CENTAURUS ENERGY INC. (FORMERLY MADALENA ENERGY INC.)

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2019

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(Unless otherwise indicated, all dollar amounts are in United States dollars ("USD"))

This Management's Discussion and Analysis of financial condition and results of operations ("MD&A") is based on information available to April 29, 2020 and should be read in conjunction with Centaurus Energy Inc.'s ("Centaurus" or the "Corporation") for the year ended December 31, 2019 and the accompanying notes. This MD&A contains forward-looking information about the Corporation's current expectations, estimates, projections and assumptions. See the Advisory for information on the risk factors that could cause actual results to differ materially and the assumptions underlying the Corporation's forward-looking information. Centaurus management prepared the MD&A, while the Audit Committee of the Centaurus Board of Directors (the "Board") reviewed and recommended its approval by the Board. Additional information relevant to the Corporation's activities contained in its continuous disclosure documents, including the consolidated financial statements and the Annual Information Form ("AIF"), is available on the *System for Electronic Document Analysis and Retrieval ("SEDAR") under the Corporation's profile at www.sedar.com and on the Corporation's* website at ***www.ctaurus.com***.

Basis of Presentation

This MD&A and the consolidated financial statements and comparative information have been prepared in United States dollars ("USD"), except where another currency has been indicated, and have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB"). Sales volumes are presented on a before royalties basis.

Non-GAAP Measures

Certain financial measures in this document do not have a standardized meaning as prescribed by IFRS, such as funds flow from operations and netbacks and therefore are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers. These measures have been described and presented in order to provide shareholders and potential investors with additional measures for analyzing the Corporation's ability to generate funds to finance its operations and information regarding its liquidity. The additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. The definition and/or reconciliation of each non-GAAP measure is presented in the Netbacks and Reconciliation of Cash Flow from Operating Activities and Funds Flow from Continuing Operations sections of this MD&A.

Funds flow from continuing operations per share is calculated using the same basic and diluted weighted average number of shares for the period, consistent with the calculations of loss per share.

The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Per boe amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. This equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Review of Operations

Introduction

Centaurus Energy Inc. (formerly Madalena Energy Inc.) ("Centaurus", or the "Corporation") is an independent, Canadian company focused on Argentine upstream oil and gas with operations in four provinces of Argentina where it is focused on the delineation of unconventional resources in the Vaca Muerta shale, Lower Agrio shale and Loma Montosa oil plays. The Corporation is implementing horizontal drilling and completions technology to develop both its conventional and resource plays.

Centaurus trades on the TSX Venture Exchange ("TSXV") under the symbol CTA and on the OTCQX under the symbol CTARF. Centaurus' Argentine upstream oil and gas operations as well as the corporate segment are discussed in the "Continuing Argentine Operations and Corporate Segments" section of this MD&A. Unless specifically noted, all current and comparative reporting periods' operating and financial disclosures and discussion are in reference to the continuing Argentine operations and corporate segments.

The Corporation intends to actively pursue the acquisition of producing assets with development upside both in Argentina and the wider Latam Region. Centaurus will execute a two-pronged strategy targeting unconventional and conventional assets.

2019 Highlights and Activity

Coirón Amargo Sur-Este ("CASE")

Pan American Energy ("PAE"), Centaurus' operating partner in CASE, successfully completed and tested the CASE-501h well and completed the CASE-401h horizontal multi-frac wells in the Vaca Muerta Shale Formation at the Coiron Amargo Sur Este ("CASE") block in Argentina. These are the second and third of a five well program.

Both wells were drilled with an approximate horizontal lateral length of 2,000 meters at a vertical depth of approximately 3,100 meters. The CASE-501h and CASE-401h wells were connected to early production facilities on November 9, 2019 and January 7, 2020 respectively. CASE-501h achieved a 30 day average initial production ("IP30") rate of 970 bbls/day with significant higher well head pressure than CASE-101h.

CASE-401h IP30 results will be announced in due course.

The CASE-301h well was successfully drilled and is currently on completion. The CASE-201h was suspended due to operational issues. The Operator is evaluating different options for that well.

The CASE-101h achieved a 90-day average initial production ("IP90") rate of 720 bbls/day.

These 5 wells drilled in 2019 are part of the Pilot Program covered by the Loan Facility that Centaurus has with PAE which will be repaid with the net production proceeds from 100% of Centaurus' interest in the CASE block. Centaurus holds a 35% working interest in the CASE block. As previously described, well locations have been selected to confirm and improve on the results obtained from two previously drilled and completed wells, as well as to further delineate the continuity of productive potential in the Vaca Muerta across specific targeted areas of the CASE block.

Rinconada Puesto Morales

The Corporation held negotiations with Rio Negro Province during both 2017 and 2018 with respect to extending the outstanding commitments of $32.4 million. On January 4, 2019, the Secretary of Energy approved a re-schedule and conversion of the remaining commitments and updated the exploration and development plan. The Corporation expect to perform in 2020 a vertical exploratory well with an approximate cost of $ 2 million, which had been committed for 2019. The remaining commitments have been re-scheduled for 2020 and 2021.

Palmar Largo and El Surubí

A workover was completed on the Proa-3 light oil well (Surubí, 85% operated interest) during the first quarter of 2019. The Corporation evaluated synergies with the recently acquired adjacent Palmar Largo block (100% operated) and completed a workover in this block using the same rig.

Termination of Hispania Services Agreement

The Services Agreement entered into between the Corporation and Hispania on May 8, 2017 (the "Services Agreement") terminated on March 31, 2019. The Services Agreement was initially extended in accordance with its terms following its expiration, and then for a further period to allow it be phased out with minimal impact to Centaurus' operations.

Amendments to Capex Loan Agreement and Working Capital Loan Agreement

On April 7, 2019 the Corporation entered into an amended and restated convertible loan agreement (the "Amended and Restated Convertible Loan Agreement") with KD Energy International Capital Limited ("KD Energy") and Hispania Petroleum, S.A. ("Hispania") as well as an amending agreement to extend the term of the working capital loan agreement (the "Working Capital Loan Amending Agreement"). KD Energy is controlled by Jose Penafiel and Alejandro Penafiel, former officers of the Corporation, and Jose Penafiel is a director of Hispania

Principal amendments and changes include an extension of the expiry dates of both loans from May 8, 2020 to May 8, 2023, a change in the conversion price of the Amended and Restated Convertible Loan Agreement to CAD 0.225 (subject to adjustment), the right of KD Energy to designate Jose David Penafiel and one additional representative to the board of directors during the term of the Amended and Restated Convertible Loan Agreement, and an expansion to the purposes for which the Corporation can draw on the loan to include acquisitions of oil and gas assets, subject to consent of KD Energy as lender. As the Working Capital Loan Amending Agreement and the Amended and Restated Convertible Loan Agreement constituted "related party transactions" for the purposes of Multilateral Instrument 61-101 Protection of Minority Shareholders in Special Transactions ("MI 61-101"), and an exemption to the disinterested shareholder approval requirement under that instrument was not available for the Amended and Restated Convertible Loan Agreement, the Corporation obtained disinterested shareholder approval in accordance with the requirements of MI 61-101 and the Policies of the TSXV on June 5, 2019.

On March 27, 2020, the Corporation announced that it received a notice of default and reservation of rights from KD Energy and Hispania, alleging that the Corporation is in default of the terms of the Amended and Restated Loan Agreement and the Working Capital Loan Agreement, as amended. The Corporation disputes the allegations of default, some of which are alleged to occur while Alejandro Penafiel and Jose Penafiel were employed as officers of the Corporation.

Listing on the Buenos Aires Stock Exchange

On November 6, 2019, the Argentine National Securities Commission ("Comisión Nacional de Valores", or "CNV") authorized the listing of the Corporation's shares in Argentina, through a listing on the Buenos Aires stock exchange, Bolsas y Mercados Argentinos S.A. ("BYMA"). Listing will be subject to submission of the final version of the non-offering prospectus to CNV for approval and compliance with any additional requirements of the CNV. The Corporation does not intend to complete an offering of the Corporation's shares in connection with the BYMA listing. The Corporation will announce the expected listing date after receipt of the CNV's final approval.

Name Change

On September 20, 2019, holders of common shares in the capital of the Corporation ("Common Shares") approved a special resolution to change the name of the Corporation from "Madalena Energy Inc." to "Centaurus Energy Inc." On October 25, 2019, the Corporation implemented the Name Change and the Corporation's Common Shares commenced trading on the TSXV under the new corporate name under the stock symbol "CTA".

Board and Management Changes

Effective April 1, 2019, Alejandro Penafiel was appointed to the office of Vice President, Growth and Capital.

On July 19, 2019, the Corporation announced that Dr. Nossonal (Nate) Kleinfeldt was appointed director of Centaurus. Dr. Kleinfeldt replaced Mr. Eric Mark, who resigned from the Board. In addition, on July 19, 2019, the Board appointed Dr. Ralph Gillcrist as non-executive Chairman to replace Mr. Gus Halas, who had stepped down from that role.

At the annual meeting of shareholder of Centaurus held on November 22, 2019, James K. Wilson was elected to the Board.

2020 Developments

Rinconada – Puesto Morales Re-Schedule Commitments

In June 2015, Centaurus was granted a new 10 year exploitation concession for the Puesto Morales area. As part of the terms and conditions of the extension, the Corporation had agreed to firm commitments of $49.3 million in activities on the block over a ten-year period.

$32.4 million remained outstanding as of December 31, 2019. In order to keep the concession in good standing and to remain in compliance with the commitments, the Corporation held negotiations with the Province of Rio Negro during both 2017 and 2018 with respect to extending the commitments. On January 4, 2019, the Secretary of Energy approved a re-schedule and conversion of the remaining commitments and updated the exploration and development plan. The Corporation expects to drill a vertical exploratory well with an approximate cost of $2 million during 2020. The remaining commitments have been re-scheduled for 2020 and 2021.

Maglan Agreement to Finance

On March 25, 2020, the Corporation announced that it had entered into a binding term sheet with respect to a debt financing agreement with Maglan Distressed Master Fund LP (the "Maglan Financing Agreement"), pursuant to which the Corporation will have access of up to $23 million, accruing interest on draws at the rate of 7% per annum, in the form of convertible and non-convertible facilities (the "Maglan Facilities"). Proceeds from the convertible loan facility shall be used by the Corporation to fund capital expenditures while proceeds under the non-convertible loan facility shall be used for the ongoing working capital requirements of the Corporation. The Maglan Facilities will have substantially similar terms as the Corporation's existing credit facilities, being the Working Capital Loan Agreement (as amended by the Working Capital Loan Amending Agreement) and the Amended and Restated Convertible Loan Agreement. On April 8, 2020, the Corporation and Maglan Distressed Master Fund LP entered into an amending agreement to extend the term of the binding term sheet to June 30, 2020. As of the date hereof, the Corporation has not entered into agreements respecting the Maglan Facilities.

Management and Board Changes

Effective February 18, 2020, Leonardo Madcur resigned from the Board.

On March 25, 2020, the Corporation announced the termination of employment of Jose Penafiel as President and Chief Executive Officer, the employment of Alejandro Penafiel as Vice President, Growth and Capital and the employment of Ezequiel Martinez Ariet as Chief Financial Officer. In addition, the Corporation announced that David D. Tawil and Steven Azarbad had been appointed to the Board, and that David D. Tawil had been appointed interim Chief Executive Officer.

On March 27, 2020, the Corporation announced that Jose Penafiel and Alejandro Penafiel had ceased to be officers and directors of the Corporation, in accordance with the terms of their employment agreements. The Corporation also announced that it had received a notice from KD and Hispania alleging that the Corporation was in default of the

Amended and Restated Convertible Loan Agreement and the Working Capital Loan agreement, as further described elsewhere herein.

In addition, on April 8, 2020, Ralph Gillcrist, Barry Larson, Nossonol Kleinfeldt, Gus Halas and James K. Wilson resigned from the Board, and Steven Balsam was appointed.

Impact of the Coronavirus COVID-19

The outbreak of the Coronavirus (COVID-19) will have impact on the world GDP and is expected to have an adverse effect on the Company's operations, liquidity and financial results this year, but the extent and duration of these conditions over the longer term remain largely uncertain and dependent on future developments that cannot be accurately predicted at this time. The Company is closely monitoring the impact of the ongoing virus outbreak and will implement measures required to minimize the adverse impact on our staff, operations and financial results.

Foreign Exchange Fluctuations

The table below provides various exchange rates that illustrate the foreign exchange fluctuations between the USD, the Argentine Peso ("ARS"), and the Canadian dollar ("CAD"). The table illustrates the impact of both the ARS and CAD changes relative to the USD in the three and twelve months ended December 31, 2019 compared to the three and twelve months ended December 31, 2018. During 2019, ARS and CAD continued to depreciate against the USD. Foreign exchange changes in ARS and CAD impact the unrealized foreign exchange gains and losses recorded in the consolidated statements of loss.

USD	Three months ended December 31 2019	2018	% Change(1)	Year ended December 31 2019	2018	% Change(1)
Average CAD to USD	**0.758**	0.757	0.03%	**0.754**	0.772	(2.34%)
Average ARS to USD	**0.017**	0.027	(37.54%)	**0.021**	0.036	(41.76%)
Period end CAD to USD	**0.770**	0.733	5.04%	**0.770**	0.733	5.04%
Period end ARS to USD	**0.017**	0.027	(37.05%)	**0.017**	0.027	(37.05%)

(1) Differences calculated from the numbers within the table are due to rounding.

Continuing Argentine Operations and Corporate Segments

Sales Volumes

	Three months ended December 31		Year ended December 31	
	2019	**2018**	**2019**	**2018**
Crude oil and NGLs (bbls/d)	**1,847**	1,505	**1,768**	1,534
Natural gas (mcf/d)	**1,718**	1,478	**1,588**	1,436
Total daily sales (boe/d)	**2,134**	1,751	**2,033**	1,774
% oil	**87%**	86%	**87%**	87%

Centaurus' primary producing concessions are at Puesto Morales, Palmar Largo and Surubi. Other producing concessions include Coirón Amargo-Norte ("CA-Norte"), the CASE Block and El Chivil. All concessions produce oil and Puesto Morales and CA-Norte also produce natural gas. Approximately 77% of Centaurus' current production comes from Puesto Morales, Palmar Largo and Surubi.

Crude oil and NGL sales volumes for the three months ended December 31, 2019 ("the Quarter" or "Q4-2019") increased to 1,847 bbl/d from 1,505 bbl/d for the three months ended December 31, 2018 ("Q4-2018") is mainly due to the assignment of 100% of the operating interest of the Palmar Largo concession to Centaurus through an operation agreement and the increase in the CASE Block related to the new wells CASE-101h and CASE-501h.

Natural gas sales volumes for the Quarter of 1,718 mcf/d increased compared to 1,478 mcf/d for Q4-2018 due to higher production at Puesto Morales and CA-Norte.

For the year ended December 31, 2019 ("YTD"), crude oil and NGL sales volumes increased to 1,768 bbl/d from 1,534 bbl/d for the year ended December 31, 2018 ("YTD-2018"), is mainly due to the assignment of 100% of the operating interest of the Palmar Largo concession to Centaurus through an operation agreement and the increase in the CASE Block related to the new wells CASE-101h and CASE-501h. Natural gas sales volumes YTD increased to 1,588 mcf/d from 1,436 mcf/d due to higher production at Puesto Morales and CA-Norte.

Average Realized Prices

	Three months ended December 31		**Year ended December 31**	
USD	**2019**	**2018**	**2019**	**2018**
Crude oil and NGLs - $/bbl	**45.34**	56.50	**47.03**	59.52
Natural gas - $/mcf	**2.38**	4.90	**3.53**	5.41
Total - $/boe	**41.17**	52.69	**43.67**	55.87

The refiners used by the Corporation have paid an average unofficial crude oil price of $45.34 per barrel for the three months ended December 31, 2019 (2018 - $56.50). Since August 2018, domestic price is agreed upon between refiners and producers. Such a price considers the impact of the export withholding imposed by the government and the possibility to increase fuels to the final consumers.

In August 2019, the Argentinian government issued a decree pursuant to which oil prices in USD were affected as a result of the exchange rate being frozen at 45.19 ARS per USD until November 15, 2019, affecting oil prices denominated in USD. The Government authorized certain increases in both the exchange rate and final consumers prices during the three months the Decree was in force. As a result of the decree, prices in USD decreased due to the Argentinian peso devaluation of 35.6%.

Decree 566/2019, dated August 15, 2019, determined that during the period of ninety (90) calendar days commencing from the date of the decree:

I. deliveries of crude oil in the local market were required to be billed and paid at the agreed price between the producing and refining companies as of August 9, 2019, applying a reference exchange rate of 45.19 ARS per USD and a Brent reference price of $59 USD/bbl;

II. the maximum price of gasoline and diesel in all qualities and in all sales channels may not exceed the price in effect as at August 9, 2019;

III. refining companies as well as wholesalers and retailers of the must cover, at the prices established in Decree 566/2019, the total national demand for liquid fuels Argentina, in accordance with the volumes that are required based on the usual practices of the Argentine market; and

IV. hydrocarbon producing companies of Argentina must cover the total demand for crude oil that is required by the Argentine market refining companies.

Decree 566/2019 was amended on August 30, 2019 by the issuance of Decree 601/19. Amendments included the following:

1. until November 13, 2019, deliveries of crude oil in the local market need to be invoiced and paid at the agreed price between the producing and refining companies as of August 9, 2019, applying a reference exchange rate of 46.69 ARS/US and a Brent reference price of 59 US/bbl; and

2. through Resolution 557/2019, of the Secretariat of Energy Government of September 19, 2019, it was determined that during the term of Decree 601/2019 all qualities of gasoline and diesel destined to the public supply through retail fuel pumps (gas stations) can increase up to 4% with respect to the prices in force as of August 9, 2019.

Since November 14, 2019, domestic price is agreed upon between refiners and producers. Such a price considers the impact of the export withholding imposed by the government.

The average price the Corporation received for oil for the Quarter was $45.34/bbl, lower than the $56.50/bbl realized in Q4-2018 mainly as a result of the lower oil pricing in Argentina.

The average price received for oil YTD was $47.03/bbl, lower than the $59.52/bbl realized YTD-2018 for the same reasons as noted for the Quarter.

Gas prices in Argentina are subject to seasonal demand and are negotiated between the producer and the buyer. The average price received for gas YTD was $3.53/mcf, lower than the $5.41/mcf realized YTD-2018.

The average total price received for the Quarter was $41.17/boe, lower than the $52.69/boe realized in Q4-2018 mainly as a result of the lower both oil and gas price.

Oil and Natural Gas Revenue

	Three months ended December 31		Year ended December 31	
USD 000s, except boe	**2019**	**2018**	**2019**	**2018**
Crude oil	**7,707**	7,822	**30,360**	33,337
Natural gas	**376**	667	**2,049**	2,834
	8,083	8,489	**32,409**	36,171
$/boe	**41.17**	52.69	**43.67**	55.87

Oil and gas revenue was $8.1 million for the Quarter compared to $8.5 million for Q4-2018, a decline of 5% due to a 22% decrease in prices received per boe offset by a 22% increase in sales volumes.

YTD oil and gas revenues decreased to $32.4 million compared to $36.2 million YTD-2018, a decline of 10% due to a 22% decrease in prices received per boe offset by a 15% increase in sales volumes.

Other Income

Other income of $1.6 million YTD-2019 mainly related to a retroactive agreement signed with Vista Oil and Gas Argentina related to a gas well in CA-Norte $0.8 million and other services to Surubi Concession $0.8 million. (YTD-2018, $0.5 million related primarily to oil reception services in CA-Norte rendered to three Joint ventures operated by O&G Developments Ltd S.A.).

USD 000s	Three months ended December 31 2019	2018	Twelve months ended December 31 2019	2018
Oil storage services in CA-Norte	**-**	165	**162**	480
Water treatment and other services to Surubi	**207**	-	**763**	-
Vista retroactive agreement related to a gas well in CA- Norte	**718**	-	**718**	-
Other income	**925**	165	**1,643**	480

Royalties

USD 000s, except boe	Three months ended December 31 2019	2018	Year ended December 31 2019	2018
Royalties	**1,263**	1,373	**5,530**	5,764
As % of revenue	**16%**	16%	**17%**	16%
$/boe	**6.43**	8.52	**7.45**	8.90

Royalty and turnover taxes expenses were $1.3 million for the Quarter compared to $1.4 million in Q4-2018, decreased due to lower oil and gas prices. Royalty rates were the same in both periods, averaging 16%.

YTD, royalties and turnover taxes were $5.5 million compared to $5.8 million YTD-2018 and decreased due to lower oil and gas prices.

Operating Costs

USD 000s, except boe	Three months ended December 31 2019	2018	Year ended December 31 2019	2018
Compensation costs	**1,458**	1,094	**4,465**	4,020
Transportation and processing	**2,116**	1,508	**6,965**	5,234
Maintenance, workovers and other	**2,879**	3,129	**11,951**	10,489
	6,453	5,731	**23,381**	19,743
$/boe	**32.87**	35.57	**31.51**	30.49

Operating costs during the Quarter increased 13% to $6.5 million from $5.7 million in Q4–2019 mainly as a result of the assignment of the 100% of Palmar Largo concession through an operation agreement since December 2018, which increased $0.5 million the operating costs. On a per boe basis, operating costs for the Quarter decreased 1% to $32.87/boe from $35.57/boe in Q4-2018 due to higher sales volumes or the same reasons as noted above.

Operating costs YTD were $23.4 million compared to $19.7 million YTD-2018. The increase was as a result of the assignment of the 100% of Palmar Largo concession trough an operation agreement since December 2018, which which increased operating costs by $4.5 million due to the change in the working interest. On a per boe basis, YTD costs were $31.51 per boe, increased from $30.49 per boe YTD-2018 for the same reasons as noted above.

Netbacks [(1)]

USD/boe	Three months ended December 31		Year ended December 31	
	2019	**2018**	**2019**	**2018**
Oil and gas revenue	**41.17**	52.69	**43.67**	55.87
Royalties	**(6.43)**	(8.52)	**(7.45)**	(8.90)
Operating expenses	**(32.87)**	(35.57)	**(31.51)**	(30.49)
Netbacks	**1.87**	8.59	**4.71**	16.47

(1) The term "netback" is a non-GAAP measure and may not be comparable with the calculation of other entities. Netback is calculated as the average unit sales price, less royalties and operating expenses and represents the cash margin for every barrel of oil equivalent sold. The Corporation uses this measure to analyze operating performance and considers netback a key measure as it demonstrates its profitability relative to current commodity prices.

General and Administration ("G&A") Expenses

USD 000s	Three months ended December 31		Year ended December 31	
	2019	**2018**	**2019**	**2018**
Argentina				
Gross G&A				
Compensation costs	**368**	367	**1,838**	1,386
Other	**352**	458	**1,807**	1,555
	720	825	**3,645**	2,941
Capitalized	**(58)**	(108)	**(390)**	(424)
	662	717	**3,255**	2,517
Corporate				
Gross G&A				
Compensation costs	**80**	55	**299**	225
Other	**1,159**	975	**3,518**	3,585
	1,239	1,030	**3,817**	3,810
Consolidated				
Net G&A total	**1,901**	1,747	**7,072**	6,328

Argentina
Gross G&A expenses for the Quarter decreased by $0.1 million to $0.7 million mainly due to lower travel expenses of $0.1 million.

YTD, gross G&A costs increased by $0.7 million to $3.6 million due to higher compensation costs $0.4, which include severance costs of $0.2 million. The Corporation currently employs 21 office employees in Argentina, an increase of 1 since Q4-2018.

YTD, $0.4 million (Q4-2018 - $0.4 million) of directly attributable G&A costs in Argentina were capitalized to property, plant and equipment.

Corporate
Gross G&A expenses for the Quarter are comparable to Q4-2018.

On YTD basis, Gross G&A expenses are comparable to YTD-2018.

During the Quarter and YTD, there were no directly attributable G&A costs in Corporate capitalized to property, plant and equipment in Argentina (Q4-2018 - nil, YTD-2018 - nil).

Finance (Income) and Expenses

USD 000s	Three months ended December 31 2019	Three months ended December 31 2018	Year ended December 31 2019	Year ended December 31 2018
Argentina				
Bank charges and fees	**121**	136	**391**	787
Foreign exchange (gain) loss - unrealized	**(156)**	1,097	**(802)**	1,739
Accretion of decommissioning liabilities	**62**	546	**324**	590
Lease liabilities accretion	**38**	-	**43**	-
Interest (income) and other expenses	**227**	(122)	**830**	(207)
	292	1,656	**786**	2,910
Corporate				
Bank charges and fees	**-**	15	**-**	15
Foreign exchange (gain) loss - unrealized	**66**	(198)	**147**	(280)
Accretion of debt component of convertible debentures issued	**-**	17	**40**	67
Interest and other expenses	**(87)**	36	**(243)**	84
	(21)	(130)	**(56)**	(115)
Consolidated	**271**	1,526	**730**	2,795

Argentina

Bank Charges and Fees

Bank charges and fees relate to various forms of taxation in Argentina outside of royalties and income taxes. Bank charges and fees for the Quarter was $0.1 million (Q4-2018 - $0.1 million).

YTD, bank charges and fees were $0.4 million compared to $0.8 million YTD-2018. The decrease was due to reduced financing transaction activity.

Foreign exchange loss –unrealized

During the Quarter the Corporation recorded an unrealized foreign exchange gain of $0.2 million compared to an unrealized loss of $1.1 million in Q4-2018. YTD, the Corporation recorded a $0.8 million gain compared to a $1.7 million loss in YTD-2018. Quarterly fluctuations in unrealized gains and losses are a result of changing foreign exchange rates and underlying movements in the net assets of the Argentine subsidiaries.

Interest (Income) and other expenses

Interest (income) and other expenses during the quarter relate primarily to PAE loan interest of $0.2 million. In Q4-2018, Interest (income) and other expenses relate primarily to the reversal of an accrual for professional services of $0.2 million.

YTD, Interest (income) and other expenses relates primarily to PAE loan interest of $0.8 million. YTD-2018, Interest (Income) and other expenses relates primarily to the reversal of an accrual for professional services of $0.2 million.

Corporate

Accretion of debt component of convertible debentures issued

Accretion expense was nil for the Quarter and $40 thousand YTD (Q4-2018– $17 thousand and YTD-2018 – $67 thousand). This accretes the liability component up to its principal value over the period of time to maturity. At the maturity date, June 30, 2019 the principal amount, interest and expenses of all debentures were fully repaid by the

Corporation. In addition, the Corporation paid $127 thousand related to the 10% premium in accordance with the repayment provisions of the debenture indenture.

Share-based and Long-term Incentive Compensation

<u>*Stock options*</u>

The Corporation has issued stock options as incentive programs that allow officers, directors, consultants and certain employees to purchase shares in the Corporation. No options were granted during the 2019 financial year YTD (2018 – Quarter–nil and YTD 11,400,000)

Share based compensation expense was $41 thousand the Quarter compared to an expense of $0.1 million for Q4-2018.

On a YTD basis, share based compensation expense was $0.3 million (recovery YTD-2018 - $0.9 million).

<u>*Long-term incentive units*</u>

During 2016, the Corporation issued Long-term incentive units under a Long-term incentive plan (("LTIP") that allow employees to benefit as a result of appreciation of the trading price of the Common Shares from the issue date, through the payment of cash upon vesting. On August 26, 2016, 6.5 million Units were issued to certain employees at an exercise price of CAD $0.145 per common share. LTIP compensation recovery was $13 thousand in the Quarter (Q4-2018 recovery $32 thousand).

Depletion and Depreciation ("D&D")

	Three months ended December 31		Year ended December 31	
USD 000s, except boe	**2019**	**2018**	**2019**	**2018**
Argentina	**2,776**	757	**7,995**	5,727
$/boe	**14.14**	4.70	**10.77**	8.85
Corporate	**80**	-	**80**	-
Consolidated	**2,856**	757	**8,075**	5,727

<u>*Argentina*</u>

D&D increased to $2.9 million in the Quarter compared to $0.8 million in Q4-2018 due to an increase of the depletable base caused by the combination of increased future development costs, higher capital spending and higher production. On a per boe basis, D&D for the Quarter increased to $14.14/boe from $4.7/boe in Q4-2019 primarily due to the same reasons as noted above.

YTD, D&D increased by $8.1 million from $5.8 million in 2018 and per boe costs went from $8.85/boe to $10.77/boe for the same reasons noted for the Quarter.

Property Plant and Equipment ("PPE") Impairment

At December 31, 2019, Centaurus determined that indicators of impairment existed in each of its Argentine CGUs. These indicators of impairment were a result of fluctuation in interest rates.

However, increased volumes and reserves values in MEA North, resulted in an indicator of impairment reversal for that CGU.

As a result, impairment tests were performed over each CGU and one of them, MEA South, was deemed to be impaired as it´s estimated recoverable amount was lower than the carrying amount by $19.9 million. For MEA North the recoverable amount was higher than its carrying amount by $2.2 million. The combined recoverable amounts, calculated as $14.6 million, resulted in impairment expense (recovery) of $17.7 million (2018 – ($0.9 million)).

The impaired CGU's recoverable values were estimated using value in use calculations based on future net cash flows expected to be derived from the CGU's proven plus probable reserves from the externally prepared December 31, 2019 reserve report using a discount rate of 17.9% for MEA North and of 19% for MEA South, and the following forecast benchmark commodity price estimates:

Year	Brent Oil Price (1) (USD/bbl)	Argentina Domestic Gas Price (1) (USD/mmbtu)
2020	65.25	3.68
2021	67.28	3.68
2022	69.98	3.68
2023	71.52	3.75
2024	73.08	3.83
2025	74.42	3.91
2026	76.03	3.98
2027	77.61	4.06
2028	79.15	4.14
2029	80.71	4.23
2029+	+2%/yr	+2%/yr

(1) The forecast benchmark commodity prices listed above are adjusted for quality differentials, heat content, distance to market and other factors in performing our impairment tests.

Had the discount rate used been 1% higher for the range of discount rates used, additional impairment charges of $2.6 million would have resulted for the year ended December 31, 2019.

An additional $1 decrease in the price deck would have resulted in further impairment charges of $7 million for the year ended December 31, 2019.

The depletion expense calculation for the year ended December 31, 2019 included as part of the depletable base, $84.9 million for estimated future development costs associated proved developed non-producing reserves in Argentina. (December 31, 2018 – $5.5 million for estimated future development costs associated proved developed non-producing reserves).

During the year ended December 31, 2019, approximately $0.3 million (2018 - $0.6 million) of directly attributable general and administration costs were capitalized to property, plant and equipment in Argentina.

Exploration & Evaluation ("E&E") Impairment

At December 31, 2019, Centaurus determined that no impairment triggers existed relating to its Argentine E&E assets.

Income Tax Expense (Recovery)

	Three months ended December 31		Year ended December 31	
USD 000s	2019	2018	2019	2018
Current	-	(139)	-	-
Deferred	(2,385)	(4,785)	(471)	(1,005)
Total	(2,385)	(4,924)	(471)	(1,005)

Centaurus has one legal entity in Argentina which had taxable income in the Quarter and YTD. The income tax rate in Argentina is 30%. The entities that do not have taxable income are subject to minimum taxes, which are generally taxed at 1% of net assets. Current income tax charge (including minimum tax) for the Quarter was nil compared to a recovery of $0.1 million for Q4-2018. On a YTD basis, current income tax expense was nil (YTD-2018 nil).

The Corporation recorded a deferred income tax recovery of $2.4 million during the Quarter (Q4-2018 – deferred income tax recovery - $4.8 million). YTD, the Corporation booked a deferred income tax recovery of $0.5 million (YTD-2018 – deferred income tax recovery - $1 million).

Reconciliation of Cash Flow from Operating Activities and Funds Flow from Continuing Operations

As detailed previously in this MD&A, funds flow from operations is a term that does not have any standardized meaning under GAAP. Centaurus method of calculating funds flow from continuing operations may differ from that of other companies, and accordingly, may not be comparable to measures used by other companies.

Funds flow from (used in) continuing operations is calculated as cash flow from continuing operating activities before changes in non-cash working capital and change in other long-term assets.

	Three months ended December 31		Year ended December 31	
USD 000s	**2019**	**2018**	**2019**	**2018**
Cash flow from operating activities	**(263)**	(45)	**(391)**	3,894
Change in non-cash working capital	**648**	(145)	**(251)**	158
Funds flow (used in) from continuing operations	**385**	(190)	**(642)**	4,052

Funds flow from (used in) Continuing Operations, Net Income (Loss) and Comprehensive Income (Loss) from Continuing Operations

	Three months ended December 31		Year ended December 31	
USD 000s	**2019**	**2018**	**2019**	**2018**
Funds flow from (used in) continuing operations	**385**	(190)	**(642)**	4,052
Per share – basic & diluted	**-**	-	**-**	-
Net income (loss) gain - continuing operations	**(18,351)**	3,236	**(23,288)**	(3,172)
Per share – basic & diluted	**(0.03)**	0.01	**(0.04)**	(0.01)
Comprehensive (loss) gain – continuing operations	**(18,351)**	3,236	**(23,288)**	(3,172)

Centaurus funds flow from continuing operations for the Quarter increased by $0.6 million from Q4-2018 primarily due to higher other income related to a retroactive agreement signed with Vista Oil and Gas Argentina of $0.8 million.

On an YTD basis, funds flow from continuing operations decreased by $4.7 million from YTD-2018.

The net loss from continuing operations for the Quarter was $18.4 million (Q4-2018 – net income of $3.2 million), primarily due to impairment and higher depletion.

The net loss from continuing operations YTD was $23.3 million (YTD-2018 – loss of $3.2 million), with the increase due to the same reasons outlined for the Quarter.

Capital Expenditures

USD 000s	Three months ended December 31 2019	Three months ended December 31 2018	Year ended December 31 2019	Year ended December 31 2018
Argentina				
Land and associated renewal fees	**-**	-	**-**	1,516
Geological and geophysical	**-**	13	**11**	127
Drilling and completions	**13,117**	-	**24,690**	-
Well equipment and facilities	**50**	411	**105**	2,772
Other	**338**	256	**1,161**	1,102
Argentina total	**13,505**	680	**25,967**	5,517
Consolidated	**13,505**	680	**25,967**	5,517

Argentina

Capital expenditures for the Quarter were primarily related to drilling and completions of $13.1 million mainly related to CASE.

On a YTD basis, capital expenditures were primarily related to drilling and completions of $24.7 million at CASE for CASE-101(h), CASE-501(h), CASE-201(h) and CASE-401(h), which are part of the Pilot program covered by the Loan Facility that Centaurus has with PAE which will be repaid with the net production proceeds from 100% of Centaurus' interest in the CASE block.

As at December 31, 2019, the net book value of the PP&E assets was $23 million (2018 - $22.4 million) and the net book value of the E&E assets were $30.8 million (2018 - $30.7 million). The December 31, 2019 reserve report was prepared in accordance with the definitions, standards and procedures contained in NI 51-101 and the COGE Handbook by GLJ Petroleum Consultants ("GLJ Report"). In that report, the Corporation's proved plus probable reserves, discounted before tax at 10%, was $125.7 million (2018 - $83.4 million). This includes $92.2 million (2018 - $32.6 million) associated with the Corporation's unconventional assets in the Vaca Muerta shale recorded in PP&E assets.

Transactions with Related Parties

In association with the Services Agreement with Hispania, the Corporation incurred fees of $0.6 million during the year ended December 31, 2019 (2018 – 1.8 million).

On September 13, 2017, the shareholders of the Corporation passed an ordinary resolution approving KD Energy International Capital Limited as a new "Control Person" (as such term is defined in the TSX Venture Exchange Corporate Finance Manual) of the Corporation. In connection therewith, the convertible loan agreement dated May 8, 2017 for an amount up to USD $16.5 million is available to be drawn upon by the Corporation in accordance with the terms thereof, as amended by the Amended and Restated Loan Agreement. At December 31, 2019, there were disbursements for $2 million (2018 – nil) and interests related for $73 thousand (2018 – nil).

A former director of the Corporation in Argentina provided professional services to the Corporation until July 23, 2019. During the year ended December 31, 2019, the Corporation incurred professional fees for $132 thousand (2018 - $6 thousand).

The transactions arose during the normal course of business and have been recorded at the exchange amounts, which are the amounts agreed upon by the related parties. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available in similar transactions with arm's length third parties.

Financial Position, Liquidity and Capital Resources

Liquidity risk

USD 000s	December 31 2019	December 31 2018
Working capital (deficit) surplus		
Argentina	**(10,017)**	1,354
Canada	**(10,427)**	(2,045)
	(20,444)	(691)
Convertible loan – capital resource	**(316)**	-
Working Capital loan	**(1,725)**	-
Pan American Energy ("PAE") loan	**(16,170)**	-
Net financial position	**(38,655)**	(691)
Shareholders' equity	**12,229**	35,246

At December 31, 2019, the consolidated working capital deficit of the Corporation was $20.4 million (December 31, 2018 -$0.7 million deficit), consisting of working capital deficiency of $10 million (December 31, 2018 – positive working capital of $1.4 million) in Argentina and a working capital deficiency of $10.4 million (December 31, 2018- $2 million working capital deficiency) in Canada.

At December 31, 2019, $0.6 million, or 97%, of Centaurus cash and cash equivalents was deposited with banks in Argentina (December 31, 2018 - $0.6 million, 74%), and is held in ARS.

Due to significant commodity price volatility due to the COVID-19 pandemic and potential increased production supply from OPEC and Russia, future significant decreases to commodity prices may occur which could impact future cash flows and cause uncertainty as to whether the Company has sufficient liquidity throughout 2020. Furthermore, subsequent to year end the Company received a notice of default and reservation of rights from KD Energy and Hispania, alleging that the Corporation is in default of the terms of the Working Capital Loan Agreement and Amended and Restated Convertible Loan Agreement. Subsequent to year end the Company and Maglan Distressed Master Fund LP entered into the Maglan Financing Agreement, pursuant to the terms of which the parties will enter into agreements providing the Corporation with access of up to $23 million. The parties have until June 30, 2020 to enter into a definitive agreement. While negotiations are ongoing there is no guarantee of agreement on the final terms of the financing. As such, there is a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern. The Corporation's consolidated financial statements for the year ended December 31, 2019 do not include adjustments in the carrying values of the assets and liabilities that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

Repatriation of Funds to Canada

Funds are required to enable the Corporation to maintain compliance with the regulatory, reporting, audit, legal and tax requirements of an issuer listed on the TSXV.

During the Quarter, $0.5 million was repatriated from Argentina (Q4-2018– $1.5 million). On a YTD basis, $2.2 million was repatriated from Argentina (YTD-2018 – $4.4 million).

Share Capital Issued, Options Granted and Long-term Incentive Plan

No common shares were issued in the Quarter (Q4-2018 – nil).

On a YTD basis, no common shares were issued (YTD-2018 – 200 thousand common shares were issued).

No options were granted during the Quarter (Q4-2018 – nil). YTD there were no options granted (YTD-2018– 11,400,000).

As at April 21, 2020, the Corporation had 544.1 million shares and 26.7 million options and 2.6 million warrants outstanding.

Fair value of Financial Instruments
The Corporation's financial instruments include cash and cash equivalents, trade and other receivables, certain items in other long-term assets and liabilities, current portion of long-term debt, trade and other payables, taxes payable, convertible loan, the carrying values of which approximate their fair values due to their short-term nature with the exception of: and (ii) certain other long-term assets and liabilities whose calculated fair value approximates its carrying value.

Decommissioning Obligations
Decommissioning obligations result from net ownership interests in property, plant and equipment and involve critical accounting estimates. There are significant uncertainties related to the estimated costs and the timing of settlement of decommissioning obligations, and the impact on the financial statements could be material. The main factors that can cause expected decommissioning obligations to change are changes to laws and regulations, construction of new facilities, changes in reserve estimates and life, changes in technology, and discount and/or inflation rates applied.

The Corporation expects the decommissioning obligations for its obligation to be invoiced in USD and settled in ARS.

Changes to Centaurus estimates of decommissioning, restoration and similar liabilities are recorded directly to the related asset with a corresponding entry to the provision. Centaurus estimates are reviewed at the end of each reporting period for changes in estimated costs, timing of settlement, changes in laws, regulatory requirements, discount rates, and effects of inflation.

At December 31, 2019, an inflation rate of 1.86% was used (December 31, 2018 – 1.9%). The risk-free rate used to discount the liability at December 31, 2019 was 2.25% (December 31, 2018 – 2.87%). The impact of the change in the risk-free rate and inflation rate amounted to a $0.2 million decrease to the decommissioning obligations during the three month period ended December 31, 2019.

YTD, the risk free and inflation rate change increased the decommissioning obligations by $0.4 million.

Commitments and Other Long-term Liabilities

Consolidated undiscounted Commitments table

USD 000s	Under negotiations	2020	2021	2022	Thereafter	Total
Development and Exploration Commitments	5,837	32,360	26,388	10,238	1,468	76,291
Total	**5,837**	**32,360**	**26,388**	**10,238**	**1,468**	**76,291**

Coirón Amargo Norte ("CA-Norte")

Centaurus and its partners at the CA concession in the province of Neuquén are responsible for paying 100% of the costs during the exploration and evaluation phase, with Gas y Petróleo del Neuquén S.A. ("GyP"), a provincial government entity, receiving a 10% carry whereby all other partners, including Centaurus, are responsible for paying their proportionate share of GyP's WI. Currently, exploration and evaluation phases are contained in CA-Sur, in the southern portion of CA.

In an exploitation or development phase, GyP is responsible for its 10% interest of the incurred capital costs through an assignment of GyP's 10% interest in future production revenue streams to Centaurus and its partners. Currently, exploitation and development phases are contained in CA-Norte, the northern part of CA, for which there are no current ongoing commitments.

On January 13, 2020, the Corporation received a default notification from the operator, Vista Oil and Gas Argentina S.A., due to a cash calls debt of $0.3 million. Failure to settle the obligation within 5 business days of notification will automatically commence the period of non-compliance with the joint operation in CA-Norte. On February 24, 2020, the Corporation received notification that it will not receive production from these properties until the obligation is settled. Under the Joint Venture agreement, the Corporation has 180 days to settle the obligation. If after that term, the Corporation does not settle the debt, the operator could suspend the Joint Operation.

Coirón Amargo Sur Este (CASE - 35% WI)

PAE agreed, subject to certain conditions, to provide Centaurus with a loan of up to $40 million, on a limited recourse basis, to be drawn-down as required to fund certain CASE capital expenditures. This limited recourse loan bears interest at 7% per annum and is repayable in five years from the net revenue, after royalties and turnover taxes, generated from the capital expenditure program. Transaction fees of $0.5 million were incurred to complete this agreement. There was a loan draw down of $18.3 million and a repayment of $2.4 million as of December 31, 2019 (2018 - there was a loan draw down of $2.5 million fully repaid as of December 31, 2018).

On September 18, 2018 CASE block was converted in an unconventional exploitation concession with a 35-year term. The concession was awarded after the CASE block successfully completed the evaluation phase.

As part of the terms and conditions for the award of an Unconventional Exploitation Concession, Centaurus work commitments at CASE were amended as follows:

USD 000s	**2020** (2)	**2021** (3)	**Beyond** (3)
Concession commitments at CASE (1)	4,220	9,723	9,723

(1) Committed values are reflected at Centaurus 35% WI at December 31, 2018 plus Centaurus proportionate share of GyP's carry.
(2) Phase I includes the drilling of five horizontal multifrac wells targeting the Vaca Muerta, the construction of early production facilities, investment for infrastructure improvement and social responsibility commitments.
(3) Subject to the results on Phase I in 2019, three additional wells will be drilled over the following two-year period (Phase II).

On September 26, 2019, the Corporation announced that PAE, Centaurus' partner, successfully completed and tested the first horizontal multi-frac well CASE-101h located in the Vaca Muerta Shale Formation in the CASE block. CASE-101h is the first completed well of the five well program planned for this year.

The first well ("CASE-101h")of a five well program, achieved a 30 day average initial production ("IP30") rate of 1,020 barrels of oil per day, with an average wellhead pressure of 3,775 psi, and a 90 day average initial production ("IP90") of 730 barrels per day, with an average wellhead pressure of 2,975 psi.

The second well ("CASE-501h") has been completed and was connected to early production facilities on November 9, 2019. CASE-501h achieved an IP30 rate of 1,003 barrels of oil per day with an average wellhead pressure of 4,885 psi, significantly higher than the CASE-101h, and an IP90 of 1,020 barrels of oil per day with an average wellhead pressure of 4,885 psi.

The third well ("CASE-401h") has been completed and was connected to early production facilities on January 7, 2020. CASE-401h achieved an IP30 rate of 950 barrels of oil per day with an average wellhead pressure of 4,600 psi.

The fourth well ("CASE-301h") has been completed and was connected to early production facilities on February 3, 2020. CASE-301h achieved an IP30 rate of 890 barrels of oil per day with an average wellhead pressure of 4,195 psi

The new well CASE-102(h) was drilled in replace of the CASE-201(h) that was temporarily abandoned due to drilling technical problems. The well is currently waiting on completion.

These 5 wells are part of the pilot program (the "Pilot Program") covered by the Loan Facility that Centaurus has with PAE which will be repaid with the net production proceeds from 100% of Centaurus' interest in the CASE Block. Centaurus holds a 35% working interest in the CASE Block.

The Company is in compliance with the commitments.

Curamhuele Block (90% WI-operated)

USD 000s	**2021**
Concession commitments	16,150

The Curamhuele Block is operated by Centaurus and covers an area of approximately 56,237 (50,613 net) acres. The block is situated along the east side of the north south trending Andean thrust belt in the middle portion of the Province of Neuquén, approximately 650 miles south and west of Buenos Aires.

Centaurus is responsible for paying 100% of the costs during the exploration or evaluation phase. If reserves are discovered in commercial quantities, the Corporation may convert certain areas of the block into an exploitation (development) concession. Production will be subject to a 12% royalty payable to the province of Neuquén. GyP is responsible for its 10% share of the costs incurred in the exploitation phase.

In December 2015, Centaurus ratified an extension of its second exploration term with the Province of Neuquén to September 9, 2016, and subsequent thereto, the Corporation put forward a proposal to the Province to enter into a four year evaluation period to further appraise the Curamhuele Block with a work commitment of $8.2 million to be incurred by March 9, 2019.

In 2016, the remaining work commitment relating to the existing Curamhuele Block concession agreement were fulfilled by completing the Yapai.x 1001 well in the Mulichinco formation and Lower Agrio Shale.

The Corporation received approval for a 2 year extension on the Curamhuele concession based on its proposal to drill one vertical well in a new location to vertically test the Vaca Muerta and Lower Agrio formations. The extension was initially applied for in December, 2018.

On May 13, 2019 the extension was approved by the Ministry of Energy and Natural Resources for the province of Neuquen (the "Ministry"), which granted an additional twenty-four months expiring March 9, 2021 for the exploratory period of the concession.

On November 14, 2019 the Corporation was notified by the Ministry that the milestones for the vertical test that were agreed as part of the two year extension were not being met. The Corporation entered discussions with the Ministry and GyP with respect to adjusting the milestones schedule. On January 10, 2020, the Corporation received a letter proposal from the Ministry which allowed the Corporation until April 30, 2020 to determine financing to comply with the schedule, conditional upon the Corporation securing a performance bond for a value equal to three thousand two hundred and thirty (3,230) technical units, being $16,150,000, which shall be executed if (i) the Corporation fails to comply with the terms of the extension, including submission of contracts, invoices or other evidence that the Corporation has contracted a drilling rig and has secured the wellhead and all casing necessary; or (ii) the March 9, 2021 deadline for completing the commitments. The Corporation accepted the Ministry's proposal on January 20, 2020 and subsequently secured the performance bond.

The Corporation continues to pursue a potential farm out of Curamhuele.

Puesto Morales Block (100% WI-operated)

USD 000s	**Under negotiation**	**2020**	**2021**	**Beyond**
Concession commitments	1800	28,140	515	1,985

On January 4, 2019 the Corporation received approval from the provincial authority to re-schedule and convert the last commitments in a new exploration plan. As of December 31, 2019, the Corporation is in negotiations for re-schedule 2019 commitment to 2020.

Santa Victoria Block (100% WI - operated)

The contract can contain up to three exploration and evaluation phases, of which the second expired in April 2017. The second phase required additional work commitments of $4.037 million for which no qualifying expenditures have been made. A performance bond of $3.6 million is in place over the commitments under this exploration and evaluation permit. Since November 2017, the Corporation has proposed alternatives to the province of Salta in order to reconvert and reschedule pending commitments. As of December 31, 2019 negotiations were continuing and are currently advancing to its final stages with the province of Salta for reconversion of the existing exploration commitment into a new exploration permit for an initial four year term.

El Chivil Block (100% WI – operated)

The concession's one year extension expiry occurred on September 7, 2016 and during the last quarter of 2016, the province of Formosa granted a further six month extension to negotiate a 10-year development period extension, which expired on May 1, 2017. The Corporation remains in discussions with the province of Formosa. There are no current ongoing commitments.

El Vinalar Block (100% WI – operated)

On September 18, 2018 the Corporation signed an agreement assigning Centaurus' entire interest in the non-core and non-producing El Vinalar concession to a private Argentine oil and gas company. The assignment was approved by the Salta province. In January 2019, the Corporation made a payment of $0.3 million Centaurus has derecognized the related decommissioning obligations of $3.8 million, resulting in a net gain of $3.5 million.

Palmar Largo operation agreement (100% WI – operated)

Centaurus has signed an operation agreement with Recursos y Energía Formosa SA ("REFSA"), an oil company belonging to the Province of Formosa (the "Province"), over the Palmar Largo Concession in Formosa, Argentina, effective December 1, 2018 (the "Operation Agreement"). The block covers an area of approximately 301,740 acres.

The Operation Agreement has an initial term of two years and provides for a potential extension of one year provided that Centaurus fulfils its investment commitment of $2 million. The Investment Commitment consists of 2 workovers in 2 wells in order to increase production and certain facility improvements. Centaurus will operate 100% of the Palmar Largo Concession and will be required to pay the existing 12% royalty on production revenues to the Province and an additional 5.32% of production revenues is to be paid to REFSA under the agreement.

Other Commitments

In November 2016, Centaurus sub-leased its former corporate office premises to the end of 2018, with the expectation of further renewals or alternative sub-lease arrangements to the end of the head lease term of September 2022. The difference between the head lease payments under the existing contract and the sub-lease contract income expected over the period of the lease term, results in an onerous contract and a liability has been recognized of approximately $1.1 million (2018 - $0.7 million), recorded as part of Other long-term liabilities in the consolidated statements of financial position at December 31, 2019 (2018 - $0.2 million recorded as part of Trade and other payables and $0.5 million recorded as part of Other long-term liabilities.

Other long-term liabilities
A continuity relating to these liabilities is as follows:

	Year ended December 31, 2019	2018
Balance, beginning of year	**1,182**	1,977
Lease liability[1]	**(92)**	(164)
LTIP liability	**(58)**	24
New contingencies	**-**	71
Updated contingencies	**501**	(43)
Effect of change in foreign exchange rates	**62**	(683)
Balance, end of year	**1,595**	1,182

(1) Relates to "Other Commitments"

Annual and Quarterly Financial Results
Annual Financial Results – Continuing Operations

As at December 31 USD 000s, unless otherwise noted	2019	2018	2017
Oil and natural gas revenues	**32,409**	36,171	38,187
Other income	**1,643**	480	78
Net loss from continuing operations	**(23,288)**	(3,172)	(33,796)
Shares outstanding – millions	**544.1**	544.1	543.9
Net loss per share – basic and diluted-continuing operations	**(0.04)**	(0.01)	(0.06)
Total assets	**64,435**	61,721	73,248
Shareholders' equity	**12,229**	35,246	36,999

The decrease in oil and gas revenues in 2019 was a result of a decrease in prices with an impact of $9.1 million in revenues, partially offset by the increase in production, resulting in higher sales volumes of $5.2 million compared to 2018.

The Corporation recorded a pre-tax impairment expense in 2019 of $17.7 million. The Corporation recorded a pre-tax impairment recovery of $0.9 million in 2018, respectively.

Quarterly Financial Results - Continuing Operations

USD 000s, unless otherwise noted	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Oil and natural gas revenues	**8,083**	7,849	8,979	7,498
Net income (loss)	**(18,351)**	(2,167)	(2,050)	(626)
Shares outstanding – millions	**544.1**	544.1	544.1	544.1
Net income (loss) per share – basic and diluted	**(0.03)**	(0.00)	(0.00)	(0.00)

USD 000s, unless otherwise noted	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Oil and natural gas revenues	8,488	8,269	9,802	9,612
Net income (loss)	3,236	(2,272)	(3,514)	(622)
Shares outstanding – millions	544.6	543.9	544.0	544.0
Net income (loss) per share – basic and diluted	0.01	(0.00)	(0.01)	(0.00)

The Corporation's increase in oil and gas revenues during the Q4-2019, Q2-2019, Q3-2018 and Q1-2018 and decrease during the Q3-2019, Q1-2019, Q4-2018 and Q2-2018, can be primarily attributed to lower sales volumes at Puesto Morales and Surubi.

The Corporation recorded impairment expense of $17.7 million in Q4-2019 and a pre-tax impairment recovery of $0.9 million in Q4-2018.

Critical Accounting Judgments, Estimates and Accounting Policies

For further details regarding the Corporation's critical accounting judgments, estimates and accounting policies, the following should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2019.

Management is required to make judgments, estimates and assumptions in the application of accounting policies that could have a significant impact on the Corporation's financial results. Actual results may differ from those estimates and those differences may be material. The estimates and assumptions used are subject to updates based on experience and the application of new information. The Corporation's critical accounting policies and estimates are reviewed annually by the Audit Committee of the Board. Further details on the basis of presentation and significant accounting policies can be found in the Corporation's notes to the consolidated financial statements for the year ended December 31, 2019.

(a) Adoption of IFRS 16 Leases

Centaurus applied IFRS 16 with an initial adoption date of January 1, 2019, resulting in a change to its accounting policy for lease contracts as detailed below. The Corporation applied IFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognized in retained earnings as at January 1, 2019. As a result, comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

As a lessee, the Corporation previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Corporation. Under IFRS 16, the Corporation recognizes right-of-use assets in property, plant and equipment and lease liabilities for most leases.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Corporation's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Practical expedients

The Corporation used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption to not recognize right-of-use assets and liabilities for leases with less than 12 months of lease term; and
- Applied the exemption to not recognize leases of low value assets on the consolidated balance sheet. Payments for these leases will be disclosed in the notes to the consolidated financial statements.

January 1, 2019 impact

Upon adoption of IFRS 16, the Corporation identified an office lease in-scope under the standard. The Corporation recorded finance lease liabilities on contracts previously classified as operating leases under IAS 17. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate as at January 1, 2019. The incremental borrowing rate used in the calculation was 10.5 percent.

Centaurus has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, which include information technology equipment and field equipment. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) Policy applicable after January 1, 2019

On transition to IFRS 16 and at inception of entering into a contract, the Corporation assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation considers the following:

- the contract involves the use of an identified asset;

- the Corporation has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use; and

- the Corporation has the right to direct the use of the asset, which occurs if either;

- the Corporation has the right to operate the asset; or

- the Corporation designed the asset in a way that predetermines how and for what purpose it will be used.

Centaurus recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of right-of-use assets are determined based on the length of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Corporation's incremental borrowing rate. The consideration used to measure the lease liability includes all fixed or variable lease payments under the arrangement. Subsequently, the lease liability is measured at amortized cost using the effective interest method and is re-measured when there is a change in future lease payments.

In-scope leases
Upon adoption of IFRS 16, the Corporation identified certain office leases in-scope under the standard. The Corporation's lease for the former Calgary office was not included under IFRS 16 due to contract disputes.

Centaurus has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, which include information technology equipment and field equipment. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Critical Accounting Judgments in Applying Accounting Policies
Critical judgments are those judgments made by management in the process of applying accounting policies that have

the most significant effect on the amounts recognized in the Corporation's consolidated financial statements and accompanying notes for the year ended December 31, 2019. Further information on management's critical accounting judgments in applying accounting policies can be found in the notes to the consolidated financial statements for the year ended December 31, 2019.

Critical Accounting Estimates

Critical accounting estimates are those estimates that require management to make particularly subjective or complex judgments about matters that are inherently uncertain. Estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to accounting estimates are recognized in the period in which the estimates are revised. During the Quarter, there were no changes to the Corporation's key sources of estimation uncertainty. Further information on the Corporation's key sources of estimation uncertainty can be found in the notes to the consolidated financial statements for the year ended December 31, 2019.

Risk Management

For a full understanding of the risks that impact the Corporation, the following discussion should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2019.

The Corporation is exposed to a number of risks through the pursuit of its strategic objectives. Some of these risks impact the oil and gas industry as a whole and others are unique to its operations and its involvement in Argentina. Actively managing these risks improves the Corporation's ability to effectively execute its business strategy. The factors that impact the Corporation's exposure to liquidity risk, safety risk, capital project execution and operating risk, reserves replacement risk, environmental risk and regulatory risk has not changed substantially since December 31, 2018. For a further and more in-depth discussion of the Corporation's risk management see the Corporation's consolidated financial statements for the year ended December 31, 2019.

A description of the risk factors and uncertainties affecting the Corporation can be found in the Advisory and a full discussion of the material risk factors affecting the Corporation can be found in the Corporation's Annual Information Form for the year ended December 31, 2019.

Advisory

Forward Looking Statements

This MD&A may include forward-looking statements including opinions, assumptions, estimates and management's assessment of future plans and operations, expected depletion, depreciation and accretion expenses, expectations as to the taxability of the Corporation and planned capital expenditures and the timing and funding thereof. When used in this document, the words "anticipate," "believe," "estimate," "expect," "intent," "may," "project," "plan", "should" and similar expressions are intended to be among the statements that identify forward-looking statements. Forward-looking statements are subject to a wide range of risks and uncertainties, and although the Corporation believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will be realized. Any number of important factors could cause actual results to differ materially from those in the forward-looking statements including, but not limited to, the impact (and duration thereof) that the COVID-19 pandemic will have on (i) global and domestic demand for oil and gas, and (ii) the Corporation's ability to continue to access equipment and services required to operate its business; risks associated with petroleum and natural gas exploration, development, exploitation, production, marketing and transportation, the volatility of petroleum and natural gas prices, currency fluctuations, the ability to implement corporate strategies the ability to repatriate funds from Argentina, the state of domestic capital markets, the ability to obtain financing, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, changes in petroleum and natural gas acquisition and drilling programs, delays resulting from inability to obtain required regulatory approvals, delays resulting from inability to obtain drilling rigs and other services, labour supply risks, environmental risks, competition from other producers, imprecision of reserve estimates, changes in general economic conditions, ability to execute farm-in and farm-out opportunities, and other factors, all of which are more fully described from time to time in the reports and filings made by the Corporation with securities regulatory authorities.

Statements relating to "reserves" or "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described can be profitably produced in the future.

The forward looking statements contained in this MD&A are expressly qualified by this cautionary statement. Readers are cautioned not to place undue reliance on forward-looking statements, as no assurances can be given as to future results, levels of activity or achievements. Except as required by applicable securities laws, the Corporation does not undertake any obligation to publicly update or revise any forward-looking statements.

Reserves and Other Oil and Gas Disclosure

Any references in this MD&A to test rates, flow rates, initial and/or final raw test or production rates, early production, test volumes behind pipe and/or "flush" production rates are useful in confirming the presence of hydrocarbons, however, such rates are not necessarily indicative of long-term performance or of ultimate recovery. Such rates may also include recovered "load" fluids used in well completion stimulation. Readers are cautioned not to place reliance on such rates in calculating the aggregate production for Centaurus. In addition, the Vaca Muerta and Agrio shales are unconventional resource plays which may be subject to high initial decline rates.

Analogous Information

Certain information in this MD&A may constitute "analogous information" as defined in National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities ("NI 51-101"), including, but not limited to, information relating to areas, assets, wells, industry activity and/or operations that are in geographical proximity to or believed to be on-trend with lands held by Centaurus. Such information has been obtained from public sources, government sources, regulatory agencies or other industry participants. Management of Centaurus believes the information may be relevant to help define the reservoir characteristics within lands on which Centaurus holds an interest and such information has been presented to help demonstrate the basis for Centaurus business plans and strategies. However, management cannot confirm whether such analogous information has been prepared in accordance with NI 51-101 and the Canadian Oil and Gas Evaluation Handbook and Centaurus is unable to confirm that the analogous information was prepared by a qualified reserves evaluator or auditor. Centaurus has no way of verifying the accuracy of such information. There is no certainty that the results of the analogous information or inferred thereby will be achieved by Centaurus and such information should not be construed as an estimate of future production levels or the actual characteristics and quality Centaurus assets. Such information is also not an estimate of the reserves or resources attributable to lands held or to be held by Centaurus and there is no certainty that such information will prove to be analogous in the future. The reader is cautioned that the data relied upon by Centaurus may be in error and/or may not be analogous to such lands to be held by Centaurus.

Numerical Amounts

The reporting and the measurement currency is the USD. Natural gas reserves and volumes are converted to barrels of oil equivalent (boe) on the basis of six thousand cubic feet (mcf) of gas to one barrel (bbl) of oil. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

This MD&A uses the term "netback" which is a term that does not have standardized meanings under GAAP and this non-GAAP measurement may not be comparable with the calculation of other entities. The Corporation uses this measure to analyze operating performance.

The term "netback", which is calculated as the average unit sales price, less royalties and operating expenses, represents the cash margin for every barrel of oil equivalent sold. The Corporation considers this a key measure as it demonstrates its profitability relative to current commodity prices. This term does not have any standardized meaning prescribed by GAAP and, therefore, might not be comparable with the calculation of a similar measure for other companies.

Abbreviations

The following is a summary of the abbreviations used in this MD&A:

Oil and Natural Gas Liquids

bbl	barrel
bbls/d	barrels per day
NGLs	Natural gas liquids
boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day

Natural Gas

Mcf	thousand cubic feet
mmbtu	million British Thermal Units