assets under the ASA. In consideration for the provision of the transition services, the Company paid a fee to the Vendor. During this interim period, the Vendor invoiced the Company for fees related to the transitional services provided. This included a net billing for revenues and expenses attributable to the Assets of behalf of the Company. These net billings were to be provided for and settled by the parties each month the TSA was in effect. The cumulative net billings will be trued-up upon issuance of the Final Statement of Adjustments after the Company delivers conveyances after the transfer of title, expected on or about January 31, 2026.

On August 5, 2025, the Company announced that the Alberta Energy Regulator ("AER") has completed its review of the Directive 088 transfer application related to the well, facility, and pipeline licenses acquired as part of the Acquisition. Effective August 1, 2025, the AER transferred the Asset licenses to Fiddlehead. The Company completed transition operatorship of the assets on August 27, 2025. The transfer of licenses to Fiddlehead will be accounted for as a business combination using the acquisition method in accordance with the accounting policies disclosed in note 3 "Material Accounting Policies" of Fiddlehead's audited financial statements for the year ended December 31, 2024.

Purchase Price Allocation

The Assets were accounted for under joint control until the Company obtained the necessary licenses and legal title to the Assets. The AER transferred the Asset licenses to Fiddlehead on August 1, 2025, resulting in accounting for the Assets under sole control and reassessment of the fair value of the Assets based on fair value less costs of disposal ("FVLCD") methodology (Level 3 fair value measurement), calculated using the present value of the expected future cash flows after-tax. The cash flow estimates derived from the independent reserve report were internally updated to reflect the following changes to key assumptions as of August 1, 2025:

- the long-term forecast for commodity prices and foreign exchange rates were revised based on an average of the most recently published forecasts published by three independent qualified reserve evaluators, current as at July 1, 2025; and
- mechanical update of the reserves database to August 1, 2025, such that forecast cash flows for 2025 are for the remaining period ending December 31, 2025.

The reassessment of the fair value of the Assets resulted in a fair value adjustment to the Assets of \$2,337,539.

The following purchase price allocation is based on Management's best estimate of the assets acquired and liabilities assumed.

Identifiable net assets	August 1, 2025
Property, plant and equipment – pre-license transfer	25,028,874
Fair value adjustment	2,337,539
Property, plant and equipment – post-license transfer	27,366,413
Less: Asset retirement obligations assumed	11,083,306
Total identifiable net assets	16,283,106

As a result of accounting for the Assets under sole control as at August 1, 2025, due to Asset license transfer to Fiddlehead, revenue and net income for the two month period ending September 30, 2025 is \$995,820 and \$234,517, respectively.

If the Asset license transfer to Fiddlehead occurred on January 1, 2025, pro forma total revenue and net loss is estimated to be approximately \$6,361,025 and \$4,320,737, respectively, for the nine months ended September 30, 2025.

5. 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 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:

Classification	September 30, 2025		December 31, 2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at amortized cost	1,127,787	1,127,797	1,614,547	1,614,547
Financial liabilities at fair value through profit or loss (note 4)	-	-	502,965	502,965
Financial liabilities at amortized cost	15,854,484	15,854,484	14,547,195	14,547,195

The assets and liabilities as at September 30, 2025 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. The 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 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.

The oil and gas industry has a pre-arranged monthly clearing day for payment of revenues from all buyers of oil and natural gas; this occurs on the 25th day following the month of sale. As a result, the Company's production revenues are current. All other accounts receivable are generally contractually due within 30 days, however the collection period is typically between 60 to 90 days. Amounts outstanding for more than 90 days are generally considered "past due" and relate primarily to the Vendor of the Acquisition and are subject to normal industry credit risks. 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, 2025	As at December 31, 2024
Within 30 days	318,346	452,451
31-60 days	65,189	292,340
61-90 days	2,905	86,226
Over 90 days	624,432	83,541
Accounts receivable	1,010,872	914,558

Management has reviewed past due accounts receivable balances as at September 30, 2025 and expects the accounts to be collectible. The expected credit losses provision recognized in the Company's accounts receivable at September 30, 2025 was nominal (September 30, 2024 – nominal).

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 entered into a 1-year natural gas supply agreement on October 30, 2025, commencing on November 1, 2025. See Subsequent Events (note 17).

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 11), interest rate for the three months ended September 30, 2025 is 12%. Beginning December 1, 2025 the interest rate for the Credit Facility increases to 15%. The Company is also exposed to interest rate risk on its cash. As at September 30, 2025, the effect of interest rates increasing by 3% would increase the Company's net loss by \$406,000 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 with an objective of ensuring 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 the going concern disclosure in note 1.

The following table outlines a contractual maturity analysis for the Company's financial liabilities and undiscounted lease liabilities as at September 30, 2025:

	1 year	2 to 3 years	4 to 5 years	> 5 years	Total
Accounts payable and accrued liabilities	1,920,374	-	-	-	1,920,374
Expected interest on term loan	29,699	-	-	-	29,699
Term loan	1,000,000	-	-	-	1,000,000
Expected interest on long-term debt	2,011,407	573,378	-	-	2,584,785
Long-term debt principal (note 11)	12,637,864	-	-	-	12,637,864
Undiscounted lease obligations (note 10)	175,149	306,221	90,134	-	571,504
Total	17,774,493	879,599	90,134	-	18,744,226

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 development of its Petroleum and Natural Gas ("PNG") assets. These objectives and strategy are reviewed on an annual basis.

The Company defines and computes its capital as follows:

	As at September 30, 2025	As at December 31, 2024
Long-term debt, excluding deferred debt issuance costs	12,637,864	13,000,000
Term loan	1,000,000	-
Deferred consideration payable	-	1,250,000
Current assets	(1,336,890)	(1,712,365)
Current liabilities	2,091,308	721,152
Net debt obligations	14,392,478	13,258,787
Shareholders' equity	2,388,102	5,908,839
Total capital	16,780,580	19,167,626

6. OIL AND GAS SALES, NET OF ROYALTIES

	Three Months Ended September 30		Nine Months Ended September 30	
	2025	2024	2025	2024
Light oil sales	392,069	380,961	1,974,517	380,961
Natural gas sales	256,711	80,394	2,447,660	80,394
Natural gas liquids sales	1,061,905	547,876	4,028,785	547,876
Oil and gas sales	1,700,685	1,009,231	8,450,962	1,009,231
Less: Royalties	508,743	316,183	2,172,875	316,183
Oil and gas sales, net of royalties	1,191,942	693,048	6,278,087	693,048

See note 4, Business Combination, for disclosure on the Ferrier/South Strachan acquisition, which closed on August 29, 2024.

7. FINANCE COSTS

Finance costs recognized in Net Loss and Comprehensive Loss were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2025	2024	2025	2024
Current portion of long-term debt and term loan	392,052	139,260	1,114,602	139,260
Accretion of decommissioning liabilities	220,816	33,956	646,921	33,956
Amortization of deferred debt issuance costs	359,415	94,460	1,023,740	94,460
Financing costs of lease liabilities	6,686	-	12,196	-
Finance costs	978,969	267,676	2,797,459	267,676
Interest paid	377,368	139,260	1,107,794	139,260

8. PROPERTY, PLANT AND EQUIPMENT

The Company's PP&E primarily consists of PNG assets and other assets. PNG 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:

Property, plant and equipment, at cost

Balance at December 31, 2023	-
Acquisition	20,791,072
Additions	223,915
Asset retirement obligations (note 9)	10,695,625
Change in ARO discount rate	(217,056)
Balance at December 31, 2024	31,493,556
Additions	9,452
Fair value adjustment (note 4)	2,337,539
Change in ARO discount rate	(142,571)
Balance at September 30, 2025	33,697,976

Accumulated depreciation, depletion and impairment losses

Balance at December 31, 2023	-
Depletion and depreciation	2,002,424
Balance at December 31, 2024	2,002,424
Depletion and depreciation	3,992,709
Balance at September 30, 2025	5,995,133

Net book value

At December 31, 2024	29,491,132
At September 30, 2025	27,702,843

Future development costs ("FDC") of \$32.4 million were included in the determination of depletion for the period ended September 30, 2025 (December 31, 2024 - \$32.4 million).

Impairment of PP&E

At September 30, 2025, there were no indicators of impairment identified. Accordingly, an impairment test was not performed.

At December 31, 2024, Fiddlehead evaluated its PP&E for indicators of impairment and determined that there were indicators present. Due to the occurrence that title transfer to the Company had not occurred within 90 business days of closing date presented an indicator of impairment. An impairment test was conducted on Fiddlehead's PP&E assets. Fiddlehead's assets are classified under one Cash Generating Unit ("CGU"). The estimated recoverable amounts were based on fair value less costs of disposal calculations using a discount rate of 27.0%. The discount rate used incorporates the risk of the asset purchase being unwound as per the ASA. Based on the impairment test performed, it was determined that the recoverable amount was in excess of the carrying amount, and no impairment loss was recognized in the Company's statement of loss and comprehensive loss.

9. ASSET RETIREMENT OBLIGATION

The following table reconciles the change in Fiddlehead's asset retirement obligation ("ARO"):

	As at September 30, 2025	As at December 31, 2024
Balance, beginning of period	10,754,737	-
Obligations acquired	-	10,695,625
Changes in discount rate	(142,571)	(217,056)
Accretion of decommissioning liabilities	646,921	276,168
Balance, end of period	11,259,087	10,754,737

Fiddlehead has estimated the net present value of its ARO to be \$11.3 million as at September 30, 2025 (December 31, 2024 - \$10.8 million) based on a total undiscounted future liability of \$22.1 million (December 31, 2024 - \$22.1 million). These payments are expected to be made between 2026 and 2048. As at September 30, 2025, the carrying amount of ARO is based on a credit-adjusted-risk-free rate of 8.24% (December 31, 2024 - 8.09%). The inflation rate used in determining the cash flow estimate was 2% per annum (December 31, 2024 - 2%). If the credit-adjusted-risk-free rate increased by 1%, the decommissioning liabilities would decrease by approximately \$0.9 million.

10. RIGHT OF USE ASSETS AND LEASE OBLIGATIONS

The Company has various right-of-use ("ROU") lease contracts in place for vehicles and office space. Fiddlehead's lease liabilities and corresponding ROU assets are recognized initially based on the present value of the remaining lease payments, except for certain short-term leases which have been charged to general and administrative expenses or operating expenses, if applicable depending on the nature of the lease, in the Statements of Loss and Comprehensive Loss.

The following table discloses the carrying amount and depreciation of ROU assets by class of underlying asset, as at and for the period ended September 30, 2025:

Right-of-use asset, at cost

Balance at December 31, 2023	-
Additions	535,289
Balance at December 31, 2024	535,289
Additions	79,295
Balance at September 30, 2025	614,584

Accumulated depreciation

Balance at December 31, 2023	-
Depreciation expense	25,050
Balance at December 31, 2024	25,050
Depreciation expense	127,594
Balance at September 30, 2025	152,644

Right-of-use asset, net carrying value

At December 31, 2024	510,239
At September 30, 2025	461,940

As at September 30, 2025, the present value of the Company's total lease liabilities are \$0.5 million, of which approximately \$0.2 million is expected to be settled in the next twelve months. A continuity of the lease obligations is provided below:

	As at September 30, 2025	As at December 31, 2024
Lease obligations		
Balance, beginning of period	516,433	-
Additions	79,291	522,759
Lease payments	(81,560)	(7,034)
Financing costs	12,196	738
Balance, end of period	526,360	516,433
Expected to be settled within one year	171,130	108,409
Expected to be settled beyond one year	355,230	408,024

During the three and nine months ended September 30, 2025, the Company incurred \$6,694 and \$12,196, respectively (September 30, 2024 - nil) on financing costs and paid a total cash outflow of \$43,283 and \$81,560, respectively (September 30, 2024 - nil) relating to lease obligations.

11. LONG-TERM DEBT

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

Principal	As at September 30, 2025	As at December 31, 2024
Balance, beginning of period	13,000,000	-
Additions	37,864	13,000,000
Repayments	(400,000)	-
Balance, end of period	12,637,864	13,000,000
Debt issue costs		
Balance, beginning of period	(831,983)	-
Additions, debt issue costs	-	(1,145,075)
Fair value adjustment	(421,871)	-
Amortization	1,023,740	313,092
Balance, end of period	(230,114)	(831,983)
Carrying value	12,407,750	12,168,017
Current portion of long-term debt	12,407,750	12,168,017

The Company's interest-bearing loans and borrowings are measured at amortized cost. As at September 30, 2025, the only significant interest-bearing loan and borrowings are related to the Credit Facility as described below.

Credit Facility

	As at September 30, 2025	As at December 31, 2024
Credit Facility – amount drawn	12,637,864	13,000,000

On August 27, 2024, the Company entered into a secured credit facility ("Original Credit Facility") with a private lender. The authorized borrowing base available under the Original Credit Facility is \$13.0 million and is secured by the Assets purchased in the South Ferrier, Strachan area (see note 4). On June 26, 2025, the Credit Facility agreement was amended ("Amended Credit Facility") to refinance the current outstanding debt of \$12.6 million, previously set to mature November 30, 2025, to a term of eighteen months, with monthly interest payments and no fixed required amortization or principal repayment until maturity. In conjunction with the refinancing, the Company has paid a refinancing fee to its lender on July 22, 2025, totaling \$200,000 from the issuance of one million shares to the lender valued at \$0.20 per Common Share.

As at September 30, 2025, Fiddlehead has drawn \$12.6 million and is to repay the full principal balance on maturity at December 31, 2026.

Under the Original Credit Facility, the Company was to make principal repayments of \$750,000 every quarter, until the initial term date of November 30, 2025. The Company was not to exceed an outstanding principal amount drawn against the Original 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 fell below US\$70 on average for any 30-day period, the Company was 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 fell below US\$60 on average for any 30-day period, the Company was 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. In conjunction with the amendment to refinance the current outstanding debt, the aforementioned covenants are no longer applicable and there are now no financial covenants relating to the amended agreement.

The Original Credit Facility agreement contained an embedded derivative as a result of the accelerated principal repayments based on the WTI price and the Company's credit spread. Fiddlehead had defined the host contract as the Credit Agreement with the Lender. Fiddlehead's embedded derivative contract was classified as Level 2 within the fair value hierarchy, as the fair value had been determined using observable inputs other than quoted prices. The net liability fair value of this embedded derivative contract was determined to be \$nil million as at September 30, 2025 (December 31, 2024 - \$0.1 million) as there is no embedded derivative in the Amended Credit Facility. During the three and nine months ended September 30, 2025, the Company expensed \$0.1M and \$0.2M through the Statement of Loss and Comprehensive Loss, respectively, relating to the embedded derivative in the Amended Credit Facility.

From July 1, 2025 to November 30, 2025, the Amended Credit Facility bears interest at a rate of 12% per annum. From December 1, 2025 to April 30, 2026, the Amended Credit Facility bears interest at a rate of 15% per annum. From May 1 to December 31, 2026, the Amended Credit Facility bears interest at a rate of 18% per annum. Interest is payable on the last business day of each month.

On June 26, 2025, the fair value of the debt was determined, under applicable accounting requirements, to be approximately \$12.1 million, resulting in a fair value adjustment of \$0.4 million. It is possible that a settlement or transfer amount of the Company's debt could be significantly different from the disclosed fair value required under IFRS Accounting Standards due to the long term nature and timing of principal payments of the Credit Facility.

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, 2025 are as follows:

Year	Credit Facility
2025	12,637,864

As at September 30, 2025, the Company was in default of the Amended Credit Facility agreement (see note 11 Long-Term Debt) for failure to make the required interest payment for the month of September 2025. The amount due as a result of the default is \$124,647. On October 29, 2025, the Company paid full amount owed relating to the interest for the month of September 2025 and is current on all Credit Facility interest payments as at the date of issuance of the Interim Financial Statements (see note 1 – Going Concern for further disclosure). The Company has applied the exception under IFRS 13 Fair Value Measurement for financial liabilities due on demand. As the Credit Facility is contractually due on demand as at September 30, 2025, its fair value has been determined to equal its face value.

Term Loan

On August 7, 2025, the Company entered into an unsecured advance loan agreement ("Term Loan") with a related party for an aggregate principal amount of up to \$1,500,000. The Term Loan agreement is made available in three tranches of \$500,000. The first tranche was advanced on August 8, 2025 net of a commitment fee of \$30,000 for net advance of \$470,000. The second tranche was advanced on August 29, 2025. The Term Loan agreement bears an interest rate of 8% per annum payable on maturity date of September 30, 2025. As at September 30, 2025, the Term Loan balance of \$1,000,000 remains drawn and accrued interest of \$9,534. The Company no longer has access to the third tranche due to the expiry of the agreement on September 30, 2025. As at November 26, 2025, the balance of the Term Loan is outstanding and is in default under the unsecured advance loan agreement. There has been no steps to enforce the terms of default as at November 26, 2025 and the Company does not anticipate that there will be an immediate demand for repayment.

12. COMMITMENTS AND CONTINGENCIES

As part of its normal business, the Company enters into arrangements and incurs obligations that will impact the Company's future operations and liquidity. The Company's financial liabilities and undiscounted liabilities are discussed further in note 5.

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, 2025.

13. SHARE CAPITAL

The Company is authorized to issue an unlimited number of Common Shares, each with no 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 "Share Consolidation"). Prior to completing the Consolidation, the Company had 13,841,757 Common Shares outstanding and following the completion of the Consolidation, the Company had approximately 6,920,881 Common Shares outstanding.

On August 23, 2024, Fiddlehead completed the two brokered financings in a 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 South Ferrier, Strachan Acquisition (see note 4), 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 Common Share and one Common Share Purchase Warrant of the Company ("Fiddlehead Warrant"). Each Fiddlehead Warrant entitles the holder thereof to purchase one Common Share at an exercise price of \$0.24 per Common Share at any time up to 60 months.

The Fiddlehead Common 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 Common Share less the value attributed to the Fiddlehead Warrants of \$0.05 per Fiddlehead Warrant.

In connection with the amendment of the Credit Facility announced on June 26, 2025 (see note 11), the Company issued 1,000,000 Common Shares valued at \$0.20 per Common Share as a refinancing fee to the private lender on July 22, 2025.

In connection with the announced acquisition of a private producer in the Cynthia area of Alberta, the Company issued 5,000,000 Common Shares valued at \$0.12 per Common Share of the Company as a non-refundable deposit as part of the original consideration to extend the closing date of the Cynthia Transaction.

The following table summarizes the change in Common Shares issued and outstanding.

	As at September 30, 2025		As at December 31, 2024	
	Shares	Amount	Shares	Amount
Balance, beginning of period	60,520,881	71,355,096	6,920,881	64,707,097
Issuance of shares	6,000,000	800,000	53,600,000	7,959,316
Share issuance costs	-	-	-	(1,311,317)
Balance, end of period	66,520,881	72,155,096	60,520,881	71,355,096

Warrants

The following table summarizes the change in common Share Purchase Warrants issued and outstanding:

	September 30, 2025			December 31, 2024		
	Warrants	Amount	Weighted average exercise price	Warrants	Amount	Weighted average exercise price
Balance, beginning of period	53,600,000	2,760,684	0.24	-	-	-
Expired	-	-	-	-	-	-
Issued	-	-	-	53,600,000	2,760,684	0.24
Balance, end of period	53,600,000	2,760,684	0.24	53,600,000	2,760,684	0.24

Each Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.24 per Common Share expiring on August 29, 2029. During the period ended September 30, 2025, no Warrants were exercised, forfeited or expired.

14. SHARE-BASED COMPENSATION

Stock option plan

The Company operates an 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. Each tranche of awards 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.

On October 17, 2024, the Company granted a total of 4,200,000 stock options (the "Options") to certain directors, officers and employees of the Company under the Plan. Options were issued with an exercise price of \$0.20 per Common Share an expiry date of October 3, 2034, and vest immediately.

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

	September 30, 2025		December 31, 2024	
	Number of Options	Weighted-Average Exercise Price	Number of Options	Weighted-Average Exercise Price
Options outstanding, beginning of period	4,792,500	0.19	630,000 ¹	0.18
Granted	-	-	4,200,000	0.20
Exercised	-	-	-	-
Expired	342,500	0.00	37,500 ¹	0.14
Options outstanding, end of period	4,450,000	0.20	4,792,500	0.19
Options exercisable, end of period	4,450,000	0.20	4,792,500	0.19

¹ Options outstanding have been adjusted as a result of the Share Consolidation on July 31, 2024.

Exercise Price	Options Outstanding			Options Exercisable		
	Number Outstanding at September 30, 2025	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise price	Number Exercisable at September 30, 2025	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise price
0.24	250,000 ¹	0.2	0.01	250,000 ¹	0.2	0.01
0.20	4,200,000	8.5	0.19	4,200,000	8.5	0.19
	4,450,000	8.7	0.20	4,450,000	8.7	0.20

¹ Options outstanding have been adjusted as a result of the Share Consolidation on July 31, 2024.

Share-based compensation expense of \$nil was recorded during the three and nine months ended September 30, 2025 (September 30, 2024 - \$11,232 and \$32,418, respectively) in the Condensed Interim Statements of Loss and Comprehensive Loss and Condensed Interim Changes in Shareholders' Equity in respect of stock options.

15. RELATED PARTY DISCLOSURES

The Company's key management includes directors (executive and non-executive), the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer. The remuneration of key management of the Company for the three and nine months ended September 30, 2025 and 2024 was as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2025	2024	2025	2024
Salary & benefits (included in general and administrative expenses)	188,000	33,542	593,944	33,542
Consulting fees (included in general and administrative expenses)	7,800	60,000	13,800	201,800
Share-based compensation	-	11,232	-	21,186
Total related party transactions	195,800	104,774	607,744	256,528

As at September 30, 2025, included in accounts payable and accrued liabilities is \$248,104 for amounts paid by the Company's key management on behalf of the Company on interest free terms.

On August 7, 2025, the Company entered into an unsecured advance loan agreement with a related party for an aggregate principal amount of up to \$1,500,000, of which \$1,000,000 was drawn as at September 30, 2025 and accrued interest of \$9,534. See Term Loan (note 11).

16. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2025	2024	2024	2024
Operating activities				
(Increase) decrease in current assets				
Accounts receivable	(372,699)	(2,516)	(96,314)	(6,066)
Prepays and other	(118,885)	(21,155)	(111,285)	(21,155)
Increase (decrease) in current liabilities				
Accounts payable and accrued liabilities	674,547	33,230	1,309,981	17,750
Current portion of long term debt	-	-	37,864	-
Term loan	30,000	-	30,000	-
Change in non-cash working capital	213,649	9,559	1,170,246	(9,471)
Relating to:				
Operating activities	213,649	9,559	1,170,246	(9,471)
Investing activities	-	-	-	-
Change in non-cash working capital	213,649	9,559	1,170,246	(9,471)

17. SUBSEQUENT EVENTS

As at September 30, 2025, the Company was in default of the Credit Facility agreement (see note 11 Long-Term Debt) for failure to make the required interest payment for the month of September 2025 of \$124,647. On October 29, 2025, the Company paid the full amount owed relating to the interest for the month of September 2025 and is current on all Credit Facility interest payments as at November 26, 2025.

On October 17, 2025, the Company completed the sale of excess equipment to a third party purchaser for proceeds of \$750,000. Proceeds were received by the Company on October 28, 2025.

On October 30, 2025, the Company entered into a 1-year natural gas supply agreement, commencing on November 1, 2025, under which the Company will deliver 1,500 GJ/d and receive a price of \$2.86/GJ, less associated deductions.