MCF Energy Ltd.
(formerly Pinedale Energy Limited)
Management's Discussion and Analysis of
Financial Condition and Results of Operations
Annual Report – December 31, 2022

The following discussion is management's assessment and analysis of the results and financial condition of MCF Energy Ltd. (formerly Pinedale Energy Limited) (the "Company" or "MCF"), and should be read in conjunction with the accompanying audited consolidated financial statements and related notes. The preparation of financial data is in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and follows the same accounting policies and methods of application as the Company's most recent annual financial statements. All figures are reported in Canadian dollars unless otherwise indicated.

Certain information included in this discussion may constitute forward looking statements. Forward looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied. The effective date of this report is March 16, 2023.

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 development agreements, direct ownership interests, and through its shareholdings in investee companies.

MCF's long-term plan is to deliver sustainable shareholder value through the development and production associated with its existing asset portfolio, accretive acquisitions, exploration 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 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 2900 - 550 Burrard Street, Vancouver, BC, V6C 0A3, 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 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. See Note 11 of the accompanying audited consolidated financial statements (Subsequent Events) for a detailed description of the transaction which was completed on January 3, 2023.

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.

See Subsequent Events summary for other material events occurring after the 2022 fiscal year end.

At December 31, 2022, the Company had cash and restricted cash of $9,960,496 (December 31, 2021 - $744) and working capital of $6,766,759 (December 31, 2021 – working capital deficiency of $250,319). The Company has an accumulated deficit of $6,796,921 as at December 31, 2022 (December 31, 2021 – $6,281,997).

Executive Chairman's Message

With the transformation of Pinedale Energy into MCF Energy now complete, we are excited about the prospects of our new company. MCF is equipped with a focused and dedicated team of professionals and advisors. Our vision is to build a leading international E&P company targeting the acquisition of high-impact, natural gas weighted prospects, which through successful development will meet the growing energy needs of Europe, while also address the growing concern regarding its own energy security and independence.

With MCF, we have brought together a renowned leadership team with a strong track record in European energy and capital markets. Chief Executive Officer, Jim Hill and his team have undertaken a high-level of activity in the European-focused M&A market, with a steadfast focus on delivering large-scale natural gas exploration prospects to Europe.

Operations Update

Austria

Located in the foothills of the Austrian Alps; analogous to large petroleum and natural gas discoveries in Kurdistan and the Italian Apennines, the Welchau Prospect is a large anticlinal structure. The well will be located up-dip from the 1989 natural gas discovery (Molln-1 well) which intersected a greater than 400m gas column, and tested condensate rich, pipeline quality natural gas at a rate of 3.5 MMCF per day. The new well will be drilled to a depth of 2,000 metres to test the gas bearing reservoir in the down dip Molln-1 well.

Development of this prospect is forecast to commence in second half of fiscal 2023, with the drilling of the Welchau # 1 well. With a short tie-in distance to the national natural gas pipeline network, this opportunity aligns with our focused and disciplined strategy.

Independent 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, MCF has 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.

MCF has identified a strong runway for additional projects in Germany, with its partner Genexco, a proven operator in Europe with strong technical expertise. As at the date of this report, there are several additional exploration and development prospects in Germany under evaluation and under application for licensing.

Refer to the Subsequent Events section of this MD&A for further information.

Selected Annual Information

	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
Total assets	**$ 11,065,167**	$ 1,471	$ 92,057
Total liabilities	**$ 3,218,821**	$ 251,790	$ 210,229
Total revenue (before royalties)	**$ -**	$ -	$ 1,973,557
Net loss and comprehensive loss	**$ (514,924)**	$ (132,147)	$ (240,376)
Basic and diluted loss per share	**$ (0.00)**	$ (0.00)	$ (0.00)
Weighted average number of common shares outstanding	**112,669,916**	112,472,114	112,472,114

Summary of Quarterly Results

	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Revenue	$ -	$ -	$ -	$ -
Net loss and comprehensive loss	(253,646)	(42,503)	(185,597)	(33,178)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of common shares outstanding	112,669,916	112,472,114	112,472,114	112,472,114

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenue	$ -	$ -	$ -	$ -
Net loss and comprehensive loss	(75,543)	(11,488)	(18,101)	(27,015)
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 and comprehensive loss 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.

Overall Performance and Results of Operations

Cash and restricted cash increased by $9,959,752 during the year ended December 31, 2022, due to $8,420,000 received from subscription receipts and $2,527,210 loan received and promissory notes issued, partially offset by $95,458 used in operating activities and $1,042,000 used in investing activities.

Three months ended December 31, 2022 and 2021

Net loss and comprehensive loss for the three months ended December 31, 2022, increased by $178,103 from $75,543 for the three months ended December 31, 2021, to $253,646 for the three months ended December 31, 2022. The increase in net loss and comprehensive loss is primarily due to:

- An increase of $114,222 in consulting. Consulting expenses were $114,222 for the three months ended December 31, 2022, compared to $nil for the three months ended December 31, 2021. The Company entered into a financial advisory mandate agreement for financial advice and corporate administration services starting March 2022.

- An increase of $3,075 in office and administration. Office and administration expenses were $3,296 for the three months ended December 31, 2022, compared to $221 for the three months ended December 31, 2021. The increase was due to rent expense during the period.

- An increase of $105,368 in travel expense. Travel expense was $105,368 for the three months ended December 31, 2022, compared to $nil for the three months ended December 31, 2021. The increase was due to property investigation related to the German and Austria hydrocarbon assets.

The increase in loss was partially offset by:

- A decrease of $6,000 in directors' fees. Directors' fees were $nil for the three months ended December 31, 2022, compared to $6,000 for the three months ended December 31, 2021. There are no directors' fees payable in the current period.

- A decrease of $45,551 in professional fees. Professional fees were $21,442 for the three months ended December 31, 2022, compared to $66,993 for the three months ended December 31, 2021. The decrease was due to restructuring costs from the disposal of the subsidiary during the three months ended December 31, 2021.

Years ended December 31, 2022 and 2021

Net loss and comprehensive loss for the year ended December 31, 2022, increased by $382,777 from $132,147 for the year ended December 31, 2021, to $514,924 for the year ended December 31, 2022. The increase in net loss and comprehensive loss is primarily due to:

- An increase of $166,722 in consulting. Consulting expenses were $166,722 for the year ended December 31, 2022, compared to $nil for the year ended December 31, 2021. The Company entered into a financial advisory mandate agreement for financial advice and corporate administration services starting March 2022.

- An increase of $28,617 in professional fees. Professional fees were $116,235 for the year ended December 31, 2022, compared to $87,618 for the year ended December 31, 2021. The increase was due to increased legal expenses in the current period, audit fee accrual for the current period and audit fees for the year ending December 31, 2022, which were recorded in the current period.

- An increase of $92,420 in share-based compensation. Share-based compensation was $92,420 for the year ended December 31, 2022, compared to $nil for the year ended December 31, 2021. The increase was due to 3,000,000 stock options granted during the current period.

- An increase of $105,368 in travel expense. Travel expense was $105,368 for the year ended December 31, 2022, compared to $nil for the year ended December 31, 2021. The increase was due to property investigation related to the German and Austria hydrocarbon assets.

The increase in loss was partially offset by:

- A decrease of $28,710 in directors' fees. Directors' fees were $nil for the year ended December 31, 2022, compared to $28,710 for the year ended December 31, 2021. There are no directors' fees payable in the current period.

- An increase of $18,718 in gain on write off of accounts payables and accrued liabilities. There was a gain of $18,718 recorded during year ended December 31, 2022. During the current period, the Company negotiated the settlement of debt with various parties, resulting in a gain on settlement of promissory note of $2,988, and the Company writing off $11,730 of accounts payable for legal fees, and $4,000 of accrued liabilities related to prior year directors' fees.

Liquidity and Capital Resources

As at December 31, 2022, the Company had working capital of $6,766,759 and cash and restricted cash of $9,960,496 to settle current liabilities of $3,218,821. The Company recorded a loss of $514,924 during the year ended December 31, 2022, and had total shareholders' equity of $7,846,346 as at December 31, 2022.

For the year ended December 31, 2022, investing activities consumed cash of $1,042,000 related to advances and prepayments, compared to the comparable period of December 31, 2021, in which investing activities consumed cash of $nil.

For the year ended December 31 31, 2022, financing activities provided cash of $11,097,210 from the exercise of stock options, subscription receipts and loan and promissory note advances, compared to the comparable period of December 31, 2021, in which financing activities provided cash of $31,453 related to promissory note advances.

See the accompanying audited consolidated financial statements for a breakdown of share transactions during the year 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 December 31, 2022, there were 115,472,114 Class A shares outstanding.

As at the date of this MD&A, there were 184,222,114 Class A shares outstanding and 13,600,000 stock options outstanding and exercisable.

Related Party Transactions

Key Management includes personnel having the authority and responsibility for planning, directing and controlling the Company and includes the directors and executive officer.

	Year ended December 31, 2022	2021
Directors' fees	**$ -**	$ 28,710
Share-based compensation	**30,808**	-
	$ 30,808	$ 28,710

As at December 31, 2022, accounts payable and accrued liabilities included $38,192 related to travel reimbursement (2021: $54,603 related to director fees and other costs) payable to the Chief Executive Officer of the Company.

Risks and Uncertainties

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.

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.

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.

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.

Critical Accounting Policies and Estimates

The Company has prepared the accompanying financial statements in accordance with IFRS. Significant accounting policies are described in Note 3 of the Company's financial statements as at and for the year ended December 31, 2022.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

Financial Instruments

Financial Risk Management

Cash, amounts receivable, accounts payable and accrued liabilities, and loan and promissory notes 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 The Company valued deferred consideration (iii) as a level 3 instrument. The Company used a probability weighted discount model to determine the fair value of the deferred consideration. Key assumptions included a discount rate of 10% and a time frame of 12 months after which the Company expects the consideration milestone to have been achieved.

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 December 31, 2022, the Company had cash and restricted cash of $9,960,496 to settle current liabilities of $3,218,821, and working capital of $6,766,759. 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. As at December 31, 2022, the Company had $359,500 in short-term loans recorded in US dollars. As a result, the Company will be affected by changes in the US dollar relative to the Canadian dollar.

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 December 31, 2022. 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.

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 January 3, 2023, the Company completed the following transactions:

    i. The Company closed its non-brokered private placement issuing 42,500,000 shares at $0.20 for gross proceeds of $8,500,000. The Company paid $180,375 of finder's fees in connection with the closing of the private placement.

    ii. The Company granted an aggregate of 13,600,000 stock options exercisable at a price of $0.20 per common share until January 3, 2033.

    iii. KPFG assigned to the Company its rights under two agreements covering projects in Austria and Germany as follows:

        i. ADX VIE GmbH ("ADX") in respect of ADX's Welchau Well and the Welchau Area in Austria (collectively "Welchau"). Welchau is a large gas prospect in the foothills of the Austrian Alps. It is a thrust-belt play with an estimated drill depth of 1,150-2,000 metres targeting the Steinalm Formation reservoir, proven by a 1989 well, which intersected at least a 400-metre gas column adjacent to and down-dip from Welchau. The prospect is 18 kilometres from pipeline infrastructure and is anticipated to be drill tested before September 2023.

        ii. Genexco, a privately-owned German corporation, in respect of Genexco's exploration rights in the Reudnitz prospect, a confirmed gas accumulation established by three previously drilled wells. Several additional hydrocarbon prospects in Germany in the application stage.

    The Company has 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.

b) On February 21, 2023, the Company, entered into a letter of intent to expand its acquisition of German oil and gas interests through its purchase of all of the outstanding share of Genexco. In addition to the previously announced purchase on January 23, 2023, the Company has also included additional interests held by a German company affiliated with Genexco. This acquisition now grants the Company a 20% interest in a prospective additional German oil and gas exploration licence, where a well is scheduled to be drilled in the second half of 2023. Pursuant to the letter of intent, the Company will pay 4,500,000 Euros and issue shares with a deemed value of 6,500,000 Euros.

c) In connection with the Genexco acquisition, on February 23, 2023, the Company announced that it has increased its previously announced non-brokered financing of subscription receipts from $8,000,000 to an aggregate of 24,000,000 subscription receipts at $0.50 for gross proceeds of $12,000,000.

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.

Additional Information

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