MCF Energy Ltd.
(formerly Pinedale Energy Limited)

Management's Discussion and Analysis of
Financial Condition and Results of Operations
March 31, 2023

This Management Discussion and Analysis ("MD&A") relates to the financial condition and results of the operations of MCF Energy Ltd. (formerly Pinedale Energy Limited) (the "Company" or "MCF" or "MCF Energy") together with its subsidiaries and is supplemental to, and should be read in conjunction with, the Company's unaudited interim consolidated financial statements for the three months ended March 31, 2023 and 2022, (including notes) (the "financial statements") which are prepared in condensed format in accordance with International Financial Reporting Standards ("IFRS") as applicable to the preparation of interim statements, including International Accounting Standard 34, Interim financial reporting, as issued by the International Accounting Standards Board ("IASB"). The unaudited condensed interim consolidated financial statements should also be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022 and 2021, which have been prepared in accordance with IFRS. Readers are cautioned that this MD&A contains forward-looking statements and that actual events may vary from management's expectations. The Company's public disclosure statements are available on SEDAR at www.sedar.com. This MD&A has been prepared as of May 24, 2023. All amounts are in thousands of Canadian dollars, except share and per share information or where otherwise noted.

Cautionary Statement on Forward-Looking Information

Cautionary Statement on Forward-Looking Information This document includes certain "forward-looking information" and "forward-looking statements" (collectively "forward-looking statements") within the meaning of applicable securities laws. All statements, other than statements of historical fact, included herein, are forward-looking statements. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible", and similar expressions, or statements that events, conditions, or results "will", "may", "could", or "should" occur or be achieved. Forward-looking statements involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. These forward-looking statements may include statements regarding capital expenditures; timelines; strategic plans; or other statements that are not statements of fact. Forward-looking statements involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. The Company assumes no obligation to update the forward-looking statements or beliefs, opinions, or other factors, should they change, except as required by law.

Profile & Strategy

MCF is a Canadian upstream oil and gas company with exploration and development assets in Europe. The Company has a portfolio of natural gas weighted exploration/appraisal assets in Austria and Germany. The Company holds its interests through joint development agreements, shareholdings in its wholly-owned German subsidiary, and investee company.

MCF's long-term plan is to deliver sustainable shareholder value through the exploration, development, and production of its existing asset portfolio, accretive acquisitions of additional exploration and development assets, and monetizing value from its shareholdings in investee companies. MCF will maintain its primary focus on, onshore European, gas-weighted assets, and continues to work on optimizing and unlocking shareholder value through the evaluation of other energy opportunities in the global M&A market.

The Company is a unique investment opportunity for its exposure to European energy development.

Overview

The Company was incorporated under the British Columbia Business Corporations Act on December 17, 2007. The Company is a junior resource company engaged in the identification, and the exploration and development, of both proven and unproven reserves via drilling and/or acquisition with a focus on the European oil and gas sector. On December 23, 2022, the Company changed its name from "Pinedale Energy Limited" to "MCF Energy Ltd." The address of the Company's registered office is 25th floor, 700 West Georgia Street, Vancouver, BC, V7Y 1B3, and head office is 3123 - 595 Burrard Street, Vancouver, BC, V7X 1J1. The Company is trading on the TSX Venture Exchange under the trading symbol "MCF", on the Frankfurt Stock Exchange under the trading symbol "DC6" and on the OTCQX under the trading symbol "MCFNF."

On November 29, 2022, the Company entered into an assignment agreement with Kepis & Pobe Financial Group Inc. ("KPFG"), to establish MCF as an active explorer and developer of new natural gas discoveries in Western Europe. The agreement had certain closing conditions to be met before completion of the transaction.

In consideration for the assignment, the Company issued an aggregate of 25,000,000 common shares at a deemed price of $0.20 per common share to certain current KPFG stakeholders. In addition, the Company issued 1,250,000 common shares at a deemed price of $0.20 per common share as finder's shares in relation to the transaction.

On January 3, 2023, James Hill, Jay Park, General Wesley Clark, D. Jeffrey Harder, and Richard Wadsworth were appointed directors of the Company. The directors appointed Aaron Triplett, CPA, CA as Chief Financial Officer and Corporate Secretary of the Company. In addition, the Company announced that Ford Nicholson, Gordon Keep, John Gaffney, Deborah Sacrey, Mark Enfield, and Ritchie Wayland agreed to assist the Company as advisors.

On January 3, 2023, the Company closed its non-brokered private placement issuing 42,500,000 shares at $0.20 for gross proceeds of $8,500. The Company incurred share issue costs of $444 in connection with the closing of the private placement.

On January 3, 2023, the Company issued an aggregate of 25,000,000 common shares at a deemed price of $0.20 per common share to certain current KPFG stakeholders. In connection with the transaction, the Company also issued 1,250,000 common shares at a deemed price of $0.20 per common share to certain finders

On March 17, 2023, the Company closed its non-brokered financing. The Company issued 24,799,000 subscription receipts at $0.50 for gross proceeds of $12,400. The Company paid finders fees of $500. The Company issued 982,940 broker warrants exercisable at $0.62 per share on closing of the placement.

On March 23, 2023, the Company common shares qualified to trade on the OTCQX® Best Market, graduating from the Pink® market.

At March 31, 2023, the Company had cash and restricted cash of $16,362 (December 31, 2022 - $9,960) and working capital of $15,591 (December 31, 2022 –$6,767). The Company has an accumulated deficit of $10,241 as at March 31, 2023 (December 31, 2022 – $6,797).

On April 3, 2023, the Company completed the acquisition of Genexco GmbH ("Genexco"), a privately held German oil and gas company. The Company purchased a 100% interest in Genexco for EUR €1,250 in cash and issued a total of 11,067,750 common shares to the shareholders of Genexco in connection with the acquisition. A total of 4,919,000 additional common shares are available for issuance, and a total of EUR €3,250 in cash is due. Of this amount, EUR €2,250 is contingent upon Genexco achieving a number of predetermined milestones before October 1, 2024, including obtaining a number of licences, net of final working capital adjustments. A success fee of EUR €220 was paid in connection with the acquisition.

Concurrently with closing of the acquisition, the Company issued 24,799,000 common shares on conversion of the subscription receipts that were pursuant to the concurrent financing on March 17, 2023.

Executive Chairman's Message

Over the past few months, MCF Energy was able to consolidate a strong portfolio of large-scale natural gas-focused exploration prospects and take the required actions to further secure a footing in Europe thanks to the continuing execution of our focused business model. Our team is putting in a lot of effort both domestically and internationally to bring to market a number of premium onshore exploration prospects in Germany and the neighboring regions.

We warmly welcome the complete Genexco GmbH team to MCF Energy after recently acquiring their business, led by both managing directors Mr. Eckhard (Peter) Oehms and Mr. Frank Steinich. With the establishment of a wholly-owned operating subsidiary in Germany, we are making deliberate efforts to guarantee that our culture is completely in line with our business strategy.

The combined strength and unwavering dedication to our collaborative development endeavors are crucial components of MCF Energy's capacity to attain and fulfil our strategic objectives. Jim and Peter are complementing leaders, geologists with backgrounds in business, and entrepreneurs who provide unwavering dedication to the quality of our assets and the successful implementation of our business strategy.

MCF Energy is in a good position to carefully assess future potential for accretive growth. Any future expansion beyond its current consolidated portfolio will need to consider the regional and global dynamics of commodity prices. Through the ongoing exploration and development of massive energy projects with a focus on both energy security and independence within Europe, our primary goal is still to significantly increase shareholder value.

Operations Update

Austria

The Welchau prospect is a significantly large-scale anticline thrust belt play located in the foothills of the Austrian alps. It has over 140 meters of potential oil and gas bearing thickness and is located a short distance (18 kilometres) from a national pipeline network. The prospect is located up-dip from a 1989 gas discovery (Molln-1 well), which had a gas column of at least 400 metres and tested condensate-rich, pipeline quality gas at a maximum flow rate of 3.5 mmcfpd. MCF Energy is earning a 20 percent interest in the Welchau well by funding 50 percent of the drilling costs estimated to be EUR €1,905.

Drilling is scheduled to commence in September 2023 at the Welchau prospect and is expected to last between six and eight weeks. The prospect is fully prepared for drilling operations from a geological and engineering perspective. Long lead materials and services, including casing and wellheads have been procured and drilling services are expected to be confirmed with a local drilling contractor, once drilling permits have been procured.

The Company's independent third-party resource evaluator, Gaffney Cline and Associates Ltd. ("GCA") has assessed a total best estimate (P50) of approximately 585 BCFE of natural gas and approximately 10 MMBOE of petroleum resource to this prospect.

Germany

Building upon our initial transaction, during the period MCF entered into a joint development agreement, with Genexco GmbH ("Genexco") to develop the Reudnitz natural gas prospect, approximately 70 kilometres from the capital of Germany, Berlin. Located in a rural setting, the prospect was initially discovered in the early 1960's, and is estimated to contain multi-zone potential, with a number of hydrocarbons bearing geological formations. Four wells confirm the size of the gas accumulation.

The Reudnitz development is in the planning stages, with a current focus on pilot production from a well initially drilled in 2014. Using proven processes, and cryogenic technology for both helium and nitrogen sequestration, modular development across several segments is forecast, following the initial pilot.

GCA has assessed a total best estimate (P50) of approximately 118.7 BCF of natural gas and approximately 4.2 MMBO of petroleum resource and 1.49 BCF of helium to this prospect.

High-impact exploration drilling is expected to take place in the second half of this year at another promising project. Previous drilling at an adjacent site confirmed the presence of natural gas in commercially viable quantities at current market prices. MCF Energy has a 20 percent interest in this well and does not bear the costs of drilling up to EUR €5,000.

Subsequent to period end, the 100 percent acquisition of all of the issued and outstanding shares of Genexco has provided MCF Energy with control over a valuable portfolio of assets in Germany's natural gas sector. Genexco's focus over the past decade has resulted in a current portfolio of four exploration licences, including three undeveloped discoveries and two shut-in fields with significant redevelopment potential. Genexco also aims to double its licence portfolio this year and has submitted several applications for significant new project areas with updates expected soon.

Summary of Quarterly Results

	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Revenue	$	$	$	$
Loss for the period	(3,445)	(254)	(43)	(186)
Basic and diluted loss per share	(0.02)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares outstanding	182,677,170	112,669,916	112,472,114	112,472,114

	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Revenue	$	$	$	$
Loss for the period	(33)	(76)	(11)	(18)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares outstanding	112,472,114	112,472,114	112,472,114	112,472,114

Loss for the period for Q1 2021 to Q1 2022 remained relatively consistent. During those periods, the Company had no operating activities and reduced its expenditures to the minimum required to remain in good standing. Loss for Q2 2022 increased primarily due to share-based compensation, professional fees, and regulatory and filing fees, as a result of the management change. Loss for Q4 2022 increased significantly due to increased consulting fees, professional fees, share-based compensation, and travel, as a result of the pending hydrocarbon acquisitions. Loss for Q1 2023 was primarily driven by share-based compensation and increase in general and administration expenses as the Company is significantly more active than prior periods.

Overall Performance and Results of Operations

Cash and restricted cash increased by $6,401 during the three months ended March 31, 2023, due to $12,051 received from subscription receipts partially offset by $2,654 of loan repayments, $2,334 used in operating activities and $662 used in investing activities.

Three months ended March 31, 2023 and 2022

Loss for the three months ended March 31, 2023, increased by $3,412 from $33 for the three months ended March 31, 2022, to $3,445 for the three months ended March 31, 2023. The increase in loss for the period is primarily due to:

- An increase of $500 in consulting. Consulting expenses were $508 for the three months ended March 31, 2023, compared to $8 for the three months ended March 31, 2022. The Company entered into a financial advisory mandate agreement for financial advice and corporate administration services starting March 2022. In addition, the Company entered into management contracts starting January 2023.

- An increase of $1,095 in share-based compensation. On January 2, 2023, the Company issued 13,600,000 stock options that vest over a one-year period.

- An increase of $160 in travel expense. The increase was due to property investigation related to the German and Austria hydrocarbon assets.

- An increase of $1,454 in marketing and investor relations. The Company engaged various service providers upon completion of its significant financial transactions on January 3, 2023.

Liquidity and Capital Resources

As at March 31, 2023, the Company had working capital of $15,591 and cash and restricted cash of $16,362 to settle current liabilities of $929. The Company recorded a loss of $3,445 during the three months period ended March 31, 2023, and had total shareholders' equity of $22,753 as at March 31, 2023.

For the three months period ended March 31, 2023, investing activities consumed cash of $662 related to funds spent on exploration and evaluation assets, compared to the comparable period of March 31, 2022, in which investing activities consumed cash of $nil.

For the three months period ended March 31, 2023, financing activities provided cash of $9,397 from subscription receipts net of loan and promissory note payments, compared to the comparable period of March 31, 2022, in which financing activities used cash of $2.

See the accompanying three months ended interim condensed consolidated financial statements for a breakdown of share transactions during the period and comparable period.

At present, the Company's operations do not generate cash flow and its business plan and focus is on exploring and developing its hydrocarbon assets.

Outstanding Share Data

The Company has authorized an unlimited number of voting Class A and B common shares without par value.

As at March 31, 2023, there were 184,222,114 Class A shares outstanding.

As at the date of this MD&A, there were 220,338,864 Class A shares outstanding, 982,940 broker warrants outstanding, and 13,350,000 stock options outstanding.

Contractual Obligations and Commitments

MCF has contractual obligations in the normal course of operations including joint operating agreements, and employee agreements. These obligations are of a recurring, consistent nature and impact MCF's operations in an ongoing manner.

Off Balance Sheet Arrangements

MCF does not have any off-balance sheet arrangements that would result in a material change to its financial position or performance during the reporting periods.

Related Party Transactions

Key management consists of personnel having the authority and responsibility for planning, directing and controlling the activities of the Company, which are the directors and executive officers of the Company.

Compensation to key management:

	Three months ended March 31, 2023	Three months ended March 31, 2022
	$	$
Consulting fees	360	-
Share-based compensation	554	-
	914	-

As at March 31, 2023, there are $360 (December 31, 2022: $38) included in accounts payable and accrued liabilities owing to key management.

Risks and Uncertainties

MCF monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations or taxation. In addition, MCF maintains a level of liability insurance, which is believed to be adequate for the Company's size and activities but is unable to obtain insurance to cover all risks within the business or in amounts to cover all possible claims. The Company is subject to various risks and uncertainties, including, but not limited to, those listed below.

Going-Concern Risk

The Company's financial statements have been prepared on a going concern basis under which the Company is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. While Management believes MCF currently has sufficient cash to fund its exploration and development activities, and anticipated general and administrative expenses, MCF's future operations may become dependent upon the successful completion of equity or debt financing and the achievement of profitable operations. There can be no assurances that the Company will be successful in completing additional equity or debt financing or in achieving profitability, or that such additional equity or debt financing will be completed on terms satisfactory to the Company. The Company currently has no material sources of revenues and there can be no assurance as to the Company's ability to maintain or obtain sufficient financing sources for operations or to meet future obligations.

Inflation Risk

A failure to secure the services and equipment necessary for the Company's future operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and future cash flows. The Company's operating and capital costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. The Company's inability to manage costs may impact project returns and future development decisions, which could have a material adverse effect on its financial performance and cash flows. In addition, with rising inflation levels combined with global cost of living expenses, the Company may be faced with the challenge of how to attract and retain employees and consultants.

Financing Ability

The Company's ability to continue development and acquisition efforts will require investments from equity investors. The Company may incur operating losses as it pursues new business opportunities. There is no guarantee that the Company will be successful in completing an economically viable transaction which would attract further funding.

Key Personnel of the Company

The Company's future growth and its ability to develop its projects depends, to a significant extent, on its ability to attract and retain highly qualified personnel. The Company is highly dependent on the principal members of its senior management group and the loss of their services could impede the Company's business strategy and growth.

Cybersecurity

The Company has become increasingly dependent upon the availability, capacity, reliability and security of its information technology (IT) infrastructure, and its ability to expand and continually update this infrastructure, to conduct daily operations. It depends on various IT systems to estimate resources quantities, process and record financial and operating data, analyze seismic and past drilling information, and communicate with employees and third- party partners. The Company's IT systems are increasingly integrated in terms of geography, number of systems, and key resources supporting the delivery of IT systems. The performance of key suppliers is critical to ensure appropriate delivery of key services. Any failure to manage, expand and update the IT infrastructure, any failure in the extension or operation of this infrastructure, or any failure by key resources or service providers in the performance of their services could materially and adversely affect the Company's business. financial condition and results of operations. The ability of the IT function to support the Company's business in the event of a disaster such as fire, flood or loss of any of the office locations and the ability to recover key systems from unexpected interruptions cannot be fully tested. There is a risk that, if such an event occurs, the Company's continuity plan may not be adequate to immediately address all repercussions of the disaster. In the event of a disaster affecting a data center or key office location, key systems may be unavailable for several days, leading to inability to perform some business processes in a timely manner.

Conflicts of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other companies or may have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will declare their conflict and will abstain from voting for or against the approval of such participation or such terms.

The Russia/Ukraine Crisis

The Company's operations could be adversely affected by the effects of the escalating Russia/Ukraine crisis and the effects of sanctions imposed against Russia or that country's retributions against those sanctions, embargos or further-reaching impacts upon energy prices, food prices and market disruptions. The Company cannot accurately predict the impact the crisis will have on its operations and the ability of contractors to meet their obligations with the Company, including uncertainties relating the severity of its effects, the duration of the conflict, and the length and magnitude of energy bans, embargos and restrictions imposed by governments. In addition, the crisis could adversely affect the economies and financial markets of Canada and in general, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations. Additionally, the Company cannot predict changes in commodities pricing which may alternately affect the Company either positively or negatively.

International Operations

MCF Energy participates in oil and gas projects located in foreign markets. Oil and gas exploration, development and production activities in these markets are subject to political, economic, and other uncertainties that may adversely affect MCF's operations. The Company could be adversely affected by changes in applicable laws and policies in the countries where MCF has interests. Additional uncertainties include, but are not limited to, the risk of war, terrorism, expropriation, civil unrest, nationalization, renegotiation or nullification of existing or future licenses and contracts, the imposition of international sanctions, a change in crude oil or natural gas pricing policies, changes to regulations on certain technology applications, changes to taxation laws and policies, assessments and audits (including income tax) against the Company by regulatory authorities, difficulty or delays in obtaining necessary regulatory approvals, risks associated with potential future legal proceedings, and the imposition of currency controls. These uncertainties, all of which are beyond MCF's control, could have a material adverse effect on MCF's business, prospects and results of operations. In addition, if legal disputes arise related to oil and gas licences acquired by MCF, the Company could be subject to the jurisdiction of courts other than those of Canada. The Company's recourse may be very limited in the event of a breach by a government or government authority of an agreement governing a licence in which MCF acquires an interest. MCF may require licences or permits from various governmental authorities to carry out future exploration, development and production activities. There can be no assurance that the Company will be able to obtain all necessary licences and permits when required.

Different Legal System and Litigation

MCF's oil production and exploration activities are in countries with legal systems that in various degrees differ from that of Canada. Rules, regulations and legal principles may differ in respect of matters of substantive law and of such matters as court procedure and enforcement. Almost all exploration rights and related contracts of MCF are subject to the national or local laws and jurisdiction of the respective countries in which the operations are carried out. This means that the Company's ability to exercise or enforce its rights and obligations may differ between different countries and also from what would have been the case if such rights and obligations were subject to Canadian law and jurisdiction. MCF's operations are, to a large extent, subject to various complex laws and regulations as well as detailed provisions in licenses and agreements that often involve several parties. If the Company was to become involved in legal disputes in order to defend or enforce any of its rights or obligations under such concessions, licenses, and agreements or otherwise, such disputes or related litigation could be costly, time consuming and the outcome would be highly uncertain. Even if the Company ultimately prevailed, such disputes and litigation may still have a substantially negative effect on MCF's business, assets, financial conditions, and its operations.

Anti-Bribery and Anti-Corruption Laws

The Company is subject to anti-bribery and anti-corruption laws, including the Corruption of Foreign Public Officials Act (Canada), and the Bribery Act 2010 (United Kingdom). Failure to comply with such laws could subject the Company to, among other things, reputational damage, civil or criminal penalties, other remedial measures and legal expenses which could adversely affect the Company's business, operational results, and financial condition. Weaknesses in the anti-corruption legal and judicial system of certain countries may undermine the Company's or a host government's capacity to effectively detect, prevent and sanction corruption. To mitigate this risk, the Company has implemented an anti-corruption compliance and onboarding program for anyone that does business with the Company, and an anti-corruption policy and associated training initiatives for its personnel and consultants. However, the Company cannot guarantee that its personnel, contractors, or business partners have not in the past or will not in the future engage in conduct undetected by the processes and procedures adopted by the Company, and it is possible that the Company, its personnel or contractors, could be subject to investigations or charges related to bribery or corruption as a result of actions of its personnel or contractors.

Shared Ownership and Dependency on Partners

The Company's operations are primarily conducted together with one or more joint operating partners through contractual arrangements. In such instances, the Company may be dependent on, or affected by, the due performance and financial strength of its partners. If a partner fails to perform or becomes insolvent, the Company may, among other things, risk losing rights or revenues or incur additional obligations or costs, experience delays, or be required to perform such obligations in place of its partners. The Company and its partners may also, from time to time, have different opinions on how to conduct certain operations or on what their respective rights and obligations are under a certain agreement. If a dispute were to arise with one or more partners relating to a project, such dispute may have material adverse effect on the Company's or investee company's operations relating to such project.

Risks Relating to Concessions, Licences and Contracts

MCF's joint interest operations are based on a relatively limited number of agreements, licences and contracts. The rights and obligations under such agreements, licences and contracts may be subject to interpretation and could also be affected by, among other things, matters outside the control of MCF Energy. In case of a dispute, it cannot be certain that the view of the Company would prevail or that the Company otherwise could effectively enforce its rights which, in turn, could have significantly negative effects on MCF Energy. Also, if the Company or any of its partners were found to have failed to comply with their obligations or liabilities under an agreement, licence or contract, including record-keeping, budgeting, and time scheduling requirements under production sharing contracts, the Company's or partner's rights under such agreement, licence or contract may be terminated or otherwise relinquished in whole or in part. The Company cannot guarantee that requirements are adequately met by its joint interest partners, which could bring an increased risk of impairment and reduced future cash flow.

Resource Volumes

There are many uncertainties inherent in estimating quantities of oil and natural gas resources (contingent and prospective) and the future cash flows attributed to such resources. The actual production, revenues, taxes and development and operating expenditures with respect to the resources associated with the Company's assets will vary from estimates thereof and such variations could be material. Estimates of resources that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of resources rather than actual production history. There is uncertainty that it will be commercially viable to produce any portion of the contingent resources. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs

Risks Associated with Hydrocarbon Estimates

Basic reservoir parameters, such as porosity, net hydrocarbon pay thickness, fluid composition and water saturation, may vary from those assumed by the Company's independent third-party resource evaluator affecting the volume of hydrocarbon estimated to be present. Other factors such as the reservoir pressure, density and viscosity of the oil and solution gas/oil ratio will affect the volume of oil that can be recovered. Additional reservoir parameters such as permeability, the presence or absence of water drive and the specific mineralogy of the reservoir rock may affect the efficiency of the recovery process. Recovery of the resources may also be affected by well performance, reliability of production and process facilities, the availability and quality of source water for enhanced recovery processes and availability of fuel gas. There is no certainty that certain interests are not affected by ownership considerations that have not yet come to light.

Decommissioning

The Company is responsible for compliance with all applicable laws, regulations and contractual requirements regarding the decommissioning, abandonment and reclamation of the Company's jointly owned assets at the end of their economic life, the costs of which may be substantial. It is not possible to predict these costs with certainty since they will be a function of requirements at the time of decommissioning, abandonment and reclamation and the actual costs may exceed current estimates. Laws, regulations and contractual requirements about abandonment and decommissioning may be implemented or amended in the future

Future Acquisitions or Dispositions

Acquisitions, dispositions and other strategic transactions involve a number of risks, including potential disruption of the Company's ongoing business; distraction of management; financial leveraging of the Company; the failure to realize the anticipated benefits and cost savings of those transactions, or loss or reduction of control over certain of the Company's assets or the Company generally. The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the results of operations, business prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Selling Off of Shares

The market price for the Company's common shares may be volatile, and subject to some fluctuations. To the extent that any issued and outstanding common shares of the Company are sold into the market, there may be an oversupply of common shares and an undersupply of purchasers. If this occurs the market price for the common shares of the Company may decline significantly and investors may be unable to sell their common shares at a profit, or at all.

Critical Accounting Policies and Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires the use of judgments and/or estimates that affect the amounts reported and disclosed in the consolidated financial statements and related notes. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the consolidated financial statements.

In preparation of the interim condensed consolidated financial statements, the significant estimates and judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2022.

Financial Instruments

Financial Risk Management

Cash and restricted cash, sales tax recoverable, accounts payable and accrued liabilities, are held at amortized cost which approximates fair value due to the short-term nature of these instruments.

> The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:
>
> Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities,
>
> Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices),
>
> and Level 3 – Inputs that are not based on observable market data.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company is exposed to credit risk on cash. The Company reduces its credit risk on cash by maintaining its bank account with a large international financial institution and temporarily holds cash in the Company lawyer's trust account. The maximum exposure to credit risk is equal to the carrying value of its cash and amounts receivable.

Liquidity Risk

At March 31, 2023, the Company had cash and restricted cash of $16,362 to settle current liabilities of $929 and working capital of $15,591. The Company manages liquidity risk through the management of its capital structure. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities.

Currency Risk

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Company's reporting currency, will fluctuate due to changes in exchange rates. The Company has future funding commitments in Euro currency. Management monitors foreign exchange exposure, and if appropriate, will look at entering into derivative contracts. The Company has no assets or liabilities denominated in foreign currency.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity prices, and equity prices.

I. *Interest Rate Risk*

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of March 31, 2023. Future cash flows from interest income on cash will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital, and liquidity Interest rate risk is assessed as low.

II. *Equity Price Risk*

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company is not exposed to price risk.

Additional Disclosure for Venture Issuers without Significant Revenues

Additional disclosure concerning the Company's general and administrative expenses is provided below:

	Three months ended March 31, 2023	Three months ended March 31, 2022
	$	$
Consulting fees	508	8
Marketing and investor relations	1,454	-
Office and administration	76	1
Professional fees	102	37
Regulatory and filing fees	85	5
Travel	160	-
	2,385	51

Management's Report on Internal Control over Financial Reporting

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Subsequent Events

a) On April 3, 2023, the Company completed the acquisition of Genexco, a private German oil and gas company. The Company purchased a 100% interest in Genexco for EUR €1,250 in cash and issued a total of 11,067,750 common shares to the shareholders of Genexco in connection with the acquisition. A total of 4,919,000 additional common shares are available for issuance, and a total of EUR €3,250 in cash, net of final working capital adjustments. Of this amount, EUR €2,250 is contingent upon Genexco achieving a number of predetermined milestones before October 1, 2024, including obtaining a number of licences. A success fee of EUR €220 was paid in connection with the acquisition.

   Concurrently with closing of the acquisition, the Company issued 24,799,000 common shares on conversion of the subscription receipts that were issued pursuant to the concurrent financing on March 17, 2023 (Note 5).

   As at the date of this interim report, the Company is in the process of determining a preliminary purchase price allocation associated with this business combination, as defined under IFRS 3.

b) On April 4, 2023, 250,000 stock options were exercised for gross proceeds of $50

Outlook

Management believes that the most impactful catalysts for the Company in 2023 are appraisal drilling results, follow-on exploration, and accretive acquisitions focused on developing long-term European energy security and independence.

Barrels of Oil Equivalent

The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Amounts have been calculated by using the conversion ratio of six thousand cubic feet (6 mcf) of natural gas to one barrel (1 "bbl") of crude oil. The boe conversion ratio of 6 Mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalent of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Related Definitions:

- Mcf refers to thousand cubic feet.
- MMcf refers to million cubic feet.
- Bcf refers to billion cubic feet.
- Bcfe refers to billion of cubic feet equivalent.

- MMbo refers to million of barrels of oil.
- MMboe refers to million of barrels of oil equivalent.
- MMcf/d refers to million of cubic feet per day.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.