CENTAURUS ENERGY INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2020

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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 July 14, 2021 and should be read in conjunction with Centaurus Energy Inc.'s ("Centaurus" or the "Corporation") for the year ended December 31, 2020 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. ("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 OTCQB 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. Centaurus will execute a two-pronged strategy targeting unconventional and conventional assets.

2020 Highlights

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. On July 17, 2020, the Corporation agreed to the extension of the deadline to October 31, 2020. On October 28, 2020, the Corporation agreed to the extension of the deadline indefinitely. 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) had impact on the world GDP and had 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 health and safety of everyone working at Centaurus has always been and will continue to be a priority and since March 16, 2020, all office employees transitioned to working remotely while field employees have adjusted procedures and travel arrangements to minimize contact with others. The Corporation is closely monitoring the impact of the ongoing virus outbreak and will continue implement measures required to minimize the adverse impact on our staff, operations, and financial results.

Coirón Amargo Sur Este (CASE); 35% non-operated

Pan American Energy ("PAE"), Centaurus' operating partner in CASE, successfully completed and tested the CASE-401(h) and CASE- 301(h), the third and fourth of the five well program, and connected to early production facilities.

A new CASE-102(h) well was drilled in place of the CASE-201(h) well, which was temporarily abandoned due to technical drilling problems, as previously announced. The new well was completed on May 17, 2020.

The CASE-401(h), CASE-301(h), CASE-201(h) and CASE-102(h) wells 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's interest in the CASE block.

Coirón Amargo Norte (CAN); Joint Venture exclusion; 35% non-operated

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.

Pursuant to the previous default notice from the operator of CAN, Vista Oil & Gas Argentina S.A.U. ("Vista"), on July 7, 2020, Vista and Gas y Petróleo del Neuquén S.A. held an operational committee meeting and agreed to Centaurus's exit from the joint venture.

Transfer Agent and Registrar

On July 21, 2020, the Corporation appointed Odyssey Trust Company as its Transfer Agent and Registrar for its common shares.

OTC listing

Effective August 3, 2020, the Corporation's OTC listing was moved to OTCQB from OTCQX; the Corporation's symbol remains CTARF.

2021 Developments

Proposal to merge with Crown Point

On January 7, 2021 - Crown Point Energy Inc. ("Crown Point") (TSXV: CWV), a Calgary based oil and gas company with Argentine upstream conventional oil and gas assets, and Centaurus, announced that they have entered into a non-binding term sheet (the “Term Sheet”) in which they propose to combine their businesses (the “Proposed Transaction”) and create an operationally diversified, financially strong, Argentina-focused oil and gas, exploration and production company (the “Combined Company”).

On March 1, 2021, the Corporation announced that the non-binding term sheet (the "Term Sheet") with Crown Point Energy Inc. previously announced on January 7, 2021 has been terminated.

Coirón Amargo Sur Este (CASE); Assignment agreement to transfer the participating interest to Pan American Energy (“PAE”)

On January 22, 2021, Centaurus and PAE interested into an assignment agreement, transferring to PAE a six percent (6%) working interest CASE for an amount of $8.4 million, with retroactive effect as of July 1, 2020. The $8.4 million represented the value of cash call requests relating to the operating and capital expenditures for the period from April 2020 through December 31, 2020. Pursuant to the assignment agreement, Centaurus remedied its default under the Joint Venture Agreement with respect to the cash calls unpaid and cured its default under the Loan Agreement.

On April 28, 2021, Centaurus, through its subsidiary in Argentina, Madalena Energy Argentina S.R.L., announced that it has entered into an agreement to sell its working interest in the Coiron Amargo Sur Este petroleum block (“CASE”) to Pan American Energy S.L. Argentine Branch (“PAE”), the operator of the block.

Pursuant to the transaction with PAE, Centaurus will sell its remaining working interest (29%) in the Coirón Amargo Sur Este block, with an effective date of January 1, 2021, in return for consideration with a reference value of more than $51 million, including:

a) satisfaction of all amounts owed by the Company under the Loan Agreement between PAE and Centaurus, dated December 7, 2016 (the "Loan Agreement"), and termination of the Loan Agreement, and

b) payment to Centaurus, over time, of a 2.5% Overriding Royalty Interest (ORRI) over the net proceeds corresponding to the 29% interest being assigned to PAE, totaling $25 million.

The proposed assignment is subject to certain conditions precedent that are customary in this type of transaction.

Palmar Largo operation agreement

On January 15, 2021, the Company relinquished the Palmar Largo concession.

El Chivil end of concession

On February 2, 2021, the Company relinquished its El Chivil concession.

Curamhuele; exploratory permit expiration

On March 16, 2021, the Company's exploratory permit relating to the Curamhuele block expired.

Grant of options

On January 8, 2021, the Corporation announced the grant of 24,205,954 options to officers, directors, employees and consultants pursuant to the Company’s stock option plan, exercisable at a price of USD 0.04337 (CAD 0.055) per share and expiring on January 8, 2026. In addition, the Company and certain option holders have agreed to cancel 2,700,000 previously issued options originally issued in April 2018. The issuance of options is subject to Exchange approval and the shares issuable upon exercise of the options may not be traded for 4 months and one day from the date of grant.

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, 2020 compared to the three and twelve months ended December 31, 2019. During 2020, ARS continued to depreciate against the USD, and CAD appreciated 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 2020	2019	% Change(1)	Year ended December 31 2020	2019	% Change(1)
Average CAD to USD	**0.767**	0.758	1.31%	**0.746**	0.754	(1.07%)
Average ARS to USD	**0.012**	0.017	(25.82%)	**0.014**	0.021	(31.78%)
Period end CAD to USD	**0.785**	0.770	2.01%	**0.785**	0.770	2.01%
Period end ARS to USD	**0.012**	0.017	(28.83%)	**0.012**	0.017	(28.83%)

(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	
	2020	2019	2020	2019
Crude oil and NGLs (bbls/d)	**1,762**	1,847	**2,042**	1,768
Natural gas (mcf/d)	**788**	1,718	**1,086**	1,588
Total daily sales (boe/d)	**1,894**	2,134	**2,223**	2,033
% oil	**93%**	87%	**92%**	87%

Centaurus' primary producing concessions are at Coirón Amargo Sur Este ("CASE"), Puesto Morales and Palmar Largo. Other producing concessions include Coirón Amargo-Norte ("CA-Norte"), El Surubí and El Chivil. All concessions produce oil and Puesto Morales and CA-Norte also produce natural gas. Approximately 83% of Centaurus' current production comes from Coirón Amargo Sur Este ("CASE"), Puesto Morales, and Palmar Largo.

Crude oil and NGL sales volumes for the three months ended December 31, 2020 ("the Quarter" or "Q4-2020") decreased to 1,762 bbl/d from 1,847 bbl/d for the three months ended December 31, 2019 ("Q4-2019"). The change compared to Q4-2019 can be attributed to the decrease in Puesto Morales, Palmar Largo, Surubí and Chivil blocks partially offset with an increase in CASE Block related to the wells performed in the Pilot program CASE-401h, CASE-301h and CASE-102h.

Natural gas sales volumes for the Quarter of 788 mcf/d decreased compared to 1,718 mcf/d for Q4-2019 due to lower production at Puesto Morales and CA-Norte.

For the year ended December 31, 2020 ("YTD"), crude oil and NGL sales volumes increased to 2,042 bbl/d from 1,768 bbl/d for the year ended December 31, 2019 ("YTD-2019"). The change compared to YTD-2019 can be attributed to the increase in CASE Block related to the wells performed in the Pilot program CASE-401h, CASE-301h and CASE-102h.

Natural gas sales volumes YTD decreased to 1,086 mcf/d from 1,588 mcf/d due to lower production at Puesto Morales and CA-Norte.

Average Realized Prices

USD	Three months ended December 31 2020	2019	Year ended December 31 2020	2019
Crude oil and NGLs - $/bbl	**37.94**	45.34	**35.30**	47.03
Natural gas - $/mcf	**1.01**	2.38	**1.99**	3.53
Total - $/boe	**35.98**	41.17	**33.45**	43.67

The refiners used by the Company have paid an average unofficial crude oil price of $37.94 per barrel for the three months ended December 31, 2020 (2019 - $45.34). 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.

The significant slowdown in the global economy and certain government imposed shelter-in-place mandates around the world due to the COVID-19 virus have depressed oil demand, further exacerbated by surplus oil supplies in the near-term from the world's producers. Brent crude oil pricing dropped to $22.74/bbl in the month of March 2020 and further collapsed to $19.99/bbl in the month of April 2020. At December 31, 2020, Brent crude oil pricing recovered to $51.80/bbl.

In the framework of the public emergency in Argentina and the international crisis derived from COVID-19, , the National Executive Power published Decree No. 488/2020 (the "Decree"), dated May 19, 2020, in the Official Gazette, through which it establishes, with effect from May 19 to December 31, 2020 (the "Term of Validity"), a reference price to invoice and collect deliveries of crude oil in the local market equivalent to USD 45/bbl (the "Reference Price"), which will be adjusted for quality and delivery port in accordance with local market practices.
Said Reference Price will be in force as long as the price of "Ice Brent First Line" does not exceed 45 USD/bbl for 10 consecutive days. Producers must apply the Reference Price for royalties liquidation. The Ministry of Energy is empowered to review and modify the Reference Price on a quarterly basis, and also to review the scope of the standard, following the parameters of production, activity and investment levels.
During the Term of Validity, production companies, including the Company:
(i) must maintain the levels of activity and/or production registered during the year 2019, taking into account the contraction of local and international demand as a consequence of COVID-19, considering an adequate and economic exploitation of the field, in accordance with the Hydrocarbons Law;
(ii) must apply the same criteria to the maintenance of contracts with regional contractors and suppliers.
(iii) must maintain the current workforce as of December 31, 2019, within the framework of productivity agreements with union organizations; and
(iv) will not be able to access the exchange market to form external assets or the bond market for cash operations with settlement abroad.
During the Term of Validity, refining and trading companies must buy crude oil to cover their total needs from local producers. In addition, they cannot import products that are available in the local market or for which there is processing capacity in the local market.

Refineries have alleged that with prices to the final consumers frozen in pesos and that with no demand at all from any industry due to the obligatory quarantine imposed by Decree 297/2020, it is impossible for them to pay the Reference Price and have offered production companies a significant commercial discount to the Reference Price.

On August 26, 2020, after exceeding the price of Brent oil above USD 45 for ten consecutive days, decree No. 488/2020, which set the Reference Price for local crude oil, was no longer valid.

As a result, the average price received by the Company for the Quarter was $37.94/bbl, lower than the $45.34/bbl realized in Q4-2019 due to significant commodity price volatility as a result of the COVID-19 pandemic and potential increased production supply from OPEC and Russia.

The average price received YTD was $35.30/bbl, compared to the $47.03/bbl realized YTD-2019 for the same reasons above mentioned.

Natural gas prices in Argentina are subject to seasonal demand and are negotiated between the producer and the buyer. For the period May to September 2020, which is the Argentine winter, the price was set at $2.35/mmbtu (Winter prices in 2019 were $3.70/mmbtu). Summer pricing for the period from October 2020 to April 2021 has been set at $1.20/mmbtu (October 2019 - April 2020 - $2.00/mmbtu).

The average total price received for the Quarter was $35.98/boe, lower than the $41.17/boe realized in Q4-2019, and the average for YTD was $33.45/boe, lower than $43.67/boe realized in YTD-2019.

Oil and Natural Gas Revenue

	Three months ended December 31		Year ended December 31	
USD 000s, except boe	**2020**	**2019**	**2020**	**2019**
Crude oil	**6,152**	7,707	**26,384**	30,360
Natural gas	**73**	376	**792**	2,049
	6,225	8,083	**27,175**	32,409
$/boe	**35.73**	41.17	**33.40**	43.67

Oil and gas revenues were $6.2 million for the Quarter compared to $8.1 million for Q4-2019, a decline of 23% due to a 16% decrease in prices received per boe and a 7% decrease in sales volumes.

YTD oil and gas revenues were $27.2 million compared to $32.4 million YTD-2019, a decline of 16% due to a 29% decrease in prices received per boe, although the Company recorded a 13% increase in sales volumes.

Other Income

Other income of $0.4 million YTD-2020 primarily related to a retroactive agreement with Vista Oil and Gas Argentina. (YTD-2019, $1.6 million 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).

USD 000s	Three months ended December 31 2020	2019	Twelve months ended December 31 2020	2019
Oil storage services in CA-Norte	-	-	-	162
Water treatment and other services to Surubi	-	207	-	763
Casing sales	-	-	59	-
Vista retroactive agreement in CA- Norte	280	718	280	718
Other	63	-	93	-
Other income	343	925	432	1,643

Royalties

USD 000s, except boe	Three months ended December 31 2020	2019	Year ended December 31 2020	2019
Royalties	1,266	1,263	4,636	5,530
As % of revenue	20%	16%	17%	17%
$/boe	7.26	6.43	5.70	7.45

Royalty expenses were $ 1.3 million for the Quarter compared to $1.3 million for Q4-2019. The Royalty rate was 20% for the Quarter compared to 16% in Q4-2019.

YTD, royalties and turnover taxes were $4.6 million compared to $5.5 million YTD-2019.

Operating Costs

USD 000s, except boe	Three months ended December 31 2020	2019	Year ended December 31 2020	2019
Compensation costs	928	1,458	3,668	4,465
Transportation and processing	870	2,116	4,521	6,965
Maintenance, workovers and other	2,196	2,879	10,315	11,951
	3,994	6,453	18.505	23,381
$/boe	22.92	32.87	22.74	31.51

Operating costs during the Quarter decreased 38% to $4 million from $6.5 million in Q4–2020 mainly due to lower operating expenses in Puesto Morales block by $1 million, in CASE block by $0.5 million and in Palmar Largo block by $0.5 million. On a per boe basis, operating costs for the Quarter decreased 30% to $22.92/boe from $32.87/boe in Q4-2019 due to higher sales volumes.

Operating costs YTD were $18.5 million compared to $23.4 million YTD-2019. The decrease was as a result of lower operating expenses in Puesto Morales, Palmar Largo, Surubí and Coirón Amargo Norte blocks. On a per boe basis, YTD costs were $22.74 per boe, decreased from $31.51 per boe YTD-2019 for the same reasons as noted above.

Netbacks [(1)]

USD/boe	Three months ended December 31 2020	Three months ended December 31 2019	Year ended December 31 2020	Year ended December 31 2019
Oil and gas revenue	**35.73**	41.17	**33.40**	43.67
Royalties	**(7.26)**	(6.43)	**(5.70)**	(7.45)
Operating expenses	**(22.92)**	(32.87)	**(22.74)**	(31.51)
Netbacks	**5.54**	1.87	**4.96**	4.71

(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 2020	Three months ended December 31 2019	Year ended December 31 2020	Year ended December 31 2019
Argentina				
Gross G&A				
Compensation costs	**263**	368	**1,346**	1,838
Other	**1,232**	352	**2,277**	1,807
	1,495	720	**3,623**	3,645
Capitalized	**(47)**	(58)	**(190)**	(390)
	1,448	662	**3,433**	3,255
Corporate				
Gross G&A				
Compensation costs	**-**	80	**108**	299
Other	**30**	1,159	**543**	3,518
	30	1,239	**651**	3,817
Consolidated				
Net G&A total	**1,478**	1,901	**4,084**	7,072

Argentina
Gross G&A expenses for the Quarter increased by $0.8 million to $1.5 million mainly due to CASE doubtful accounts related to a difference in assignment of credits from the joint venture by $0.7 million.

YTD, gross G&A costs are comparable to YTD-2019.

YTD, amounts capitalized were $0.2 million compared to $0.4 million YTD-2019.

Corporate
Gross G&A expenses for the Quarter decreased to $0.03 million compared to $1.2 million in Q4-2019. The decrease was mainly due to lower consultant and legal fees of $1.1 million.

On a YTD basis, G&A expenses decreased by $3.1 million to $0.7 million compared to $3.8 million in YTD-2019. The decrease was due to lower consultant and legal fees than YTD-2019.

During the Quarter and YTD, there were no directly attributable G&A costs in Canada capitalized to property, plant and equipment in Argentina (Q4 and YTD-2019 – nil).

Finance (Income) and Expenses

USD 000s	Three months ended December 31 2020	Three months ended December 31 2019	Year ended December 31 2020	Year ended December 31 2019
Argentina				
Bank charges and fees	**40**	121	**268**	391
Foreign exchange (gain) loss - unrealized	**232**	(156)	**202**	(802)
Accretion of decommissioning liabilities	**40**	62	**188**	324
Lease liabilities accretion	**-**	38	**1**	43
Interest (income) and other expenses	**4,932**	227	**7,045**	830
	5,245	292	**7,704**	786
Corporate				
Foreign exchange (gain) loss - unrealized	**138**	66	**57**	147
Accretion of debt component of convertible debentures issued	**-**	-	**-**	40
Interest and other expenses	**(73)**	(87)	**(300)**	(243)
	65	(21)	**(243)**	(56)
Consolidated	**5,310**	271	**7,461**	730

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 $40 thousand (Q4-2019 - $0.1 million).

YTD, bank charges and fees were $0.3 million compared to $0.4 million YTD-2019. The decrease was due to reduced financing transaction activity.

Foreign exchange loss –unrealized

During the Quarter the Company recorded an unrealized foreign exchange loss of $0.2 million compared to an unrealized gain of $0.2 in Q4-2019.

YTD, the Company recorded an unrealized foreign exchange loss of $0.2 million compared to a $0.8 million gain in YTD-2019. Quarterly and YTD 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.

Accretion of decommissioning liabilities

Accretion expense was $40 thousand for the Quarter (Q4-2019– $62 thousand).

YTD, accretion expense was $188 thousand compared to $324 thousand YTD-2019.

Interest (Income) and other expenses

Interest (income) and other expenses for the Quarter relates primarily to interest of $0.5 million associated with the Pan American Energy Loan related to the CASE Pilot Program (Q4-2019- $0.2 million). This loan bear interest at 7% per annum and is repayable in five years from the first to occur between the completion of the investments committed in the Pilot Program or the complete disbursement of the loan.

YTD, interest (income) and other expenses relate primarily to interest associated with the Pan American Energy Loan of $1.9 million related to the CASE Pilot Program (YTD-2019-$0.8 million).

Corporate

Foreign exchange loss (gain)

During the Quarter, the Company recorded an unrealized foreign exchange loss of $0.1 million (Q4-2019 loss -$66 thousand).

YTD, the Company recorded an unrealized foreign exchange loss of $57 thousand compared to a $0.1 million loss in YTD-2019.

The USD to CAD foreign exchange rate appreciated by 2% since December 31, 2019 (YTD-2019 – 5% appreciation since December 31, 2018).

Interest (Income) and other expenses

Interest (income) and other expenses for the Quarter relates primarily to interest gain of $0.1 million associated with the Argentina intercompany loans (Q4-2019- $0.1 million). This loan bear interest at 5% per annum.

YTD, interest (income) and other expenses relate primarily to interest gain associated with the Argentina intercompany loans of $0.3 million (YTD-2019-$0.2 million).

Share-based and Long-term Incentive Compensation

Stock options

The Company has issued stock options as incentive programs that allow officers, directors, consultants and certain employees to purchase shares in the Company.

On August 10, 2020, 27,500,000 options were granted to certain directors of the Company with exercise prices of CAD $0.05 or USD $0.0375 per share (2019 – nil).

Share based compensation recovery was $54 thousand in the Quarter compared to an expense of $41 thousand for Q4-2019.

On a YTD basis, share based compensation expense was $0.5 million (expense YTD-2019 - $0.3 million). No share-based compensation expense was capitalized (YTD-2019 - nil).

As of July 14, 2021, the Company had 544.1 million shares and 51.7 million options outstanding.

Long-term incentive units

During 2016, the Company issued long-term incentive units under a Long-Term Incentive Plan ("LTIP") that allows employees to benefit as a result of appreciation of the trading price of Centaurus's 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 $1 thousand in the Quarter (Q4-2019 - recovery of $13 thousand).

On a YTD basis, LTIP compensation recovery was $9 thousand (YTD-2019 - recovery $58 thousand).

Depletion and Depreciation ("D&D")

	Three months ended December 31		Year ended December 31	
USD 000s, except boe	**2020**	**2019**	**2020**	**2019**
Argentina	**2,431**	2,776	**13,210**	7,995
$/boe	**13.95**	14.14	**16.24**	10.77
Corporate	**-**	80	**-**	80
Consolidated	**2,431**	2,856	**13,210**	8,075

Argentina
D&D decreased to $2.4 million in the Quarter compared to $2.8 million in Q4-2019 mainly due to a lower depletable base. On a per boe basis, D&D for the Quarter decreased to $13.95/boe from $14.14/boe in Q4-2019.

YTD, D&D increased to $13.2 million from $8.1 million due to higher production and per boe costs went from $16.24/boe to $10.77/boe due to primarily due to a higher depletable base and higher production.

Property Plant and Equipment ("PPE") Impairment

At December 31, 2020, Centaurus determined that indicators of impairment existed in each of its Argentine CGUs. These indicators of impairment were the result of a decrease in oil and gas prices and a fluctuation in interest rates.

As a result, impairment tests were performed over each CGU and both of them were deemed to be impaired as it´s estimated recoverable amount was lower than the carrying amount, MEA South by $10.5 million and MEA North by $4.3 million. The combined recoverable amounts, calculated as $1.2 million, resulted impairment expense of $15.3 million (2019 – expense of $17.7 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, 2020 reserve report using a discount rate of 18.3% for MEA North and of 18.4% 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)
2021	40.89	2.28
2022	44.32	2.26
2023	47.49	2.31
2024	49.44	2.33
2025	50.61	2.36
2026	51.87	2.41
2027	52.86	2.47
2028	53.89	2.53
2029	54.94	2.58
2030	56.04	2.64
2031+	+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 than the actual discount rate, additional impairment charges of $41 thousand would have resulted for the year ended December 31, 2020.

An additional $1 decrease in the price deck would have resulted in further impairment charges of $0.3 million for the year ended December 31, 2020.

The depletion expense calculation for the year ended December 31, 2020 included as part of the depletable base, $79.8 million (2019 – $84.9 million) for estimated future development costs associated proved developed non-producing reserves in Argentina.

During the year ended December 31, 2020, approximately $0.2 million (2019 - $0.3 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, 2020, Centaurus determined that no impairment triggers existed relating to its Argentine E&E assets.

Subsequent to year end, Centaurus recorded an impairment charge of $26.4 million as a result of the relinquishment of concessions and the expiration of exploratory permits.

Income Tax Expense (Recovery)

USD 000s	Three months ended December 31 2020	Three months ended December 31 2019	Year ended December 31 2020	Year ended December 31 2019
Current	**579**	-	**579**	-
Deferred	**-**	(2,385)	**-**	(471)
Total	**579**	(2,385)	**579**	(471)

Centaurus has one legal entity in Argentina. The income tax rate in Argentina is 30%.

The current income tax expense relates to adjustments resulting from a revision of the 2011 and 2012 Income Tax affidavits of $0.3 million and the allowance for minimum income tax of $0.3 million, both incurred in Argentina.

The Company did not record a deferred income tax expense or recovery during the Quarter (Q4-2019 – deferred income tax recovery - $2.4 million).

On a YTD basis, the Company did not record a deferred income tax expense or recovery (YTD-2019 – deferred income tax recovery - $0.5 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.

USD 000s	Three months ended December 31 2020	Three months ended December 31 2019	Year ended December 31 2020	Year ended December 31 2019
Cash flow from operating activities	**(233)**	(263)	**(839)**	(391)
Change in non-cash working capital	**(5,434)**	648	**(6,248)**	(251)
Funds flow (used in) from continuing operations	**(5,667)**	385	**(7,087)**	(642)

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

	Three months ended December 31		Year ended December 31	
USD 000s	**2020**	**2019**	**2020**	**2019**
Funds flow from (used in) continuing operations	**(5,667)**	385	**(7,087)**	(642)
Per share – basic & diluted	**-**	-	**-**	-
Net income (loss) gain - continuing operations	**(14,982)**	(18,351)	**(38,020)**	(23,288)
Per share – basic & diluted	**(0.03)**	(0.03)	**(0.07)**	(0.04)
Comprehensive (loss) gain – continuing operations	**(14,982)**	(18,351)	**(38,020)**	(23,288)

Centaurus funds flow from continuing operations for the Quarter decreased by $5. million from Q4-2019.

On an YTD basis, funds flow from continuing operations decreased by $5.4 million from YTD-2019.

The net loss from continuing operations for the Quarter was $14.9 million (Q4-2019 – net loss of $18.4 million), primarily due to lower impairment.

The net loss from continuing operations YTD was $38.0 million (YTD-2019 – net loss of $23.3 million), primarily due to lower sales and higher depletion than YTD-2019.

Capital Expenditures

	Three months ended December 31		Year ended December 31	
USD 000s	**2020**	**2019**	**2020**	**2019**
Argentina				
Land and associated renewal fees	**-**	-	**-**	-
Geological and geophysical	**-**	-	**-**	11
Drilling and completions	**672**	13,117	**7,658**	24,690
Well equipment and facilities	**5**	50	**130**	105
Other	**46**	338	**165**	1,161
Argentina total	**723**	13,505	**7,954**	25,967
Consolidated	**723**	13,505	**7,954**	25,967

Argentina

Capital expenditures for the Quarter were primarily related to drilling and completions of $0.7 million mainly related to CASE.

On a YTD basis, Capital expenditures were primarily related primarily related to CASE $7.7 million related to completion for CASE-301(h) and CASE-401(h) wells and the drilling and completion for CASE-102h well.

As December 31, 2020, the net book value of the PP&E assets was $1.2 million (2019 - $23 million) and the net book value of the E&E assets were $30.8 million (2019 - $30.8 million). The December 31, 2020 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 $88.6 million (2019 - $125.7 million). This includes $74.1 million (2019 - $92.2 million) associated with the Corporation's unconventional assets in the Vaca Muerta shale recorded in PP&E assets.

Transactions with Related Parties

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 December 1, 2020, the Corporation signed a loan agreement with David Tawil, the interim Chief Executive Officer. There were disbursements for $70 thousand and interests related for $0.4 thousand.

As at December 31, 2020, the Corporation is indebted to the interim Chief Executive Officer for $104 thousand related to trade payables settled by the officer on behalf of the Corporation. This balance is included in trade and other payables as at December 31, 2020.

In association with the Services Agreement with Hispania, the Corporation did not incur fees during the year ended December 31, 2020 (2019 – $0.6 million) as the agreement was cancelled in April 2019.

On September 13, 2017, the shareholders of the Corporation passed an ordinary resolution approving KD Energy 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 $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. During the year ended December 31, 2020, there were not any disbursements (2019 – $2 million) and interests related for $143 thousand (2019 – $74 thousand).

A former director of the Corporation in Argentina provided professional services to the Corporation until July 23, 2019. During the year ended December 31, 2020, the Corporation incurred nil professional fees (2019 - $132 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 2020	December 31 2019
Working capital (deficit) surplus		
Argentina	**(28,012)**	(10,017)
Canada	**(3,556)**	(10,427)
	(31,568)	(20,444)
Convertible loan – capital resource	**(342)**	(316)
Working Capital loan	**(1,780)**	(1,725)
Short term loan	**(70)**	-
Pan American Energy ("PAE") loan	**(26,497)**	(16,170)
Net financial position	**(60,258)**	(38,655)
Shareholders' equity (deficiency)	**(25,301)**	12,229

At December 31, 2020, the consolidated working capital deficit of the Corporation was $31.5 million (December 31, 2019 -$20.4 million deficit), consisting of working capital deficiency of $28 million (December 31, 2019 – deficiency working capital of $10 million) in Argentina and a working capital deficiency of $3.5 million (December 31, 2019- $10.4 million working capital deficiency) in Canada.

At December 31, 2020, $0.1 million, or 92%, of Centaurus cash and cash equivalents was deposited with banks in Argentina (December 31, 2019 - $0.6 million, 97%), and is held in ARS.

On March 27, 2020, 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. On March 25, 2020, 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.

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. These financial statements 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, nil was repatriated from Argentina (Q4-2019– $0.5 million). On a YTD basis, $0.4 million was repatriated from Argentina (YTD-2019 – $2.2 million).

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

No common shares were issued in the Quarter (Q4-2019 – nil).

On a YTD basis, no common shares were issued (YTD-2019 – nil).

No options were granted during the Quarter (Q4-2019 – nil).

During the year ended December 31, 2020, 27,500,000 options were granted to certain directors of the Company with exercise prices of CAD $0.05 or USD $0.0375 per share. (2019 – nil).

As at July 14, 2021, the Corporation had 544.1 million shares and 51.7 million options 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, 2020, an inflation rate of 0.93% was used (December 31, 2019 – 1.86%). The risk-free rate used to discount the liability at December 31, 2020 was 0.93% (December 31, 2019 – 2.25%). The impact of the change in the risk-free rate and inflation rate amounted to a $0.2 million decrease to the decommissioning obligations for the year ended December 31, 2020 (December 31, 2019 - $0.4 million).

Commitments and Other Long-term Liabilities

Consolidated undiscounted Commitments table

USD 000s	Under negotiations	2021	2022	Thereafter	Total
Development and Exploration Commitments	17,300	43,967	500	1,800	63,567
Total	**17,300**	**43,967**	**500**	**1,800**	**63,567**

<u>*Coirón Amargo Norte ("CA-Norte")*</u>

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.U., 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.

Pursuant to the previous default notice from the operator of CAN, Vista Oil & Gas Argentina S.A.U. ("Vista"), on July 7, 2020, Vista and Gas y Petróleo del Neuquén S.A. held an operational committee meeting and agreed to Centaurus's exit from the joint venture.

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. The outstanding amount of the loan, as of December 31, 2020, (net of repayments) is $26.5 million.

On May 4, 2020, Centaurus received a breach notification from PAE for failure to satisfy April cash calls.

On July 7, 2020, Centaurus received a notice of default under the loan agreement from PAE because the Corporation failed to comply with the cash calls issued under the joint venture agreement due from April 13, 2020 to June 16, 2020.

On January 22, 2021, Centaurus and PAE interested into an assignment agreement, transferring to PAE a six percent (6%) working interest CASE for an amount of $8.4 million, with retroactive effect as of July 1, 2020. The $8.4 million represented the value of cash call requests relating to the operating and capital expenditures for the period from April 2020 through December 31, 2020. Pursuant to the assignment agreement, Centaurus remedied its default under the Joint Venture Agreement with respect to the cash calls unpaid and cured its default under the Loan Agreement.

On April 28, 2021, Centaurus, through its subsidiary in Argentina, Madalena Energy Argentina S.R.L., it is has entered into an agreement to sell its working interest in the Coiron Amargo Sur Este petroleum block (“CASE”) to Pan American Energy S.L. Argentine Branch (“PAE”), the operator of the block.

Pursuant to the transaction with PAE, Centaurus will sell its remaining working interest (29%) in the Coirón Amargo Sur Este block, with an effective date of January 1, 2021, in return for consideration with a reference value of more than $51 million, including:

a) satisfaction of all amounts owed by the Company under the Loan Agreement between PAE and Centaurus, dated December 7, 2016 (the "Loan Agreement"), and termination of the Loan Agreement, and

b) payment to Centaurus, over time, of a 2.5% Overriding Royalty Interest (ORRI) over the net proceeds corresponding to the 29% interest being assigned to PAE, totaling $25 million.

The proposed assignment is subject to certain conditions precedent that are customary in this type of transaction.

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	**2021** (2)
Concession commitments at CASE (1)	13,417

(1) Committed values are reflected at Centaurus 35% WI at December 31, 2020 plus Centaurus proportionate share of GyP’s carry.
(2) Subject to the results on Phase I in 2019, three additional wells will be drilled over the following two-year period (Phase II).

PAE, successfully completed and tested the CASE-401(h) and CASE- 301(h), the third and fourth of the five well program, and connected to early production facilities.

A new CASE-102(h) well was drilled in place of the CASE-201(h) well, which was temporarily abandoned due to technical drilling problems, as previously announced. The new well was completed on May 17, 2020.

These 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.

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 Company was notified by the Province of Neuquen that the milestones for the vertical test that were agreed to as part of the 2 year extension were not being met. Following receipt of the letter, the Company engaged in discussions and correspondence with the Ministry and Gas y Petróleo del Neuquén S.A. ("GyP"), a provincial government oil and gas company who has a 10% working interest in the concession, for the purpose of adjusting the milestone schedule. On January 10, 2020, the Company received a letter from the Ministry which proposed an agreement to adjust the milestones and provided an extension to the Company until April 30, 2020 to determine a specific financing to comply with the schedule. Such extension was conditional on the Company submitting a performance bond for $16.2 million. The bond shall be executed if (i) the Company fails to comply with the terms of the extension, including submission of contracts, invoices or other evidence that the Company 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 Company accepted the Ministry's proposal on January 20, 2020.

On March 16, 2021, the Company's exploratory permit relating to the Curamhuele block expired.

Puesto Morales Block (100% WI-operated)

USD 000s	Under negotiation	2021	2022	Beyond	Total
Concession commitments	13.700	14,400	500	1,800	30,400

On January 4, 2019 the Corporation received the approval from the provincial authority for a re-schedule and conversion of the last commitments in a new exploration plan.

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, 2020 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 has since been in discussions with the province of Formosa with respect to negotiating an extension.

On February 2, 2021, the relinquished its El Chivil concession.

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.

As of December 31, 2020, the Corporation has a pending commitment for $1 million related to the second workover.

On January 15, 2021, the Company relinquished the Palmar Largo concession.

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 $0.9 million (2019 - $1.1 million), recorded as part of Other long-term liabilities in the consolidated statements of financial position at December 31, 2020.

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

	Year ended December 31, 2020	2019
Balance, beginning of year	**1,595**	1,182
Lease liability[(1)]	**30**	(92)
LTIP liability	**(9)**	(58)
New contingencies	**-**	-
Other liabilities	**(54)**	501
Effect of change in foreign exchange rates	**(237)**	62
Balance, end of year	**1,325**	1,595

(1) Relates to "Other Commitments"

Annual and Quarterly Financial Results

Annual Financial Results – Continuing Operations

As at December 31 USD 000s, unless otherwise noted	2020	2019	2018
Oil and natural gas revenues	**27,175**	32,409	36,171
Other income	**432**	1,643	480
Net loss from continuing operations	**(38,020)**	(23,288)	(3,172)
Shares outstanding – millions	**544.1**	544.1	544.1
Net loss per share – basic and diluted-continuing operations	**(0.07)**	(0.04)	(0.01)
Total assets	**39,241**	64,435	61,721
Shareholders' equity (deficiency)	**(25,301)**	12,229	35,246

The decrease in oil and gas revenues in 2020 was a result of a decrease in prices with an impact of $9.3 million in revenues, partially offset by the increase in production, resulting in higher sales volumes of $4.1 million compared to 2019.

The Corporation recorded a pre-tax impairment expense in 2020 of $15.3 million. The Corporation recorded a pre-tax impairment expense of $17.7 million in 2019, respectively.

Quarterly Financial Results - Continuing Operations

USD 000s, unless otherwise noted	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Oil and natural gas revenues	**6,225**	6,895	4,860	9,195
Net income (loss)	**(14,979)**	(3,758)	(16,442)	(2,841)
Shares outstanding – millions	**544.1**	544.1	544.1	544.1
Net income (loss) per share – basic and diluted	**(0.02)**	(0.01)	(0.03)	(0.01)

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)

The Corporation recorded impairment expense of $5.9 million in Q4-2020 and $9.3 million in Q2-2020 ($17.7 million in Q4-2019).

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, 2020.

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, 2020.

(a) Newly adopted and future accounting standards and pronouncements

Amendments to IFRS 3 Business Combinations

Amendments to IFRS 3, Business Combinations assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits. This amendment was adopted on January 1, 2020 and had no material impact on the financial statements upon adoption.

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

These amendments are effective for reporting period beginning on or after January 1, 2022.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

These amendments are effective for reporting periods beginning on or after January 1, 2023.

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, 2020. 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, 2020.

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, 2020.

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, 2020.

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, 2020. 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, 2020.

A description of the risk factors and uncertainties affecting the Corporation can be found in the Advisory.

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