Unaudited Interim Condensed Consolidated Financial Statements

MCF Energy Ltd.

For the three months ended March 31, 2024 and 2023
(In thousands of Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW (COMPARATIVE NUMBERS)

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of MCF Energy Ltd. as at and for the three months ended March 31, 2023 have been prepared by and are the responsibility of the Company’s management and have not been reviewed by the Company’s auditor.

MCF Energy Ltd.

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian Dollars)

	Note	March 31, 2024	December 31, 2023
		$	$
Current Assets			
Cash and cash equivalents		2,246	8,095
Other current assets		159	209
		2,405	8,304
Non-Current Assets			
Deposit	3	1,678	1,682
Investment in associate	5	4,319	4,371
Cash call receivable	6	-	1,499
Exploration and evaluation assets	6	36,356	19,316
		44,758	35,172
Current Liabilities			
Amounts payable and accrued liabilities		535	1,752
Deferred consideration	4	4,981	5,351
		5,516	7,103
Non-Current Liabilities			
Decommissioning liability	7	433	51
Royalty	4	4,343	-
Deferred tax liability		6,452	3,570
		16,744	10,724
Shareholders' Equity			
Share capital	8	42,620	37,711
Equity reserve	8	4,345	4,345
Accumulated other comprehensive income		(17)	(3)
Deficit		(18,934)	(17,605)
		28,014	24,448
		44,758	35,172

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

COMMITMENTS (Note 12)

SUBSEQUENT EVENTS (Note 14)

Approved on behalf of the Board of Directors:

/s/ J. Jay Park

Director

/s/ D. Jeffrey Harder

Director

The accompanying notes are an integral part of these consolidated financial statements

MCF Energy Ltd.

Consolidated Statements of Loss

(Expressed in thousands of Canadian Dollars, except for per share amounts)

	Note	Three months ended March 31, 2024	Three months ended March 31, 2023
		$	$
Expenses			
General and administration		1,343	2,385
Share-based compensation		-	1,095
		(1,343)	(3,480)
Other items			
Foreign exchange gain (loss)		(22)	(16)
Interest income		61	51
Share of loss from equity accounted associate	5	(41)	-
Gain (loss) on remeasurement of deferred consideration	4	(34)	-
		(36)	35
Loss before tax		(1,379)	(3,445)
Income Tax			
Deferred income tax recovery		50	-
Loss for the period		(1,329)	(3,445)
Other comprehensive income (loss)			
Foreign exchange translation		(14)	-
Comprehensive loss for the period		(1,343)	(3,445)
Basic and diluted loss per share		(0.01)	(0.02)
Weighted average number of common shares outstanding - basic and diluted		229,541,697	182,677,170

The accompanying notes are an integral part of these consolidated financial statements

MCF Energy Ltd.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(Expressed in thousands of Canadian Dollars, except for per share amounts)

	Note	Number of Shares	Amount	Subscription Receipts	Equity Reserve	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity (Deficit)
			$	$	$	$	$	$
Balance, December 31, 2022		115,472,114	5,562	8,369	712	-	(6,797)	7,846
Issuance of shares - private placement at $0.20	8	42,500,000	8,419	(8,369)	-	-	-	50
Share issuance costs		-	-	(586)	142	-	-	(444)
Subscription receipts - private placement at $0.50		-	-	12,400	-	-	-	12,400
Shares issued pursuant to assignment agreement	8	26,250,000	5,250	-	-	-	-	5,250
Share-based compensation		-	-	-	1,095	-	-	1,095
Loss for the period		-	-	-	-	-	(3,445)	(3,445)
Balance, March 31, 2023		184,222,114	19,231	11,814	1,949	-	(10,242)	22,752
Balance, December 31, 2023		222,798,364	37,711	-	4,345	(3)	(17,605)	24,448
Shares issued pursuant to share purchase agreement	8	17,850,000	4,909	-		-	-	4,909
Loss for the period		-	-	-	-	(14)	(1,329)	(1,343)
Balance, March 31, 2024		240,648,364	42,620	-	4,345	(17)	(18,934)	28,014

The accompanying notes are an integral part of these consolidated financial statements

MCF Energy Ltd.

Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian Dollars)

	Three months ended	
	March 31, 2024	March 31, 2023
Operating activities	$	$
Loss for the period	(1,329)	(3,445)
Items not involving cash:		
Share-based compensation	-	1,095
Shares issued for consulting services	96	-
Foreign exchange	1	-
Share of loss in associate	41	-
Deferred income tax recovery	(50)	-
Remeasurement of deferred consideration	34	-
Changes in non-cash working capital items:		
Other current asset	50	(131)
Amounts payable and accrued liabilities	223	148
	(934)	(2,333)
Investing activities		
Deferred consideration payments	(592)	-
Net cash consumed upon acquisition of 146092 B.C. Ltd.	(1,669)	-
Net cash consumed upon acquisition of MCF Energy GmbH.	(50)	-
Exploration and evaluation assets	(2,604)	(662)
	(4,915)	(662)
Financing activities		
Subscription receipts, net of share issue costs	-	12,051
Repayment of loan and promissory notes	-	(2,654)
	-	9,397
Change in cash	(5,849)	6,402
Cash and cash equivalents, beginning	8,095	9,960
Cash and cash equivalents, ending	2,246	16,362

The accompanying notes are an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

MCF Energy Ltd. (formerly Pinedale Energy Limited) (the "Company" or "MCF" or "MCF Energy") 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."

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2024, the Company had working capital deficit of $3,111 (March 31, 2023: working capital of $15,591), including cash and cash equivalents of $2,246 (March 31, 2023: $16,362), the Company incurred a loss during the period ended March 31, 2024 of $1,329 (March 31, 2023: $3,445), and cash used in operating activities of $934 (March 31, 2023: $2,334) with an accumulated deficit of $18,934 (March 31, 2023: $10,241). In addition, the Company has commitments (refer to Note 12) and has yet to establish any revenue generating operations.

The continued operations of the Company and its ability to fund contractually agreed to exploration and/or development activities, are dependent on its currently available cash and cash equivalent resources and ability to generate future cash flows from operations, through successful exploration and / or development activities, or obtain additional financing. Additional financing to meet the Company's liabilities and commitments as they become due in the Company's pursuit of revenue generating operations will be required. There is a risk that capital spending on exploration activities may not be successful, and that additional financing will not be available on a timely basis or on terms acceptable to the Company. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statement of financial position. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. These adjustments could be material.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board, have been omitted or condensed. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023.

The consolidated financial statements were authorized for issue by the Board of Directors on May 28, 2024.

2. BASIS OF PRESENTATION (Continued)

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of consolidation

These comparative financial statements include the accounts of the Company and its wholly owned subsidiaries 1408978 B.C. Ltd., 1460292 B.C. Ltd., Genexco GmbH, MCF Energy GmbH, Lomenska Tezebni s.r.o., and Orionos Energy s.r.o.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are considered. The financial statements of subsidiaries, including entities which the Company controls, are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

(d) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the “Functional Currency”). The consolidated financial statements for the three months ended March 31, 2024, are presented in Canadian dollars. The Functional Currency of 1408978 B.C., and 1460292 B.C. Ltd. it is the Canadian dollar, the Functional Currency of Genexco GmbH is the Euro, and the Functional Currency of Lomenska Tezebni s.r.o., and Orionos Energy s.r.o is the Czech Koruna.

Transactions in currencies other than the Functional Currency are recorded at the rates of exchange prevailing on the transaction dates. All assets and liabilities are translated into the presentation currency using the exchange rate in effect on the reporting date, shareholders’ equity accounts are translated using the historical rates of exchange and expenses are translated at the average rate for the year.

Exchange gains and losses on translation, if any, are included as a separate component of accumulated other comprehensive income.

(e) Significant accounting judgments and estimates

Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant judgments and estimates made by management affecting the Company’s financial statements include:

2. BASIS OF PRESENTATION (Continued)

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development, and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected. The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities.

Share-based compensation

Compensation costs accrued for under the Company's Stock Option Plan are subject to the estimation of what the ultimate payout will be using the Black-Scholes pricing model which is based on significant assumptions such as the future volatility of the market price of MCF's shares and fair value assumption at date of grant.

Technical feasibility and commercial viability of exploration and evaluation assets

The determination of technical feasibility and commercial viability is generally based on the presence of proved and probable reserves and other factors, results in the transfer of assets from exploration and evaluation assets to petroleum and natural gas assets. The estimate of proved and probable reserves is inherently complex and requires significant judgment. Thus, any material change to reserve estimates could affect the technical feasibility and commercial viability of the underlying assets.

Business combinations

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of exploration and evaluation assets acquired generally require the most judgment and include estimates of deferred contingent consideration based on the probability and expected timing of each of the payments happening, with estimated future payments being discounted to their net present value at acquisition date. Changes in any of these assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets and liabilities in the purchase price allocation. Future net income can be affected as a result of asset impairment. Judgement is required to determine whether an acquisition constitutes a business for purposes of IFRS Accounting Standards and in determining the acquisition date.

2. BASIS OF PRESENTATION (Continued)

Impairment indicators

At the end of each reporting period, the Company reviews the exploration prospects for external or internal circumstances that indicate the exploration prospects may be impaired. This assessment includes many changing factors, including reserves, project economics, expected capital expenditures and production costs, access to infrastructure, obtaining and the timing of receiving required regulatory approvals, and potential infrastructure construction and expansions. Furthermore, the transfer of E&E assets to PP&E is based on Management's judgement of technical feasibility and commercial viability.

3. DEPOSIT

The Company has previously made a security deposit of $1,678 (EUR €1,150) as collateral with the state mining authority in Brandenburg, Germany, to ensure the Company's fulfillment of environmental obligations pursuant to the Reudnitz permit.

4. ACQUISITIONS

a) KPFG

On November 29, 2022, and as amended on January 2, 2023, the Company entered into an assignment agreement with Kepis & Pobe Financial Group Inc. ("KPFG"). On January 3, 2023, KPFG assigned to the Company its rights under two agreements covering projects in Austria and Germany.

In consideration for the assignment, the Company issued on January 3, 2023 an aggregate of 25,000,000 common shares at a deemed price of $0.20 per common share to certain current KPFG stakeholders. KPFG retained a 1.5% royalty on future production from the assigned projects. 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. Additionally, upon execution of the assignment agreement, the Company included $1,043 of deferred transactions costs in the costs of the acquisition as the acquired rights were not considered to meet the definition of a business in accordance with IFRS 3 Business Combinations. The total cost of the acquisition of the joint operations was $6,375, which was recognized in E&E Assets (Note 7).

b) Genexco

On April 3, 2023, the Company acquired all of the outstanding shares of Genexco GmbH ("Genexco"), a private German oil and gas company. The Company obtained control of the operations of Genexco at that date, and hence the results of Genexco, from the date of acquisition, are included in the consolidated statements of net loss. The acquisition was accounted for as a business combination, with the Company being considered the acquirer for accounting purposes, and the assets acquired and the liabilities assumed being recorded at fair value at the acquisition date.

The total consideration for the acquisition was $15,396, including $3,646 (EUR €2,492) in cash, 11,067,750 common shares issued to the shareholders of Genexco and valued at $5,867 based on the closing price of the Company's shares of $0.53 on April 3, 2023, and deferred consideration of $5,886 in cash and shares.

Settlement of $4,423 of the deferred consideration is contingent on certain events occurring, including the Company obtaining two exploration licenses in certain specific geographic areas before October 1, 2024 (occurred). Deferred consideration that is not contingent on certain events occurring is $1,463 (EUR €1,000) in cash. At the time of acquisition, the Company determined the fair value of the deferred contingent consideration based on the probability and expected timing of each of the payments happening, with estimated future payments being discounted to their net present value at acquisition date. The Company used a discount rate of 15%, reflecting market participant risk assumptions.

(Unaudited, expressed in thousands of Canadian Dollars, except for per share amounts)

4. ACQUISITIONS (Continued)

At year-end, the Company had obtained the two exploration licenses, resulting in the issuance of 2,459,500 shares and payment of $1,958 (EUR €1,339) in relation to the deferred contingent consideration before December 31, 2023, while the Company continued to be obligated to pay an additional $2,418 (EUR €1,654) and issue an additional 2,459,500 shares in relation to the relation to the exploration licenses obtained at December 31, 2023.

As the milestones have been met, the Company has revalued the deferred contingent consideration in the statement of financial position in the amount of $852.

An additional $1,682 (EUR €1,150) is an earn out provision with a set milestone that is based on the award of a production license.

Based on the contingent payments remaining, the deferred consideration relating to the acquisition at March 31, 2024 is $4,793 (December 31, 2023: $5,351) comprised of guaranteed future cash payments, achieved milestone cash payments, and estimated earn-out payments of $3,555, and the issuance of shares in the amount of $1,238.

In accordance with IFRS 3, Business Combinations, the acquisition meets the definition of a business combination. The Company has control of overall operations of Genexco, and hence the results of Genexco, from the date of acquisition, are included in the consolidated statements of net loss.

The following table summarizes the allocation of the preliminary purchase price to the fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition. Determinations of fair value often require management to make assumptions and estimates about future events. The below purchase price allocation is based on management's best estimate at the time of the preparation of these financial statements. The purchase price allocation is not final as the Company is continuing to obtain and verify information required, including those from internal and external specialists, to determine the fair value of certain assets and liabilities including exploration and evaluation assets, decommissioning obligations, income taxes payable and the deferred tax liability, as well as the finalization of working capital adjustments. Upon finalizing the fair value of the net assets acquired, the liabilities assumed, and total consideration paid, adjustments may be required to be made to the accounting for the acquisition.

The following table summarizes the allocation of the preliminary purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition.

Consideration	Amount
	$
Cash	7,054
Shares	8,342
	15,396
Net assets of Genexco GmbH as at April 3, 2023:	
Cash	700
Deposit	1,682
Other asset	39
Exploration and evaluation assets	12,431
Investment in Genexco Gas GmbH	4,389
Amounts payable	(80)
Deferred tax liability	(3,714)
Decommissioning liability	(51)
Net assets acquired	15,396

A success fee of $322 (EUR €220) was paid in connection with the acquisition, which is recorded as part of general and administrative expenses in the Statement of Loss in the period.

(Unaudited, expressed in thousands of Canadian Dollars, except for per share amounts)

4. ACQUISITIONS (Continued)

c) Czech licenses

On February 23, 2024, the Company acquired all of the outstanding shares of 1460292 B.C. Ltd. The Company obtained control of the operations of 1460292 B.C. Ltd., at that date, and hence the results, from the date of acquisition, are included in the consolidated statements of net loss. The acquisition was accounted for as a business combination, with the Company being considered the acquirer for accounting purposes, and the assets acquired and the liabilities assumed being recorded at fair value at the acquisition date. Located in the Vienna Basin of Czechia within the Carpathian Mountains, the Acquisition consists of three production licences covering 6,880 acres (27.8 sq. km), and three exploration licences covering 42,551.5 acres (172.2 sq. km).

The Company issued 17.5 million common shares at $0.275 to the vendor, and made a cash payment of $1,781 (US$1,325).

Additionally, the Company issued 350,000 common shares as an advisory success fee. The value of this fee of $96 is recorded as part of general and administrative expenses in the Statement of Loss in the period.

A Czech company (the “Manager”), familiar with local operations, will manage the Czech assets from its office in Prague. The Manager’s compensation includes a set fee of $65 per month in cash, and cash bonuses, based on performance up to a maximum of $800. In addition, the Manager will be granted a net profit royalty from successful wells varying between 2.5% and 10% for seven years, and a flat 2.5% thereafter. If, by the later of 24 months from closing, or fiscal year end 2025, less than $5,000 has been deployed in connection with the Company’s assets or operations in the Czech Republic, the royalty gets extended one year before reverting to a flat 2.5%. If after 36 months from closing, less than $5,000 has been deployed, the Manager shall have the option to purchase 50% of the working interest in certain lands for $500. Based on the terms of the net profit royalty, the royalty payments are considered deferred consideration for the acquisition of the licenses.

Based on the contingent payments remaining, the deferred consideration relating to the acquisition at March 31, 2024 is $188, comprised of performance bonus cash payments.

If new information is obtained within one year from the date of acquisition about facts and circumstances that existed at the date of acquisition, the accounting for the acquisition may be revised.

The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed at the date of acquisition.

Consideration	Amount
	$
Cash	1,782
Performance milestones	188
Royalty	4,343
Shares	4,813
	11,126
Net assets of 1460292 B.C. Ltd at February 23, 2024:	
Cash	112
Other current assets	8
Exploration and evaluation assets	14,344
Accounts payable and accrued liabilities	(24)
Decomissioning liability	(382)
Deferred tax liability	(2,932)
Net assets acquired	11,126

(Unaudited, expressed in thousands of Canadian Dollars, except for per share amounts)

5. INVESTMENT IN ASSOCIATE

As a result of the acquisition of Genexco (Note 4(b)), the Company acquired a 20% equity interest in Genexco Gas GmbH ("Genexco Gas"), a private German oil and gas company. During the three month period ended March 31, 2024, the Company recorded its proportionate share of losses of Genexco Gas in the amount of $41 (year ended December 31, 2023 – $17).

6. EXPLORATION AND EVALUATION ASSETS

The following tables summarizes the capitalized costs associated with the Company's E&E assets:

	Total
	$
Acquisition Costs	
Balance December 31, 2022	-
Additions	18,852
Balance, December 31, 2023	18,852
Additions	14,344
Balance, March 31, 2024	33,196
Exploration Costs	
Balance December 31, 2022	-
Additions	464
Balance, December 31, 2023	464
Additions	2,696
Balance, March 31, 2024	3,160
Carrying Value	
Balance, December 31, 2022	-
Balance, December 31, 2023	19,316
Balance, March 31, 2024	36,356

Reudnitz Production Licence, Germany

The Company obtained a 50% interest in a production license in Reudnitz, Germany as part of the assignment of projects by KPFG (Note 4(a)). The remaining ownership in the license was obtained by the Company as part of the acquisition of Genexco (Note 4(b)).

During the year ended December 31, 2023, the Company paid $340 (US$250) as a non-refundable payment upon entering into the agreement.

Lech East Exploration License, Germany

On August 1, 2023, Genexco, the Company's wholly owned subsidiary, was awarded a natural gas exploration concession, Lech East. Lech East is approximately 100 km² in Southwest Bavaria, Germany, granted by the Bavarian State Ministry of Economic Affairs, Regional Development and Energy for an initial term of three years.

6. EXPLORATION AND EVALUATION ASSETS (Continued)

Welchau Area, Molasse Basin, Austria

As part of the assignment of projects by KPFG, the Company obtained the right to earn an interest in a license in the Welchau Area in Austria. Under the terms of the agreement, the Company will fund up to 50% of exploration drilling costs for the initial Welchau well. Upon paying 50% share of the cost, the Company will earn a 50% share of cost hydrocarbons and a 25% share of profit hydrocarbons. ADX VIE GmbH is designated as the initial operator and holds the license.

During the year ended December 31, 2023, the Company paid $428 (EUR €297) as a funding contribution in relation to the agreement.

During the three months ended March 31, 2024, the Company paid $1,105 related to a cash call for Welchau.

On January 5, 2024, the Company and ADX have amended the agreement to outline the Company's commitment to finance 50% of the Welchau-1 well expenses, up to $7,300 (EUR €5,100), in exchange for increasing the Company's economic interest in the Welchau investment area to 25% from 20%. Upon reaching the revised well cost cap, the Company and ADX will cover their respective shares of 25% and 75% for the expenses related to the Welchau investment area.

Upon signing the amended agreement, the Company paid $1,497 (EUR €1,025) as a funding contribution towards the Wlechau-1 well.

E&E assets are tested for impairment when internal or external indicators of impairment exist as well as upon reclassification to oil and gas interests in PP&E. At March 31, 2024, there were no triggers identified and therefore, an impairment test was not performed.

7. DECOMMISSIONING LIABILITY

The Company has obligations to abandon and remediate the impact from historic drilling and production activities on certain of its licenses. The Company calculated the present value of these decommissioning liability using a credit-adjusted risk-free rate of 15%, including a credit spread of 12.7% as at March 31, 2024 (December 31, 2023 – 12.7%). The Company's credit spread is determined using the Company's implied cost of borrowing at the end of the reporting period.

The Company has estimated the decommissioning expenditures based on current cost estimates, net of salvage value of $1,494 (EUR €1,045) (December 31, 2023 – $1,494 (EUR €1,045)) for Germany and $1,484 (December 31, 2023 – N/A) for its Czech assets. Current cost estimates are inflated to the amounts expected to be incurred at the estimated time of abandonment after thirty (30) years using an estimated inflation rate of 3%. (December 31, 2023 – 3%).

8. EQUITY

(a) Authorized

Unlimited number of voting Class A common shares with no par value.
Unlimited number of voting Class B common shares with no par value.

(b) Issued and fully paid common shares

As at March 31, 2024, there were 240,648,364 (December 31, 2023: 222,798,364) Class A shares outstanding and no Class B shares outstanding.

(Unaudited, expressed in thousands of Canadian Dollars, except for per share amounts)

8. EQUITY (Continued)

Shares issued during the three months ended March 31, 2024

See Note 4. The Company issued 17.5 million common shares at $0.275 to the vendor.

Additionally, the Company issued 350,000 common shares as an advisory success fee. The value of this fee of $96 is recorded as part of general and administrative expenses in the Statement of Loss in the period.

Shares issued during the year ended December 31, 2023

On August 11, 2023, and in concurrence with the award of the Lech East exploration concession, the Company issued 2,459,500 Class A common shares at a value of $0.53 to the former Genexco shareholders as a result of meeting a predetermined contingent consideration milestone for the Genexco acquisition discussed in Note 4(b).

On April 4, 2023, 250,000 stock options for Class A common shares were exercised for gross proceeds of $50.

On April 3, 2023, the Company completed the acquisition of Genexco (Note 4(b)). The Company purchased a 100% interest in Genexco for $1,838 (EUR €1,250) in cash and issued a total of 11,067,750 Class A common shares at a value of $5,867 to the shareholders of Genexco in connection with the acquisition.

On April 3, 2023, concurrently with closing of the acquisition of Genexco, the Company issued 24,799,000 Class A common shares on conversion of the subscription receipts that were issued pursuant to the concurrent financing on March 17, 2023 described below.

On March 17, 2023, the Company closed its non-brokered financing. The Company issued 24,799,000 subscription receipts for Class A common shares at $0.50 for gross proceeds of $12,400. The Company incurred share issue costs of $807 in connection with closing the placement. The Company issued 982,940 broker warrants for Class A common shares exercisable at $0.62 per Class A common share on closing of the placement.

On January 3, 2023, the Company closed its non-brokered private placement issuing 42,500,000 Class A common shares at $0.20 for gross proceeds of $8,500. The Company incurred share issue costs of $381 in connection with the closing of the placement. Proceeds for the private placement had been received in December 2022, and were transferred from Subscription receipts to Share capital on issuance of the shares.

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.

A summary of the changes in options is presented below:

	Options Outstanding	Weighted Average Exercise Price
		$
Balance, December 31, 2022	-	-
Granted	19,350,000	0.23
Exercised	(250,000)	0.20
Cancelled	(3,750,000)	0.29
Balance, December 31, 2023 and March 31, 2024	15,350,000	0.21

(Unaudited, expressed in thousands of Canadian Dollars, except for per share amounts)

8. EQUITY (Continued)

The following tables summarize information about the Company's stock options outstanding at March 31, 2024:

Options Outstanding	Options Exercisable	Exercise Price	Expiry Date
		$	
13,350,000	8,995,833	0.20	January 3, 2033
2,000,000	2,000,000	0.29	September 26, 2033
15,350,000	10,995,833		

(d) Warrants

On March 17, 2023, the Company issued 982,940 broker warrants as part of a private placement agreement with an exercise price of $0.62. The warrants expired March 17, 2024. Using the Black-Scholes valuation model, the grant date fair value was $142, which was recorded as share issuance costs. The following weighted average assumptions were used for the valuation of the options: risk-free interest rate of 3.55%, warrant life of 1-year, annualized volatility of 75% and dividend rate of 0.00%.

A summary of the changes in warrants is presented below

	Warrants Outstanding	Weighted Average Exercise Price
		$
Balance, December 31, 2022	-	-
Granted	982,940	0.62
Balance, December 31, 2023	982,940	0.62
Expired	(982,940)	0.62
Balance, March 31, 2024	-	-

On March 17, 2024, 982,240 broker warrants exercisable at $0.62 expired unexercised.

9. 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, 2024	Three months ended March 31, 2023
	$	$
Consulting fees	164	360
Director fees	23	-
Share-based compensation	-	554
	187	914

As at March 31, 2024, there is $160 (December 31, 2023: $60) included in accounts payable and accrued liabilities owing to key management.

Certain key management personnel hold a 1.0% royalty on some of the Company's projects – See Note 4(a).

10. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base to continue investor, creditor, and market confidence and to sustain the future development of the business. The Company's objectives when managing capital are to:

i) Deploy risked capital to maximize the potential return on investment to its shareholders;
ii) Maintain financial flexibility in order to preserve the Company's ability to meet financial obligations; and
iii) Maintain a capital structure that provides financial flexibility to execute potential strategic acquisitions.

The Company's strategy is designed to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas prospects. MCF considers its capital structure to include shareholders' equity, stock options, and working capital. In order to maintain or adjust its capital structure, the Company may from time-to-time issue new Common Shares, acquire or dispose of assets, farm-out a portion of its working interest in one or more asset, seek debt-based financing, and adjust its capital spending to manage working capital.

In order to facilitate the management of its capital expenditures and working capital, the Company prepares annual budgets which are updated quarterly depending upon varying factors including current and forecast crude oil and natural gas prices, capital expenditures and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

11. FINANCIAL INSTRUMENTS

Financial Risk Management

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

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 sales tax recoverable.

11. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk

At March 31, 2024, the Company had cash of $2,246 to settle current liabilities of $5,516 and working capital deficiency of $3,111. 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.

See Note 1 – Nature of Operations and Going Concern.

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.

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, 2024. 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.

12. COMMITMENTS

a) The Company is committed to future expenditures of $345 (EUR €250) on the Welchau prospect.

b) The Company is obligated to fund its decommissioning liabilities associated with the Reudnitz prospect. The Company is currently evaluating the decommissioning liability. Genexco, its wholly owned subsidiary, has a total of $1,645 (EUR €1,150) on account with the local mining authority.

c) In addition to joint interest costs, the Company is obligated to fund up to 50% of cost overruns, relating to its joint interest operation, under the terms of its joint development agreement.

d) A Czech company is to receive as its compensation for services to be provided a net profit royalty generated from future drilling for a specified period, not to exceed seven (7) years, unless as specified, complete with a royalty buyout provision.

13. SEGMENTED INFORMATION

As at March 31, 2024, the Company primarily operates in one reportable operating segment, being oil and gas exploration in Europe.

14. SUBSEQUENT EVENTS

a) On April 1, 2024, the Company issued 2,459,500 Class A common shares to the former shareholders of Genexco GmbH as part of the deferred consideration. See Note 4(b).

b) On April 3, 2024, 500,000 share options were exercised for gross proceeds of $100.