

MCF Energy Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations Three months ended – March 31, 2025

This Management Discussion and Analysis ("MD&A") relates to the financial condition and results of the operations of MCF Energy Ltd. (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 condensed consolidated financial statements for the three months ended March 31, 2025 and 2024, (including notes) (the "Consolidated 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 Consolidated Financial Statements should also be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2024 and 2023, which have been prepared in accordance with IFRS.

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 May 29, 2025.

All currency amounts are expressed in thousands, except share and per share information or where otherwise noted. Dollar amounts are in Canadian dollars unless otherwise indicated

Cautionary Statement on Forward-Looking Information

This MD&A contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "budget", "forecast", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A contains forward-looking information and statements pertaining to: the recent corporate acquisitions of Genexco GmbH and MCF Energy Czechia Ltd. (formerly 1460292 B.C. Ltd.), forecasts and updates regarding the Company's operations, MCF and its subsidiary's capital plans, activities and budget for 2025, expected well performance, forecasted average production volumes and capital expenditures for 2025, and the Company's strategy.

The forward-looking information and statements contained in this MD&A reflect several material factors and expectations and assumptions of MCF including, without limitation: that MCF will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of MCF's resource volumes; certain commodity price and other cost assumptions; the continued availability of oilfield services; and the availability of adequate debt and equity financing and working capital to fund its planned expenditures.

MCF believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations, and assumptions will prove to be correct.

The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of MCF's products; unanticipated operating results or production declines that differ from those estimated; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of MCF or by third party operators of MCF's properties, increased debt levels or debt service requirements; inaccurate estimation of MCF's oil and gas resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; a failure to obtain necessary approvals as proposed or at all and certain other risks detailed from time to time in MCF's public documents.

The forward-looking information and statements contained in this MD&A speak only as of the date of this MD&A, and MCF does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

MCF Energy Ltd.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
Three months ended – March 31, 2025

Profile and 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, Germany and Czechia. The Company holds its interests through joint development agreements, shareholdings in its wholly owned subsidiaries, 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 January 5, 2024, the Company and ADX Energy Ltd. ("ADX") amended an 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%. During the year ended December 31, 2024, the Company reached the revised well cost cap and as a result, the Company and ADX covered their respective shares of 25% and 75% for the expenses related to the Welchau investment area. See Note 7 of the Consolidated Financial Statements.

Upon signing the amended agreement, the Company paid \$1,497 (EUR €1,025) as a cash call towards the Welchau-1 well future expenses.

On February 27, 2024, the Company acquired oil and gas licences in the Czech Republic. Located in the Vienna Basin of Czechia within the Carpathian Mountains, the acquisition consists of three production licences covering 6,880 acres (27.8 km² km), and three exploration licences covering 42,551.5 acres (172.2 km²).

The Company issued 17.5 million common shares 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.

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.

On July 31, 2024, the Company closed a non-brokered private placement (the "Private Placement") and issued 29,848,686 units at a price of \$0.15 per unit for aggregate gross proceeds of \$4,477. Each unit (a "Unit") consists of one Class A common share and one Class A common share purchase warrant, with each warrant entitling the holder thereof to acquire an additional common share at an exercise price of \$0.16 until July 31, 2026. Of the total gross proceeds raised, \$4,029 has been allocated to the value of the shares issued, with the residual \$448 allocated to the value of the warrants. The Company incurred total issuance costs of \$224 in relation to the Private Placement, which includes \$100 of finders' fees and finders' warrants with a value of \$34. \$201 has been attributed to the value of the shares issued and \$23 has been

MCF Energy Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations Three months ended – March 31, 2025

attributed to the value of the warrants. The finders' warrants have the same terms as the Class A common share purchase warrants included in the Units

On July 31, 2024, the Company settled outstanding debt owed to various creditors in the aggregate amount of \$1,567 through the issuance of 10,445,254 Units (the "Debt Settlement"). \$1,382 of the amount settled relates to amounts owed from deferred consideration, while the remaining amount of \$185 relates to the settlement of accounts payable balances. Of the total debt settled, \$1,410 has been allocated to the value of shares issued and \$157 has been allocated to the value of the warrants.

On September 3, 2024 the Company announced the completion and execution of a Heads of Agreement between Genexco and Lime Petroleum Holdings AS ("Lime") for an option ("Option") to farm in on Genexco's 100% interest in Reudnitz gas exploration licence in Germany. Genexco will conduct and complete a work-over of well RZ2 in Reudnitz ("Work-Over") in 2025 which includes installing a velocity string, acid job and well test. In parallel to the Work-Over, Genexco intends to apply for the production licence for the proven area within Reudnitz as established by the Work-Over and previous discoveries. Lime has the Option to assume an ownership share/working interest share in Reudnitz and the production licence of up to 80% of the total ownership interest/working interest in Reudnitz and the production licence. In consideration for the Option:

1. Lime paid to Genexco EUR €500 (\$747), which is the estimated cost of the Work-Over, and
2. If Lime exercises its Option after the Work-Over and the production licence is granted, Lime will carry all costs and expenses related to the pilot development of the reservoir in the Production Licence up to EUR €5,500 (\$8,547)

If Lime exercises its Option, Lime will become operator of the Reudnitz Production Licence. Lime is not obligated to assume Operatorship so if it declines to do so, Genexco will continue as operator.

Operations Update

Austria

Welchau #1

In November 2024, completion activities commenced on the Welchau #1 well with the mobilization of surface equipment and installation of a completion string—consisting of tubing, a packer, and a perforating system. Two intervals in the Steinalm Formation were perforated underbalance using high-density casing guns, targeting measured depth of 1,452.5-1,463.5 metres and 1,474.5-1,480.0 metres. These intervals correspond to fractured zones where hydrocarbon shows were observed during drilling. The zones are located above the interval where oil was recovered from a modular dynamic formation tester (MDT) and include sections where hydrocarbon influxes and fluorescence in core samples were previously recorded. Despite the promising indicators, testing recovered only drilling mud and formation water, with no material hydrocarbon production. The Steinalm zone was subsequently isolated, and operations moved up hole to the Reifling Formation.

The upper part of the Reifling formation was perforated and an initial flow test was conducted, which did not result in sufficient flow into the well bore for reservoir fluids to enter the tubing string and allow the Reifling reservoir fluid composition to be determined or sampled. Preliminary observations suggest a tight or plugged reservoir possibly caused by formation damage.

Fluid samples recovered from the Reifling test primarily consisted of workover brine, along with trace amounts of black solid particles. These solids, believed to potentially contribute to flow obstruction, are currently undergoing compositional analysis at a specialized laboratory.

Following these tests, the well was shut in, and the workover rig was demobilized to focus on planned activities at ADX's Vienna Basin Fields. Further operations at Welchau-1 will depend on the results of ongoing laboratory analysis and data evaluation.

MCF Energy Ltd.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
Three months ended – March 31, 2025

MCF has fulfilled its funding and earning obligations related to the Welchau investment area and consequently it holds a 25% working interest in the area. Accordingly, MCF remains responsible for 25% of any ongoing well-related costs regarding the Welchau investment area.

Germany

Lech - Investment in Associate (Energieprojekt Lech Kinsau 1 GmbH – formerly Genexco Gas GmbH)

Construction of the Kinsau-1A drill site was delayed due to cold weather conditions that prevented proper curing of the asphalt pad. Construction on the pad resumed in March and the drill site is now complete and rig ready except for a few minor works. The final inspection of the well site was done, and the site was approved.

All long lead items for the well have been purchased and will be delivered onsite upon completion of the pad. A drilling rig contract has been signed with RED Drilling, with mobilization scheduled in Q2 of 2025. Kinsau-1A is expected to be a 30-day drilling operation, followed by approximately 30 days of well testing. Initial flow rates are projected to be available in Q3. Before the gas can be sold it must be processed and dehydrated. As a result, first sales are currently estimated to occur approximately six months or more after well completion. The operator is currently in discussions with a pipeline operator for offtake and sale of the gas.



Figure 1 Kinsau 1A Drill Site

MCF Energy Ltd.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
Three months ended – March 31, 2025

Lech East – 100% Genexco

The first drill site at Lech East has been selected and surface lease negotiations have been completed. Environmental studies have been discussed and reviewed with the relevant German mining authority. Soon well planning will begin to develop the final drilling plan for submission to the mining authority. The cost of this planning phase is expected to exceed EUR €100. The anticipated timeline for permitting and approvals may extend from several months to up to one year. The selected drill site has access to multiple subsurface targets identified through seismic data, offering flexibility and potential for future development..

Erlenweise Concession

The Erlenweise concession is covered by a 3D seismic survey shot by a geothermal company. In addition, the Company has reprocessed the available 2D seismic data. However, the reprocessing has resulted in limited improvement in data quality. The Company continues efforts to extract meaningful insights from the available data and is planning on acquiring the 3D seismic data.

Reudnitz – 100% Genexco

The Company previously announced the farmout option negotiated with Lime for Reudnitz where MCF's subsidiary Genexco holds a 100% interest in the Reudnitz licence area. Lime has deposited EUR €500 euros into Genexco to fund the workover, flow testing and evaluation of RZ2 well in the Reudnitz exploration concession which includes installing a velocity string, acid job and well test. The initial flow test is complete with the well producing at a stable rate of over 1,000 cubic metres per hour.

Following the initial production test, Lime and its technical consultants proposed significant revisions to the Phase 2 testing program, resulting in projected additional costs of over EUR €700. The Company has communicated that cost overruns related to these changes must be borne entirely by Lime. Phase 2 testing is now currently underway.

Following receipt of Phase 2 testing, Lime will review results and will make its decision on whether to exercise its option. If Lime exercises its option to acquire an 80% working interest in Reudnitz, Lime will carry all costs and expenses related to the pilot development of the reservoir limited to an amount of EUR €5500. Lime would also have the right to assume operatorship of the Reudnitz production license.

Genexco has secured a nine-month extension of the Reudnitz exploration license from the regulatory ministry. This extension allows sufficient time to complete Phase 2 testing and to apply for a production license over the Reudnitz field.

Czech Republic

NP-823

A new contractor, Montpetrol, has been engaged to perform the equipment relocation and inspections at NP-823 to establish production operations. Current bottom-hole pressure is estimated at 280 psi, with line pressure at approximately 110 psi. To maintain production rates over time, compressor installation is planned for Q2 2025 at an estimated additional cost of \$171 (EUR €266).

MCF Energy Ltd.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
Three months ended – March 31, 2025



Figure 2 - Moving production equipment onto NP-823

LM-3

Discussions with InDatNet regarding the LM-3 project are progressing. InDatNet will be manufacturing the Bitcoin mining and Data Center containers intended for Phase 1 deployment if an agreement is reached. Although a definitive agreement has not yet been reached.

NT-2

A wellhead inspection of the NT-2 well, has been completed and several small leaks identified. These will be repaired before the well can be returned to production.

MCF Energy Ltd.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
Three months ended – March 31, 2025

Summary of Quarterly Results

	Q1	Q4	Q3	Q2
	2025	2024	2024	2024
	\$	\$	\$	\$
Loss for the period	(796)	(8,534)	(1,354)	(965)
Basic and diluted loss per share	(0.00)	(0.03)	(0.00)	(0.00)

Weighted average number of common shares outstanding	283,901,804	283,901,804	270,324,498	243,564,353
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	Q1	Q4	Q3	Q2
	2024	2023	2023	2023
	\$	\$	\$	\$
Loss for the period	(1,329)	(1,703)	(2,975)	(2,685)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)

Weighted average number of common shares outstanding	229,541,697	222,798,364	221,690,238	219,533,492
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Losses for Q2 and Q3 2023 was primarily driven by share-based compensation and an increase in general and administration expenses as the Company was significantly more active than prior periods. In addition, the Company had a \$819 loss in remeasurement of deferred consideration relating to the Genexco acquisition, which is a non-cash item. In Q4 2023, the loss was lower due to no options granted in the quarter and no remeasurement of deferred consideration. In Q1 and Q2 2024, the loss was lower due to no stock-based compensation expense and a significant reduction in marketing and investor relations expenses during the quarters. In Q3 2024, the loss increased from the previous quarter mainly as a result of a \$206 loss in remeasurement of deferred consideration. The loss for Q4 2024 increased from previously quarters as the result of \$8,178 impairment loss recognized during the period. In Q1 2025, the Company's loss for the quarter was smaller compared to previous quarters mainly as a result of decreased general and administration expenses.

Overall Performance and Results of Operations

Cash decreased by \$721 during the three months ended March 31, 2025, due to \$77 spent in investing activities and \$644 used in operating activities.

Three months ended March 31, 2025 and 2024

Loss for the three months ended March 31, 2025, decreased by \$533 from the three months ended March 31, 2024. The decrease in loss from the period is primarily due to:

- A decrease of \$250 in marketing and investor relations. The Company engaged various service providers to provide investor relations services in the prior period. Contracts relating to these services have since been terminated prior to the start of the current period ended March 31, 2025.
- A decrease of \$101 in consulting fees mainly as a result of the Company reducing the number of consultants used within its German operations during the three months ended March 31, 2025 compared to the three months ended March 31, 2024.
- A decrease of \$96 in administrative success fees. A success fee of \$96 was paid through the issuance of 350,000 common shares of the Company as an advisory success fee for the acquisition of MCF Energy Czechia Ltd.

MCF Energy Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations Three months ended – March 31, 2025

(formerly 1460292 B.C. Ltd.). This amount is recorded as part of general and administrative expenses in the statement of loss and comprehensive loss in the prior period.

The decreased loss for the three months ended March 31, 2025 compared to the three months ended March 31, 2024 was partially offset by:

- A decrease in interest income earned of \$54 compared to the previous period. This decrease is the result of decreased cash balance held within the Company's bank accounts thus resulting in decreased interest income.
- An increase in finance expense of \$21 compared to the previous period as a result of the Company developing the Welchau well in the later half of the year ended December 31, 2024, resulting in the recognition of a decommissioning liability and associated accretion expense from that point onward. Additionally, the Company acquired the decommissioning liabilities of MCF Energy Czechia Ltd. (formerly 1460292 B.C. Ltd.) and began recognizing accretion expense on these properties shortly after the acquisition.

Use of Proceeds – Financings

The Company has completed the financings set out below since January 1, 2024 with the variances between projected use of proceeds and actual use of proceeds outlined below:

Date	Financing	Equity Instrument Issued	Funding (Gross)	Funding (Net)	Use of Proceeds	Variance
July 31, 2024	Non-brokered private placement	29,848,686 Class A common shares & 29,848,686 Class A common share purchase warrants	\$ 4,477	\$ 4,287	The net proceeds were used for working capital and general corporate purposes	None

Liquidity and Capital Resources

As at March 31, 2025, the Company had a working capital deficit of \$1,905 and cash of \$1,055 to settle current liabilities of \$3,122. The Company recorded a loss of \$796 and used cash in operating activities of \$644 during the three months ended March 31, 2025. As at March 31, 2025, the Company had total shareholders' equity of \$25,403. In addition, the Company has commitments, as outlined within the *Contingencies and Commitments* section of this MD&A and has yet to establish any revenue generating operations.

For the three months ended March 31, 2025, investing activities consumed cash of \$77 related to funds spent on exploration and evaluation assets, and acquisitions, compared to the prior period of March 31, 2024, in which investing activities consumed cash of \$5,007.

The Company did not have any share transactions during the three months ended March 31, 2025. See the accompanying Consolidated Financial Statements for a breakdown of share transactions during the year ended December 31, 2024.

The Company anticipates working capital requirements of approximately \$155 per month to cover ongoing expenditures on a go-forward basis before considering any one-time costs or capital expenditures.

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

MCF Energy Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations Three months ended – March 31, 2025

successful, and that additional financing anticipated by the Company will not be available in a timely manner 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.

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, remedy working capital deficiencies, and meet contractual obligations and commitments.

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.

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. These commitments include the following as disclosed in Note 14 of the Consolidated Financial Statements.

- (a) 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 \$1,787 (EUR €1,150) on account with the local mining authority.
- (b) 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 for the Welchau prospect.

Outstanding Share Data

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

As at the date of this MD&A, there were 283,901,804 Class A common shares outstanding, 14,200,000 stock options, and 40,960,846 warrants outstanding.

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.

MCF Energy Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations Three months ended – March 31, 2025

Related Party Transactions

- (a) 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. The table below outlines the compensation to key management for the three months ended March 31, 2025 and 2024:

	Three months ended March 31, 2025	Three months ended March 31, 2024
	\$	\$
Consulting fees	165	164
Director fees	23	23
	188	187

- (b) As at March 31, 2025, there is \$286 (December 31, 2024 - \$143) included in accounts payable and accrued liabilities owing to key management.
- (c) Certain key management personnel hold a 1.0% royalty on some of the Company's projects. No amounts have been paid or are owed in relation to this royalty as at and during the three months ending March 31, 2025 and 2024.
- (d) As outlined within the *Overview* section of this MD&A, the Company completed the Private Placement during the year ended December 31, 2024. Certain directors of the Company participated in the Private Placement by providing \$300 in proceeds to the Company and were thus issued 2,002,000 common shares and 2,002,000 common share purchase warrants.

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

MCF Energy Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations Three months ended – March 31, 2025

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 depend, 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 to 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.

MCF Energy Ltd.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
Three months ended – March 31, 2025

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 and gas 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 substantial 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

MCF Energy Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations Three months ended – March 31, 2025

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 will 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 government regulation or taxation and the impact of inflation on costs.

Test Results and Initial Production Rates

Any references in the Executive Chairman's Message to initial, early and/or test production/performance rates are useful in confirming the presence of hydrocarbons, however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. While encouraging, readers are cautioned not to place reliance on such rates in calculating aggregate production. The initial production rate may be estimated based on other third-party estimates or limited data available at this time. Initial production or test rates are not necessarily indicative of long-term performance of the relevant well or fields or of ultimate recovery of hydrocarbons.

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

MCF Energy Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations Three months ended – March 31, 2025

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.

Investment in Associates

MCF Energy has invested in other frontier oil and gas exploration companies that are similar to MCF Energy, and that face similar risks and uncertainties faced by MCF Energy, which could have a material adverse effect on their businesses, prospects and results of operations. Such risks include, without limitation, equity risk, liquidity risk, commodity price risk, currency risk, foreign investment risk, and changes in environmental regulations, economic, political or market conditions, or the regulatory environment in the countries in which they operate. The associates are entities in which the Company has influence but has no control over their financial and operational policies. The Company's investments are not diversified over different types of investments and industries, rather, they are concentrated in one type of investment. If a company in which MCF Energy has invested fails, liquidates, or becomes bankrupt, MCF Energy could face the potential risk of loss of some, or all, of its investments, and the Company may be unable to recover its initial investment amount, or any amount, from its various investments in other frontier oil and gas exploration companies.

Material Accounting Policies and Estimates

The preparation of the Consolidated Financial Statements in conformity with IFRS Accounting Standards 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.

Refer to Note 2(e) and Note 3 within the annual audited consolidated financials statements for the year ended December 31, 2024 for the Company's material accounting policies, significant estimates, and judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty.

Financial Instruments

Financial Risk Management

Cash and cash equivalents, 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.

MCF Energy Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations Three months ended – March 31, 2025

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.

Liquidity Risk

As at March 31, 2025, the Company had cash of \$1,055 to settle current liabilities of \$3,122 and had working capital deficit of \$1,905. 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.

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, 2025. 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.

MCF Energy Ltd.

Management's Discussion and Analysis of Financial Condition and Results of Operations Three months ended – March 31, 2025

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

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

	Three months ended March 31, 2025	Three months ended March 31, 2024
	\$	\$
Consulting fees	571	672
Professional fees	112	201
Office and administration	74	38
Director fees	23	23
Regulatory and filing fees	22	53
Marketing and investor relations	-	250
Administrative success fee	-	96
Travel	-	10
	802	1,343

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.

Outlook

Energy security and independence has become a material focus for much of Europe as a result of the changing geopolitical landscape, as evidenced in the Russia-Ukraine conflict. Countries like Austria and Germany, among others, are having to re-evaluate their energy needs, consumption, and sourcing.

Based on current government policies and market trends, it is management's view that petroleum and natural gas demand will continue to grow within Europe, from sources that are regionally produced. While commodity price volatility is expected, an underlying focus on energy security will continue to drive strong demand for locally produced energy.

Management believes that the most impactful catalysts for the Company in 2025 are appraisal drilling results, follow-on exploration, and accretive acquisitions focused on developing long-term European energy security and independence.

MCF Energy Ltd.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
Three months ended – March 31, 2025

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 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.sedarplus.ca.