



Unaudited Interim Condensed Consolidated Financial Statements

MCF Energy Ltd.
(formerly Pinedale Energy Limited)

For the three months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim condensed consolidated financial statements of MCF Energy Ltd. have been prepared by and are the responsibility of the Company's management. In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these unaudited interim condensed consolidated financial statements.

MCF Energy Ltd.

(formerly Pinedale Energy Limited)

Interim Condensed Consolidated Statements of Financial Position

(Unaudited, in thousands of Canadian Dollars)

	Note	March 31, 2023	December 31, 2022
		\$	\$
Current Assets			
Cash and restricted cash	3	16,362	9,960
Sales tax recoverable		66	25
Prepays		92	-
		16,520	9,986
Long-term Assets			
Deferred transaction costs	4	-	1,080
Exploration and evaluation assets	4	7,162	-
		23,682	11,065
Current Liabilities			
Accounts payable and accrued liabilities		929	565
Loan and promissory notes		-	2,654
		929	3,219
Shareholders' Equity			
Share capital	5	18,646	5,562
Subscription receipts	5	12,400	8,369
Equity reserve	5	1,949	712
Deficit		(10,241)	(6,797)
		22,753	7,846
		23,682	11,065

NATURE OF OPERATIONS (Note 1)

COMMITMENTS (Note 9)

SUBSEQUENT EVENTS (Note 11)

Approved on behalf of the Board:

/s/"J. Jay Park"

Director

/s/"D. Jeffrey Harder"

Director

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

MCF Energy Ltd.

(formerly Pinedale Energy Limited)

Interim Condensed Consolidated Statements of Loss

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

	Note	Three months ended	
		March 31, 2023	March 31, 2022
		\$	\$
Expenses			
General and administration	6	2,385	51
Share-based compensation	5, 6	1,095	-
		(3,480)	(51)
Other items			
Interest income		51	-
Foreign exchange gain (loss)		(16)	2
Write off of accounts payables and accrued liabilities		-	16
		35	18
Loss for the period		(3,445)	(33)
Basic and diluted loss per share		(0.02)	(0.00)
Weighted average number of common shares outstanding			
- basic and diluted		182,677,170	112,472,114

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

MCF Energy Ltd.

(formerly Pinedale Energy Limited)

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficit)

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

	Note	Shares Issued	Amount	Subscriptions Receipts	Equity Reserve	Deficit	Total Shareholders' Equity (Deficiency)
Balance, December 31, 2021		112,472,114	\$ 5,320	\$ -	\$ 712	\$ (6,282)	\$ (250)
Loss for the period		-	-	-	-	(33)	(33)
Balance, March 31, 2022		112,472,114	5,320	-	712	(6,315)	(283)
Balance, December 31, 2022		115,472,114	5,562	8,369	712	(6,797)	7,846
Issuance of shares - private placement at \$0.20	5(b)	42,500,000	8,419	(8,369)	-	-	50
Share issuance costs	5(d)	-	(586)	-	142	-	(444)
Subscription receipts - private placement at \$0.50	5(b)	-	-	12,400	-	-	12,400
Shares issued pursuant to assignment agreement	4, 5(b)	26,250,000	5,250	-	-	-	5,250
Share-based compensation	5(c)	-	-	-	1,095	-	1,095
Loss for the period		-	-	-	-	(3,445)	(3,445)
Balance, March 31, 2023		184,222,114	18,646	12,400	1,949	(10,241)	22,753

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

MCF Energy Ltd.

(formerly Pinedale Energy Limited)

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited, in thousands of Canadian Dollars)

	Note	Three months ended	
		March 31, 2023	March 31, 2022
		\$	\$
Operating activities			
Loss for the period		(3,445)	(33)
Items not affecting cash:			
Share-based compensation	5, 6	1,095	-
Changes in non-cash working capital items:			
Amounts receivable		(41)	(2)
Accounts payable and accrued liabilities		148	37
Prepays and deposits		(92)	-
Cash used in operating activities		(2,334)	1
Investing activities			
Exploration and evaluation assets	4	(662)	-
Cash used in investing activities		(662)	-
Financing activities			
Subscription receipts, net of share issuance costs	5	12,051	-
Repayment of loan and promissory notes		(2,654)	(2)
Cash provided by financing activities		9,397	(2)
Change in cash and restricted cash		6,401	(1)
Cash and restricted cash, beginning		9,960	1
Cash and restricted cash, ending		16,362	-
Non-cash investing and financing activities			
Shares issued for exploration and evaluation assets		5,250	-
Share issuance costs included in accounts payable and accrued liabilities		45	-
Exploration and evaluation costs included in accounts payable and accrued liabilities		171	-

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

MCF Energy Ltd.

(formerly Pinedale Energy Limited)

Notes to the Interim Condensed Consolidated Financial Statements

Three months ended March 31, 2023 and March 31, 2022

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

1. NATURE OF OPERATIONS

MCF Energy Ltd. (formerly Pinedale Energy Limited) (“MCF” or 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.”

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 International Financial Reporting 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, 2022.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 24, 2023.

(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*

Comparative financial statements include the accounts of the Company and its wholly-owned subsidiaries, being Pinedale USA Inc. (Delaware, USA), and 1408978 B.C. Ltd.

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. 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 in (the “Functional Currency”). The interim condensed consolidated financial statements for the three months ended March 31, 2023 are presented in Canadian dollars. The Functional Currency of Pinedale USA Inc., which is currently inactive, is the US dollar.

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Notes to the Interim Condensed Consolidated Financial Statements

Three months ended March 31, 2023 and March 31, 2022

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

2. BASIS OF PRESENTATION (Continued)

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 revenue 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. There are no exchange gains or losses during the three months ended March 31, 2023.

(e) Significant accounting judgments and estimates

The preparation of the interim condensed consolidated financial statements in conformity with IFRS requires the use of judgments and/or estimates that affect the amounts reported and disclosed in the interim condensed 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 interim condensed consolidated financial statements. For significant estimates and judgements refer to the audited consolidated financial statements for the year ended December 31, 2022.

3. CASH AND RESTRICTED CASH

The following table summarizes the Company's cash balance:

	March 31, 2023	December 31, 2022
	\$	\$
Cash	3,962	-
Restricted cash held in trust	12,400	-
	16,362	-

Restricted cash held in the Company's trust account consists of subscription receipts (Note 5). The subscription receipts are subject to regulatory restrictions and are therefore not available for general use by the Company.

Subsequent to March 31, 2023, the Company completed its acquisition of Genexco GmbH ("Genexco") (Note 11), and the subscription receipts became available for general use.

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Three months ended March 31, 2023 and March 31, 2022

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

4. EXPLORATION AND EVALUATION ASSETS

Joint control is defined as the contractually agreed sharing of control over an economic activity, and exists only when the strategic, financial and operating decisions essential to the relevant activities require the unanimous consent of the parties sharing control. When the Company enters into agreements that provide for specific percentage interests in exploration properties, a portion of the Company's exploration activities is conducted jointly with others, without establishment of a corporation, partnership or other entity.

Under IFRS 11 "Joint Arrangements", this type of joint control of exploration assets and joint exploration and/or development activities is considered as a joint operation, which is defined as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. In these financial statements, the Company recognizes the following in relation to its interests in joint operations:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly; and
- its expenses, including its share of any expenses incurred jointly.

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

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 (issued on January 3, 2023) to certain current KPFPG stakeholders. KPFPG retained a 1.5% royalty on future production from the assigned projects. In addition, the Company issued 1,250,000 common shares (issued January 3, 2023) at a deemed price of \$0.20 per common share as finder's shares in relation to the transaction.

The Company's two joint arrangements in Austria and Germany are described below:

a) Welchau Area, Molasse Basin, Austria

Under the terms of the agreement, the Company will fund up to 50% of exploration drilling costs for the Welchau well. Upon paying 50% share of the cost, the Company will earn a 50% share of cost hydrocarbons and a 20% share of profit hydrocarbons. ADX VIE GmbH is designated as the initial operator.

The Company paid EUR €228 (CDN\$332) to fund back studies.

The Company paid EUR €297 (CDN\$428) as a funding contribution and option fee in relation to the agreement.

b) Reudnitz Production Licence, Germany

Under the terms of the agreement, the Company will make a joint application with Genexco, to convert the existing Reudnitz exploration licence in the Reudnitz production licence on a 50% basis for both parties. The Company's financial contribution carried Genexco's interest and the full amount will be cost recovered (without interest charges) from free cash flow once the parties are in production phase. Cost recovery will be 75% of free cash flow.

The Company paid US\$250 (CDN\$340) as a non-refundable payment upon entering into the agreement.

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

4. EXPLORATION AND EVALUATION ASSETS (Continued)

The following tables summarizes the capitalized costs associated with the Company's exploration and evaluation assets:

	Welchau	Reudnitz	Other	Total
	\$	\$	\$	\$
Acquisition Costs				
Balance December 31, 2022	-	-	-	-
Shares issued	2,625	2,625	-	5,250
Cash	428	340	-	769
Transaction costs	239	280	-	519
Balance, March 31, 2023	3,292	3,245	-	6,537
Exploration Costs				
Balance December 31, 2022	-	-	-	-
Additions	332	200	93	625
Balance, March 31, 2023	332	200	93	625
Carrying Value				
Balance, December 31, 2022	-	-	-	-
Balance, March 31, 2023	3,625	3,445	93	7,162

On January 3, 2023, upon execution of the assignment agreement, the Company transferred \$1,080 of deferred transactions costs to exploration and evaluation assets under IFRS 11.

Exploration and evaluation assets consist of the Company's projects that have yet to be established as technically feasible and commercially viable.

5. 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, 2023, there were 184,222,114 (December 31, 2022: 115,472,114) Class A shares outstanding and no Class B shares outstanding.

Subscription receipts (Subsequent Events, Note 11)

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

Shares issued during the three months ended March 31, 2023

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

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

5. EQUITY (Continued)

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.

Shares issued during the year ended December 31, 2022

On December 7, 2022, the Company issued 3,000,000 common shares pursuant to the exercise of stock options at \$0.05 per common share for proceeds of \$150 (Note 6(c)).

(c) Stock Options

The Company has adopted a share option plan for which options to acquire up to a total of 10% of the issued share capital, at the award date, may be granted to eligible optionees from time to time. Generally, share options granted have a maximum term of ten years, and a vesting period and exercise price determined by the directors.

On January 3, 2023, the Company granted 13,600,000 options to certain directors, officers and consultants of the Company and charitable organizations. The options vest over one year and are exercisable at a price of \$0.20 per common share until January 3, 2033. Using the Black-Scholes valuation model, the grant date fair value was \$1,095. The following weighted average assumptions were used for the valuation of the options: risk-free interest rate of 3.21%, option life of 10 years, annualized volatility of 75%, forfeiture rate of 7.54% and dividend rate of 0.00%.

In April 2022, the Company granted 3,000,000 options to certain directors, officers and consultants of the Company. The options vested immediately and are exercisable at a price of \$0.05 per common share until April 27, 2032. Using the Black-Scholes valuation model, the grant date fair value was \$92. The following weighted average assumptions were used for the valuation of the options: risk-free interest rate of 2.75%, option life of 10 years, annualized volatility of 75% and dividend rate of 0.00%.

During the year ended December 31, 2022, 3,000,000 options were exercised for proceeds of \$150.

A summary of the changes in options is presented below:

	Options Outstanding	Weighted Average Exercise Price
Balance, December 31, 2021	-	\$ -
Granted	3,000,000	0.05
Exercised	(3,000,000)	0.05
Balance, December 31, 2022	-	-
Granted	13,600,000	0.20
Balance, March 31, 2023	13,600,000	0.20

The following tables summarize information about the Company's stock options outstanding at March 31, 2023:

Options Outstanding	Options Exercisable	Exercise Price	Expiry Date
13,600,000	4,533,333	\$ 0.20	January 3, 2033

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Three months ended March 31, 2023 and March 31, 2022

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

5. EQUITY (Continued)

(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 expire March 17, 2024. Using the Black-Scholes valuation model, the grant date fair value was \$142, and 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, 2021	10,000,000	0.31
Expired	(10,000,000)	0.31
Balance, December 31, 2022	-	-
Granted	982,940	0.62
Balance, March 31, 2023	982,940	0.62

The following table summarizes the warrants outstanding:

Warrants Outstanding and Exercisable	Exercise Price	Expiry Date
	\$	
982,940	0.62	March 17, 2024
982,940		

6. RELATED PARTY TRANSACTIONS

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

Compensation to key management:

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

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

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

7. CAPITAL MANAGEMENT

The Company manages its cash, common shares, and options as capital. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets or adjust the amount of cash held.

8. FINANCIAL INSTRUMENTS

Financial Risk Management

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

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities,

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs that are not based on observable market data.

Financial Instrument Risk Exposure

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

Credit Risk

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

Liquidity Risk

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

Currency Risk

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

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Three months ended March 31, 2023 and March 31, 2022

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

8. FINANCIAL INSTRUMENTS (Continued)

Market Risk

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

I. Interest Rate Risk

Interest rate risk consists of two components:

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

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

II. Equity Price Risk

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

9. COMMITMENTS

- a) The Company is committed to future expenditures of EUR €1,905 (CDN\$2,800) 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 joint interest operating partner, has a total of EUR €1,150 (CDN\$1,685) on account with the local mining authority.
- c) The Company is obligated to fund up to 50% of cost overruns, relating to its joint interest operations, under the terms of its joint development agreements.

10. SEGMENTED INFORMATION

As at March 31, 2023, the Company primarily operates in one reportable operating segment, being oil and gas exploration in Europe.

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Three months ended March 31, 2023 and March 31, 2022

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

11. SUBSEQUENT EVENTS

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

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

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

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