CENTAURUS

CENTAURUS ENERGY INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

(EXPRESSED IN UNITED STATES DOLLARS)

Crowe MacKay LLP
Elveden House 1700,
717 - 7 Ave SW
Calgary, AB T2P 0Z3
Main +1(403) 294-9292
Fax +1(403) 294-9262
www.crowemackay.ca

Independent Auditors' Report

To the Shareholders of Centaurus Energy Inc.

Opinion

We have audited the consolidated financial statements of Centaurus Energy Inc. ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2020 and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which describes the material uncertainty that casts doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter

The consolidated financial statements of Centaurus Energy Inc. for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2020.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Todd Freer.

"Crowe MacKay LLP"

Chartered Professional Accountants
Calgary, Canada
July 14, 2021

Consolidated Statements of Financial Position

USD 000s	Note	As at December 31 2020	As at December 31 2019
Assets			
Current assets			
Cash and cash equivalents		**114**	599
Trade and other receivables	21	**2,959**	8,315
Inventory		**897**	1,105
Other current assets		**548**	295
Total current assets		**4,518**	10,314
Property, plant and equipment	4	**1,228**	22,971
Exploration and evaluation assets	5	**30,766**	30,755
Lease right-of-use assets	6	**-**	200
Other long-term assets	7	**2,729**	195
Total non-current assets		**34,723**	54,121
TOTAL ASSETS		**39,241**	64,435
Liabilities			
Current liabilities			
Current Loan	8	**12,080**	8,981
Short term debt	9	**2,122**	1,979
Derivative liability	9	**5**	21
Trade and other payables		**21,579**	19,001
Taxes payable		**292**	560
Short-term lease liability	10	**8**	216
Total current liabilities		**36,086**	30,758
Loan	8	**14,488**	7,189
Decommissioning obligations	11	**12,643**	12,664
Other long-term liabilities	20	**1,325**	1,595
Total non-current liabilities		**28,456**	21,448
TOTAL LIABILITIES		**64,542**	52,206
Shareholders' Equity (Deficiency)			
Share capital	12	**239,029**	239,029
Contributed surplus		**18,587**	18,097
Accumulated other comprehensive loss		**(26,941)**	(26,941)
Deficit		**(255,976)**	(217,956)
Total equity (deficiency)		**(25,301)**	12,229
TOTAL LIABILITIES AND EQUITY		**39,241**	64,435

Going Concern (note 2)
Commitments and Other Long-term Liabilities (note 20)
Subsequent Events (notes 5, 20 and 24)

See the accompanying Notes to the Consolidated Financial Statements

On behalf of the Board:

[signed] "David Tawil"
David Tawil
Director

[signed] "Steven Azarbad"
Steven Azarbad
Director

Consolidated Statements of Loss and Comprehensive Loss

USD 000s, except per share amounts	Note	Year ended December 31 2020	2019
Revenues			
Oil and natural gas revenues	23	**27,175**	32,409
Royalties		**(4,636)**	(5,530)
Other income	23	**432**	1,643
		22,971	28,522
Expenses			
Operating	22	**18,505**	23,381
General and administrative	22	**4,084**	7,072
Finance	16	**7,461**	730
Share-based and long-term incentive compensation	14, 15	**481**	214
Depletion and depreciation	4	**13,210**	8,075
Depreciation of right-of-use assets	6	**73**	232
Loss (Gain) on disposal of assets	4, 5, 11, 13	**2,323**	(3,445)
Fair value change on derivative liability	9	**(16)**	(49)
Impairment	4	**15,266**	17,743
Other gains and losses		**(975)**	(1,672)
		60,412	52,281
Loss before income taxes		**(37,441)**	(23,759)
Income tax recovery (expense)			
Current	18	**(579)**	-
Deferred	18	**-**	471
		(579)	471
Loss		**(38,020)**	(23,288)
Comprehensive Loss		**(38,020)**	(23,288)
Net Loss per share:			
Basic and diluted	12	**(0.07)**	(0.04)

See the accompanying Notes to the Consolidated Financial Statements

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

USD 000s	Share Capital (note 12)	Contributed Surplus	Equity Component of Convertible Debentures	Accumulated Other Comprehensive Loss	Deficit	Total Equity (Deficiency)
Balance at December 31, 2019	**239,029**	**18,097**	**-**	**(26,941)**	**(217,956)**	**12,229**
Net loss	-	-	-	-	**(38,020)**	**(38,020)**
Share-based compensation (notes 14 and 15)	-	**490**	-	-	-	**490**
Balance at December 31, 2020	**239,029**	**18,587**	**-**	**(26,941)**	**(255,976)**	**(25,301)**

USD 000s	Share Capital (note 12)	Contributed Surplus	Equity Component of Convertible Debentures	Accumulated Other Comprehensive Loss	Deficit	Total Equity
Balance at December 31, 2018	239,029	17,750	76	(26,941)	(194,668)	35,246
Net loss	-	-	-	-	(23,288)	(23,288)
Share-based compensation (note 14)	-	271	-	-	-	271
Convertible debentures maturity	-	76	(76)	-	-	-
Balance at December 31, 2019	239,029	18,097	-	(26,941)	(217,956)	12,229

See the accompanying Notes to the Consolidated Financial Statements

Consolidated Statements of Cash Flows

		Year ended December 31	
USD 000s	Note	2020	2019
Cash provided by (used in):			
Operating			
Net loss		**(38,020)**	(23,288)
Items not affecting cash:			
Depletion and depreciation	4	**13,210**	8,075
Depreciation of right-of-use assets	6	**73**	232
Impairment	4	**15,266**	17,743
Accretion	16	**189**	407
Fair value change on derivative liability	9	**(16)**	(49)
Loss (Gain) on disposal of assets	4, 5, 13	**2,323**	(3,445)
Share-based and long-term incentive compensation	14, 15	**490**	214
Deferred income tax recovery	18	**-**	(471)
Unrealized loss (gain) on foreign exchange	16	**259**	(656)
Lease commitment liability accretion	20	**-**	586
Other gains and losses		**(975)**	-
Non-cash increase of other long term liabilities	20	**114**	10
Change in non-cash working capital	19	**6,248**	251
Net cash from (used in) operating activities		**(839)**	(391)
Investing [1]			
Property, plant and equipment additions/disposals, net	4	**(19)**	(634)
Exploration and evaluation assets additions	5	**(7)**	(98)
Change in non-cash working capital	19	**382**	502
Net cash used in investing activities		**356**	(230)
Financing [2]			
Short term loan received	8	**70**	2,041
Interests and short term loan payment	9	**-**	(66)
Convertible debentures repayment		**-**	(1,468)
Lease payment	10	**(72)**	(63)
Net cash from (used in) financing activities		**(2)**	444
Change in cash and cash equivalents		**(485)**	(179)
Cash and cash equivalents, beginning of year		**599**	778
Cash and cash equivalents, end of year		**114**	599

(1) Non-cash additions related to CASE $7,767 (2019 - $24,318) (note 4)..
(2) Non-cash loan received from PAE $10,327 (2019 - $16,170) (note 8)

Supplemental Cash Flow Information (note 19)

See the accompanying Notes to the Consolidated Financial Statements

1. Reporting Entity

Centaurus Energy Inc. (the "Company" or "Centaurus") is involved in the exploration, development and production of oil and natural gas in Argentina. Centaurus's registered office is 1250, 639 – 5th Avenue S.W., Calgary, Alberta, T2P 0M9.

The consolidated financial statements include the results of the following wholly-owned subsidiaries:

- Madalena Petroleum Ltd. (Canada) ("MPL")
- Madalena Energy Argentina S.R.L. (Argentina) ("MEA")
- Madalena Petroleum Americas Limited (Barbados) ("MPAL")
- Madalena Petroleum Holdings Limited (Barbados)
- Madalena Ventures International Inc. (Barbados)

2. Basis of Preparation and Going Concern

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that Centaurus Energy Inc. will be able to realize its assets and discharge its liabilities in the normal course of business.

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The rapid outbreak and subsequent measures intended to limit the spread of COVID-19 have contributed to a significant increase in economic uncertainty, with more volatile commodity prices and a decline in global demand for oil and gas products. The duration and severity of the business disruptions and reduction in consumer activity internationally and the resulting financial effect is difficult to reliably estimate. There could be further prospective material effects in future periods which could impact future cash flows and cause uncertainty as to whether the Company has sufficient liquidity to meet its obligations as they become due.

The Company incurred a loss of $38,020 for the year ended December 31, 2020 (2019 – net loss of $23,288), has a working capital deficiency of $31,568 (2019 - $20,444) and an accumulated deficit of $255,976 (2019 - $217,956). There are no assurances that the Company will be able to generate sufficient profits and cash flows from operations in future periods necessary to continue operations. Centaurus will require the continued support from its creditors in conjunction with achieving profitable operations and positive cash flows in the near future.

Furthermore, the Company received notices of default on the existing credit facilities, being the Working Capital Loan Agreement dated May 8, 2017, as amended April 7, 2019 between the Company and Hispania Petroleum S.A and the Amended and Restated Convertible Loan Agreement made effective as of April 7, 2019 among the Company, Hispania Petroleum S.A. ("Hispania"), and KD Energy International Capital Limited ("KD Energy") during the year ended December 31, 2020. On April 9, 2020 the Corporation signed a binding term sheet with Maglan Distressed Master Fund LP with respect to a debt financing agreement, which may provide funding up to $23 million through a series of loan facilities. The parties had until June 30, 2020 to enter into a definitive agreement. 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. While negotiations are ongoing, there is no guarantee of agreement on the final terms of the financing.

While management is exploring various other available options, as disclosed in Note 24, the factors noted above create a material uncertainty that casts doubt on the Company's ability to continue as a going concern. These financial statements do not include adjustments to 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.

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and are presented in United States Dollars ("USD") unless otherwise indicated.

These consolidated financial statements follow the same accounting policies and methods of computation for all periods presented as outlined in note 3.

The consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on July 14, 2021.

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except as described in the accompanying notes.

Functional and Presentation Currency

The functional and presentation currency is the USD.

Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the change is identified, and prospectively in future periods.

Critical Judgments in Applying Accounting Policies

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

- The Company's assets are aggregated into cash-generating units for the purpose of calculating impairment. Cash generating units ("CGU" or "CGUs") are based on an assessment of the unit's ability to generate independent cash inflows. The determination of these CGUs is based on management's judgment in regard to shared infrastructure, geographical proximity of properties, commodity and/or petroleum type and similar exposure to market risk.
- Judgment is required when assessing if indicators of impairment or reversals exist and therefore whether impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land, and other relevant assumptions.
- The Company's concessions in Argentina are, from time to time, subject to renewal which requires approval from regulatory authorities. As there is no indication that pending extensions will not be approved or revised contracts will not be entered into, management has used judgment to conclude that all extensions or a revised form of a block contract will be approved. If the Company fails to obtain block contract renewals, the carrying value of the Company's property, plant and equipment and exploration and evaluation assets could be negatively impacted. Further, commitments entered into for concessions are based on the agreement signed at the time of concession entry, extension or renewal. To the extent that commitments have not been fulfilled by the expiry date, the Company may enter into negotiations to extend or renew. Should the concession not be extended or renewed, the Company could lose the concession.

- The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves or commercial resources have been found.

- Management has exercised judgment in concluding that joint arrangements are subject to joint control. Specifically, judgment has been used in determining that decisions concerning the relevant activities of each arrangement require that the specified parties must act together even though the Company's interests in these arrangements may not be the same as the other parties to the arrangement. Centaurus has classified and accounted for its interests in joint arrangements as joint operations.

- Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings.

- Determination of Functional Currency:

  Judgments made by management in determining the appropriate functional currency include an analysis of primary and secondary indicators, as follows:

  (1) Primary indicators of functional currency included the review of the currency that mainly influences sales prices; the currency whose competitive forces and regulations mainly determine sales price; and the currency that mainly influences labour, material and other costs. Specific relevant factors that management considered included:

  - the government of Argentina sets the benchmark price for oil in USD per barrel and although the benchmark prices do not always follow world oil price changes in a predictable manner, the government is aware of and takes into consideration world prices when establishing the benchmark;

  - although settled in the Argentina peso ("ARS"), all oil and gas sales are invoiced in USD and various credits and incentives that the Company is entitled to through the government of Argentina are expected to be denominated in USD;

  - the Company's budget is prepared and managed in USD; and

  - the majority of anticipated spending in the next 3 – 5 years is expected to be weighted to USD denominated expenditures, mainly as a result of the anticipated capital spending budgets in Argentina, although influenced as well by USD denominated operating costs. The size of the expenditures being made will result in the engagement of international companies that will require USD as the invoicing currency.

  (2) Secondary indicators of functional currency determination include the currency in which funds from financing are generated; the currency in which funds from operations are retained; the degree of autonomy of the foreign operation; the frequency of the transactions with the reporting entity; the cash flow impact on the reporting entity and the ability of the foreign operation to finance its own activities. Relevant indicators considered in management's assessment included:

  - as the expectation of growth existed, the anticipated financing currency was and continues to be the USD. Although ARS loans are available, given the Company's planned growth, any financing of significance is expected to be USD denominated; and

  - funds retained in Argentina are in ARS.

While the above noted factors are mixed in support of both the USD and ARS, Management concludes that when considered collectively, it is appropriate to continue the conclusion that the USD is the appropriate functional currency for all subsidiaries.

Key Sources of Estimation Uncertainty
The following are key estimates and the assumptions made by management affecting the measurement of balances and transaction in these consolidated financial statements:

- Estimation of recoverable quantities of proven and probable reserves and/or contingent resources include estimates and assumptions regarding future commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows as well as the interpretation of complex geological and geophysical models and data. These estimates are reviewed at least annually, through the engagement of qualified independent reserves evaluators. Changes in reported reserves and resources can affect the impairment of assets, the decommissioning obligations, the economic feasibility of exploration and evaluation assets and the amounts reported for depletion, depreciation and amortization of property, plant and equipment.
- The Company estimates the decommissioning obligations for oil and natural gas wells and their associated production facilities, if applicable. In most instances, removal of assets and remediation occurs many years into the future. Amounts recorded for the decommissioning obligations and related accretion expense require assumptions regarding removal date, the extent of reclamation activities required, the engineering methodology for estimating cost, inflation estimates, and the estimate of the specific discount rates for these liabilities in order to determine the present value of these obligation settlements.
- A number of accounting policies and disclosures require that fair value measurements be determined, specifically, financial instruments. In determining fair value, the Company uses observable market data as much as possible. The fair value hierarchy used:
    - Level 1 – Quoted prices in active markets for identical assets or liabilities. Cash and cash equivalents, and the refundable deposit are Level 1 financial instruments.
    - Level 2 – Observable prices for similar assets or liabilities, either directly or indirectly determined. Long-term debt is a Level 2 financial instrument.
    - Level 3 – Unobservable input sources. Convertible debentures are Level 3 financial instruments.

3. Significant Accounting Policies

(a) Basis of Consolidation

i. Subsidiaries

Subsidiaries are entities controlled by Centaurus. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements, unless IFRS indicates otherwise.

ii. Jointly Controlled Operations and Assets

Some of the Company's oil and natural gas activities involve jointly controlled assets. The consolidated financial statements include the Company's share of these jointly controlled assets and a proportionate share of the related revenue and related costs.

Centaurus currently has 9 (2019 – 10) concessions in Argentina and 1 (2019 -1) operational agreement in Palmar Largo. Of the concessions owned by Cenaurus in Argentina, three (2019 – four) are governed by a Union Transitoria de Empresas ("UTE"), which is an agreement entered into between two or more parties with the purpose of gathering human, technological and economic resources temporarily, in order to develop or execute a project, render a service or provide a specific supply. The UTE parties maintain at all times their legal and economic independence. The UTE is not a separate legal entity and no separate legal entities are established by the parties of the UTE to conduct business on behalf of the UTE. The Company has determined these agreements to result in joint operations, and accounts for these operations in accordance with its proportionate working interest ("WI").

The Company's WI at December 31, 2020 in the UTEs is as follows:

- Surubi - (85%)
- Palmar Largo and Balbuena Este - (14%)
- Coirón Amargo-Sur Este – (35%)
- Curamhuele (90%)

The other 5 concessions are operated by the Company with a 100% WI.

(b) Foreign Currency

Centaurus and each of its subsidiaries use US dollar as their functional currency. Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss.

(c) Financial Instruments

Centaurus recognizes financial assets and financial liabilities, on the consolidated statement of financial position when the Company becomes a party to the contract. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized from the consolidated financial statements when the liability is extinguished either through settlement of or release from the obligation of the underlying liability.

Classification and Measurement of Financial Instruments

The classification of financial assets is determined by their context in Centaurus' business model and by the characteristics of the financial asset's contractual cash flows.

Financial assets and financial liabilities are measured at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification, as described below:

- Cash and cash equivalents (includes cash and bank overdraft), accounts receivable, accounts payable and accrued liabilities and long-term debt are measured at amortized cost.

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Impairment of Financial Assets

Financial assets are assessed with an expected credit loss ("ECL") model. The impairment model applies to financial assets measured at amortized cost, a lease receivable, a contract asset or a loan commitment and a financial guarantee.

(d) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash held at banks and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts. There are no cash equivalents as at December 31, 2020 and 2019.

(e) Property, Plant and Equipment and Exploration and Evaluation Assets

i. *Pre-license costs*

Exploration and evaluation ("E&E") costs incurred prior to receiving the legal rights to explore an area are expensed when incurred.

ii. *Exploration and evaluation assets*

Exploration licenses, unproved property acquisition costs, geological and geophysical costs and costs directly associated with an exploration well and appraisal activities are capitalized within E&E assets. The costs are accumulated in cost centers by well, field or exploration area pending determination of their technical feasibility and commercial viability. Upon determination of technical feasibility and commercial viability, E&E assets are first tested for impairment and then reclassified from E&E assets to property, plant and equipment. E&E assets are not depleted but are assessed for impairment when there are indicators of impairment.

Initial wells on an E&E property that are drilled for the purpose of proving the technical feasibility and commercial viability of a reserve are capitalized and the property remains in the E&E phase pending a decision to fully develop the property. Multiple wells may need to be drilled to determine whether the E&E property will be developed. A review of each exploration area is carried out to ascertain whether technical feasibility and commercial viability has been established and there is a reasonable assessment of the economics associated with the future production of those reserves, required government and regulatory approvals have been obtained, or are likely to be obtained and management has made the decision to proceed with development and production of the project by incurring the future capital costs attributed to them. Upon determination of technical feasibility and commercial viability, E&E assets attributable to those reserves, in that particular area, are first tested for impairment and then reclassified from E&E assets to property, plant and equipment. If the cost of the asset is greater than the fair value, then the excess is written off in profit or loss.

iii. *Property, plant and equipment assets ("PP&E")*

PP&E assets are measured at cost less accumulated depletion, depreciation and amortization and accumulated net impairment losses. Development and production assets are accumulated into major area cost centers and represent the cost of developing the commercial reserves and initiating production. Capitalized costs include the purchase price or construction cost of the asset, any costs directly attributable to bringing the asset into operation, the estimate of any decommissioning obligation and borrowing costs for qualifying assets, if any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

iv. *Subsequent costs*

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing components of equipment are recognized as PP&E only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are expensed as incurred. Such capitalized amounts generally represent costs incurred in developing proven and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

An asset within PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

Exchanges of assets within PP&E are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. Unless the fair value of the asset received is more clearly evident, the cost of the acquired asset is measured at the fair value of the asset given up. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. The gain or loss on de-recognition of the asset given up is recognized in profit and loss.

v. *Depletion and depreciation*

Depletion of oil and natural gas properties and depreciation of production equipment are calculated based on the establishment of depletable components, using the unit-of-production method. Components are generally determined at a field level. The component's volumes of total proven and probable oil and natural gas reserves and production before royalties, as determined by independent petroleum reservoir engineers is the unit basis for calculating depletion. Natural gas reserves and production are converted to equivalent barrels of oil based upon the energy equivalent conversion ratio of six thousand cubic feet of natural gas to one barrel of oil, calculated in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities.* The depletion base includes all capitalized costs and estimated future development costs of proven and probable undeveloped reserves.

Corporate assets primarily consist of office furniture and equipment and leasehold improvements, which are stated at cost less accumulated depreciation and are depreciated over the estimated useful lives of the assets. Office furniture and equipment is depreciated at rates ranging from 10 to 33%.

vi. *Impairment*

The carrying amounts of the Company's PP&E and E&E assets are reviewed at each reporting date to determine whether an indication of impairment exists. If any such indication exists, then the asset's recoverable amount is estimated. In addition, E&E assets are assessed for impairment when they are reclassified to PP&E and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

Fair value less costs to sell is determined as the amount that would be obtained for the sale of a CGU in an arm's length transaction between knowledgeable and willing parties. Fair value less costs to sell of a CGU can also be determined by using assumptions that an independent market participant may take into account. This evaluation could use discounted future net cash flows of proved and probable reserves using forecast prices and costs including the development of prospective lands.

Centaurus's management determines value in use for each CGU by estimating the present value of estimated future net cash flows from continued production through exploitation of its proved and probable reserves. Management applies a present value to these cash flows using pre-tax discount rate range depending on the category of reserves being discounted. The discount rates reflect current market assessments and the risks specific to the assets.

E&E assets are allocated to related CGUs when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to PP&E.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill, should it exist, allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

Impairment losses related to PP&E can be reversed in future periods if the estimated recoverable amount of the asset exceeds the carrying value. The impairment recovery is limited to a maximum of the estimated depleted historical cost if the impairment had not been recognized. The reversal of the impairment loss is recognized in impairment.

(f) Share Based Compensation and Long-term Incentive Plan

i. Share based compensation

The grant date fair value of equity settled options granted to employees and directors is recognized as share-based compensation expense with a corresponding increase in contributed surplus over the vesting period. A forfeiture rate is estimated on the grant date and is subsequently adjusted each period to eventually reflect the actual number of options that vest. Upon exercise of the stock options, the consideration received plus the amount previously recorded in contributed surplus is recorded as an increase in share capital.

ii. Long-term incentive plan

For cash based incentive plans, units issued are recorded at fair value and recognized over the requisite service period. Changes in fair value each period are recognized in the statement of loss.

(g) Decommissioning Obligations

Obligations for dismantling, decommissioning and site disturbance remediation may arise as a result of the Company's activities. Once it is determined that an obligation exists, a decommissioning obligation is recorded for the estimated cost of site restoration, with the offset capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expected expenditures, including the timing, that is required to remediate the property. The decommissioning obligation reflects current market assessments of the time value of money and the risks specific to the liability. The discount and inflation rates used to present value the obligation is based on the risk free rate associated with the currency by which payment is most influenced. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time, changes in the estimated future cash flows underlying the obligation, and for changes in discount and inflation rates as required. These changes are accounted for prospectively. The increase in the decommissioning obligation due to the passage of time is recognized as finance costs (accretion) whereas increases/decreases due to changes in the estimated future cash flows are capitalized and amortized based on the methodology that is consistent with the asset to which it is capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established. Should the asset to which the obligation is related, be disposed of, the decommissioning obligation associated with it is derecognized.

The Company does not recognize decommissioning obligations on facilities in Argentina where it has determined that there is no legal or constructive obligation to perform such activities.

(h) Revenue

Centaurus recognizes crude oil and natural gas revenue when title passes from Centaurus to the purchaser or, in the case of services, as contracted services are performed. Production revenues are determined pursuant to the terms outlined in contractual agreements and are based on fixed or variable price components. The transaction price for crude oil and natural gas is based on the commodity price in the month of production, adjusted for various factors including product quality and location. Commodity prices are based on monthly or daily market indices.

Performance obligations in the contract are fulfilled on the last day of the month.

- The Company considers its performance obligations to be satisfied and control to be transferred when all of the following conditions are satisfied:
- Centaurus has transferred title and physical possession of the commodity to the buyer;
- Centaurus has transferred the significant risks and rewards of ownership of the commodity to the buyer; and
- Centaurus has the present right to payment.

All of the Company's significant revenue streams are located in Argentina.

(i) Income Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes the amounts paid or accrued for minimal presumed income tax, which is an Argentine tax on net assets, levied on those companies with no taxable income.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(j) Earnings (Loss) Per Share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(k) Inventory

Inventory consists of oil in tanks and third party pipelines, as well as supplies, and is valued at the lower of cost or market value. The cost of inventory is determined using the weighted average method. Oil inventories include expenditures incurred to produce, upgrade and transport the product to the storage facilities and include operating, depletion and depreciation expenses and cash royalties. Allocated to inventory is a relevant share of operating, royalty expense and depletion. Depending on inventory levels, this could increase or decrease inventory otherwise recorded.

(l) Value added tax ("VAT")

VAT on purchases is applied against VAT on sales to reduce the amount paid to the Argentine government. VAT is recorded as a receivable when it is expected that it will be recovered through future sales. To the extent that amounts are expected to be recovered over a period greater than a year, the amount is discounted. VAT does not expire and may be carried forward indefinitely.

(m) Leases

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. The Company allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

Leases are recognized as a Right-of Use (“ROU”) asset and a corresponding lease liability at the date on which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. These payments are discounted using the Company’s incremental borrowing rate when the rate implicit in the lease is not readily available. The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments are allocated between the liability and finance costs. The finance cost is charged to net earnings over the lease term. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company.

When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in the Statements of Loss and Comprehensive Loss if the carrying amount of the ROU asset has been reduced to zero.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability, any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located less any lease payments made at or before the commencement date. The ROU asset is depreciated, on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain re-measurements of the lease liability and impairment losses. Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in the Statements of Loss and Comprehensive Loss on a straight-line basis over the lease term. A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Company will re-measure the lease liability using the Company's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in net loss that reflects the proportionate decrease in scope.

ROU assets are assessed for impairment on initial recognition and subsequently on an annual basis, at a minimum. ROU assets subject to leases that have become onerous in nature are adjusted by the amount of any provision for onerous leases.

(n) 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.

4. Property, Plant and Equipment ("PP&E")

USD 000s	2020	2019	2019	2018
Cost				
Balance, beginning of year	178,746	152,435		
Additions (1)	7,947	25,869		
Disposals	(1,108)	(72)		
Change in decommissiong liabilities	(106)	514		
Balance, end of year	185,479	178,746		
Accumulated depreciation and depletion				
Balance, beginning of year	(155,775)	(129,957)		
Depletion and depreciation	(13,210)	(8,075)		
Impairment	(15,266)	(17,743)		
Balance, end of year	(184,251)	(155,775)		
Net book value, beginning of year	22,971	22,478		
Net book value, end of year	1,228	22,971		

(1) Includes non-cash additions related to CASE $7,767 (2019 $24,318), subject to PAE loan (note 8).

As 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. Both CGUs were deemed to be impaired as the estimated recoverable amount of each CGU was lower than the carrying amount, MEA South by $10.5 million and MEA North by $3.3 million. The combined recoverable amounts, calculated as $1.2 million, resulted in 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% (2019 – 17.9%) for MEA North and of 18.4% (2019 – 19%) for MEA South.

The following forecast benchmark commodity prices were used in the reserves estimate:

Year	Brent Oil Price (1) (USD/bbl)	Argentina Domestic Gas Price (1) (USD/mcf)
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 benchmark commodity price estimates 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 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.

5. Exploration and Evaluation Assets ("E&E")

USD 000s	2020	2019	2019	2018
Cost				
Balance, beginning of year	30,755	30,649		
Additions	7	98		
Change in decommissiong liabilities	4	8		
Balance, end of year	30,766	30,755		

E&E assets consist of the Company's intangible exploration projects in Argentina pending determination of proven or probable reserves (see note 20 relating to commitments). Additions represent the Company's share of costs incurred on E&E assets during the period. E&E assets are not depreciated or depleted.

At December 31, 2020 and 2019, 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 as disclosed in Note 20.

6. Lease Right-of-Use Assets

USD 000s	
Cost	
At January 1, 2019	432
At December 31, 2019	432
Additions	-
Disposals	(127)
At December 31, 2020	**305**

USD 000s	
Accumulated depreciation	
At January 1, 2019	-
Depreciation	(232)
At December 31, 2019	(232)
Depreciation	(73)
At December 31, 2020	**(305)**

USD 000s	
Net book value	
At December 31, 2019	200
At December 31, 2020	**-**

7. Other Long-term Assets

Other long-term assets are comprised of long-term receivables for which the fair value approximates the carrying value. The long-term receivables primarily relate to ARS denominated taxes receivable of $2.7 million (December 31, 2019 – $0.2 million).

8. Loan

On December 7, 2016, Centaurus entered into an agreement with Pan American Energy ("PAE") , 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 capital expenditures in the CASE block. This limited recourse loan would 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. Transaction fees of $0.5 million were incurred in 2017 to complete this agreement.

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 since April 13, 2020 to June 16, 2020.

On January 22, 2021, Centaurus signed the assignment and transfer to PAE for a six percent (6%) of CASE participating interest for an amount of $8.5 million, with retroactive effect as of July 1, 2020, in exchange of cash call requests relating to the operating and capital expenditures until December 31, 2020. As a result of this assignment Centaurus remedied its default under the Joint Venture Agreement with respect to the unpaid cash calls due up to July 1, 2020 and cured its default under the loan agreement.

During the year, $18 million (2019 - $18.3 million) had been disbursed under the agreement directly to the operator of CASE to fund capital expenditures. Repayment of $9.6 million (2019 - $2.4 million) was made through the sale of the net revenue.

USD 000s	2020	2019
Balance, beginning of year	16,170	-
Proceeds	18,001	18,280
Interests	1,905	278
Repayment	(9,579)	(2,388)
Balance, end of year	**26,497**	**16,170**
Current	12,009	8,981
Long-term	14,488	7,189
Total	**26,497**	**16,170**

On October 19, 2020, the Corporation signed an unsecured loan agreement with David Tawil, the interim Chief Executive Officer, up to a maximum amount of $250,000, bearing interest at 5% per annum and due on demand.

USD 000s	Total
At December 31, 2019	-
Proceeds	70
Interests	1
Repayment	-
At December 31, 2020	**71**
Current	71
Long-term	-
Total	**71**

9. Convertible loan, Working Capital loan and Short term debt

On May 8, 2017, Centaurus entered into a series of agreements (the "Transactions") with Hispania Petroleum S.A., ("Hispania"), a private, family-owned Spanish energy Company and a related party of the Company, where José David Penafiel is a director, which provides for a package of debt and mezzanine financing of up to $23 million through a working capital loan (the "Working Capital Loan") of up to $6.5 million for the purposes of funding Centaurus' capital expenditure obligations in the Puesto Morales concession or to fund one or more acquisitions of oil and gas assets, under the terms of a convertible loan of up to $16.5 million (the "Capex Loan").

The Working Capital Loan is a multi-drawdown facility, which is available to be used for general working capital purposes. Interest accrues at 7% per annum. Principal and interest on each drawdown will be repayable thirty-six months after an advance of funds.

The Capex Loan is a multi-drawdown convertible loan. The loan accrues interest at 7% per annum, with each drawdown and accrued interest repayable thirty-six months after drawdown. The Capex Loan is convertible into units of the Company ("Units") with each Unit comprised of one common share ("Common Share") and 0.22 of a Common Share purchase warrant ("Warrant"), with each Warrant entitling the holder to purchase an additional Common Share. The Capex Loan was, prior to amendment (as more particularly described below) convertible based on a conversion price equal to a 5% premium to the 20-day volume weighted average price ("VWAP") of the Common Shares on the last trading date prior to a particular drawdown ("Conversion Price") in respect of the Common Shares comprising the Units. The exercise price of the Warrants issued upon conversion was also at a 5% premium to that 20-day VWAP. These Warrants expire 18 months after the date of issuance. Both Hispania and Centaurus have the right to convert the whole or part of the principal and interest owing hereunder into Units on or before repayment, although Centaurus' right to compel conversion is limited in some circumstances.

Both loans are collaterialized, limited to the Company's interests in the Puesto Morales concession.

On September 13, 2017, the shareholders of the Company 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 Company. In connection therewith, the convertible loan agreement dated May 8, 2017 for an amount up to $16.5 million is now available to be drawn upon by the Company in accordance with the terms thereof.

On April 7, 2019 the Company entered into an amended and restated convertible loan agreement (the "Amended and Restated Loan Agreement") with KD Energy and Hispania, and has extended the term of the Working Capital Loan agreement (the "Working Capital Loan Agreement"). Key amendments include an extension of the expiry date from May 8, 2020 to May 8, 2023, a change in the conversion price and exercise price of the Warrants to CAD 0.225 (subject to standard adjustments) 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 Loan Agreement, and an expansion to the purposes for which the Company can draw on the loan to include acquisitions of oil and gas assets, subject to consent of KD Energy. The expiry date of the Working Capital Loan Agreement which is in the aggregate amount of $6.5 million and carries an interest rate of 7% per annum has also been extended to May 8, 2023. The Amended and Restated Loan Agreement was approved on on June 5, 2019 by special a meeting of shareholders.

As at December 31, 2020, nil has been drawn on the Capex Loan (2019 - $0.3 million) and on the Working Capital Loan by the Company (2019 - $1.7 million).

The fair value of the conversion option component of convertible loan at issuance was determined to be $70 thousand and was estimated using trinomial method with the following assumptions: expected dividend yield of 0%, expected volatility of 73.6%, CDN risk free interest rate of 1.4%, US risk free interest rate of 1.67%, share price of CDN$0.12, an exchange rate volatility of 6.1% and an expected life of 3 years.

The fair value of the conversion option component of the convertible loan as at December 31, 2020 was determined to be $5 thousand (2019 - $21 thousand) using the trinomial method with the following assumptions: expected dividend yield of 0%, expected volatility of 103% based on historical share prices, CDN risk free interest rate of 0.175%, US risk free interest rate of 0.11%, share price of CDN$0.03, an exchange rate volatility of 5.8% and an expected life of 1.5 years.

On March 27, 2020 the Company announced it had received a notice of default and reservation of rights from KD Energy and Hispania. On March 25, 2020, the Corporation announced that Jose Peñafiel and Alejandro Peñafiel had ceased to be officers and directors of the Corporation.

The following table presents the reconciliation of the beginning and ending balances of the components of the loans as at December 31, 2020 and December 31, 2019:

USD 000s	Liability	Derivative Liability	Total
At December 31, 2018	-	-	-
Working Capital loan disbursement	1,725	-	1,725
Convertible loan disbursement	246	70	316
Revaluation of conversion option	-	(50)	(50)
Interests	74	-	74
Interests repayments	(66)	-	(66)
Impact of foreign exchange	-	1	1
At December 31, 2019	1,979	21	2,000
Revaluation of conversion option	-	(16)	(16)
Interests	143	-	143
At December 31, 2020	**2,122**	**5**	**2,127**

The Company has no bank debt in Canada at December 31, 2020 and 2019.

10. Lease liability

USD 000s	2020	2019
Balance, beginning of year	**216**	236
Accretion expense	**1**	43
Obligations settled	**(72)**	(63)
Disposal	**(137)**	-
Balance at December 31, 2020	**8**	216
Current	**8**	216
Long-term	**-**	-
Total	**8**	216

The total undiscounted amount of finance liabilities debt at December 31, 2020 is $8 thousand (2019 - $37 thousand). The finance liabilities debt have been discounted using discount rates that reflect current market assessments of the time value of money and the risks specific to each liability.

The incremental borrowing rate used to discount the liability at December 31, 2020 was 10.5% (2019 – 10.5%).

11. Decommissioning Obligations

USD 000s	Year ended December 31 2020	2019
Balance, beginning of year	**12,664**	15,621
Disposals	**(595)**	(3,801)
Additions from development activities	**142**	86
Accretion expense (note 16)	**188**	324
Revision of estimates	**244**	434
Balance, end of year	**12,643**	12,664
Current	**-**	-
Long-term	**12,643**	12,664
Total	**12,643**	12,664

The total undiscounted amount of cash flows required to settle Centaurus's decommissioning obligations in Argentina only at December 31, 2020 is approximately $12.6 million (December 31, 2019 – $13.1 million) with the majority of the costs to be incurred between 2026 and 2027. The decommissioning obligations have been estimated using existing technology at current prices and discounted using discount rates that reflect current market assessments of the time value of money and the risks specific to each liability.

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 majority of the Argentine decommissioning obligations are expected to be invoiced in USD and settled through payments in ARS.

The revision of estimates which increased decommissioning liabilities by $50 thousand for the year ended December 31, 2020 related to changes in the discount and inflation rates. For the year ended December 31, 2019, an increase of $0.4 million relating to a change in the discount and inflation rate.

In December 2018, the Company entered into an agreement assigning Centaurus' entire interest in the non-core and non-producing El Vinalar concession to a private Argentine oil and gas company. In January 2019, the Company 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.

12. Share Capital

The Company is authorized to issue an unlimited number of common shares and preferred shares. The holders of common shares are entitled to receive dividends as declared by the Company and are entitled to one vote per share. No preferred shares were outstanding at December 31, 2020 or 2019. No dividends have been declared by the Company for the years ended December 31, 2020 or 2019.

	Number of Shares 000s	Share Capital 000s
Balance at December 31, 2018	544,060	239,029
Balance at December 31, 2019	544,060	239,029
Balance at December 31, 2020	**544,060**	**239,029**

Net Loss Per Share

As at December 31, 2020, there is no resulting dilutive impact of the convertible loan or share options. The following table provides the weighted average number of common shares used in the per share calculations:

	Year ended December 31	
	2020	**2019**
Weighted average number of common shares - basic and diluted – 000s	**544,060**	544,060
Net loss - USD 000s	**(38,020)**	(23,288)
Per share – basic - ($/share)	**(0.07)**	(0.04)

13. El Vinalar assignment

In December 2018, the Company entered into an agreement assigning Centaurus' entire interest in the non-core and non-producing El Vinalar concession to a private Argentine oil and gas company. In January 2019, the Company 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.

14. Share-based Compensation

Under the Company's stock option plan, directors, officers, employees and certain consultants are eligible to receive options to acquire common stock of the Company. The exercise price of the granted options is no less than the closing trading price per share on the last day preceding the date of the grant. Total options granted cannot exceed 10% of the issued and outstanding common shares of the Company. Options granted to directors, officers, employees and consultants vest over three years on each anniversary of the grant date. Options expire three to five years from the grant date. There are no cash settlement alternatives for employees under the Company's stock option plan.

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

Movements in the number of stock options outstanding and their related weighted average exercise prices are summarized as follows:

	Number of options 000s	Weighted average exercise price
Outstanding at December 31, 2018	16,883	0.23
Forfeited	(1,483)	0.39
Expired or cancelled	(600)	0.22
Outstanding at December 31, 2019	14,800	0.22
Granted	27,500	0.04
Forfeited	(11,100)	0.19
Expired or cancelled	(1,000)	0.17
Outstanding at December 31, 2020	**30,200**	**0.06**
Exercisable at December 31, 2020	**30,200**	**0.06**

The range of exercise prices of the outstanding options

Exercise price (CAD)	Number of Options Outstanding 000s	Weighted Average Contractual Life of options outstanding (years)	Number of outstanding options that are exercisable 000s
0.04	27,500	4.61	-
0.22	2,700	2.28	-
0.06	**30,200**	**4.40**	**-**

The fair value of options granted was estimated at the period end date using the Black-Scholes valuation model, resulting in a per option fair value of CAD $0.02 (2019 – CAD nil) with weighed average assumptions as follows:

Inputs used to fair value share options granted

	Year ended December 31	
	2020	2019
Share price (CAD $)	**0.04**	-
Exercise price (CAD $)	**0.05**	-
Expected Volatility (%)	**109**	-
Forfeiture rate (%)	**9.8**	-
Option life (years)	**5.00**	-
Risk-free interest rate (%)	**0.35**	-

Expected volatility is estimated by considering historic daily share price volatility. The forfeiture estimate is adjusted each period until the vesting date.

Share-based compensation expense arising from the issuance of stock options recognized for the year ended December 31, 2020 was $0.5 million (2019 - $0.3 million).

Share-based compensation recovery arising from the forfeitures of stock options recognized for the year ended December 31, 2020 was $54 thousand (2019 – $19 thousand).

15. Long-term Incentive Plan

On August 25, 2016, the Board of Directors approved a long-term cash incentive plan ("LTIP"), whereby certain Argentine employees of the Company are provided an opportunity 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, 6,505,000 LTIP units (the "Units") were issued to Argentine personnel at an exercise price of CAD $0.145 per common share. The Units vest one-third on each of the first, second and third anniversary dates and are exercisable for a period no later than:

i) December 1 of the third year in which the Units vest; and
ii) Five years from the date of the grant of the Units.

At December 31, 2020 there is 1,186,669 LTIP units outstanding.

The LTIP recovery arising from the forfeitures of units, net of LTIP expense, recorded as part of share-based and long-term incentive compensation expense in the consolidated statements of loss for the year ended December 31, 2020 was $9 thousand (2019 –$58 thousand) and is revalued at the end of each reporting period.

At December 31, 2020 the LTIP liability was $4 thousand (2019 - $13 thousand).

16. Finance (Income) Expenses

Finance (Income) and Expenses are made up of the following:

	Year ended December 31	
USD 000s	**2020**	**2019**
Bank charges and fees	**268**	392
Foreign exchange (gain) loss	**259**	(656)
Decommissioning liability accretion (note 11)	**188**	324
Accretion of debt component of convertible debentures issued	**-**	40
Lease liability accretion (note 10)	**1**	43
Interest and other expenses	**6,745**	587
	7,461	730

	Year ended December 31	
USD 000s	**2020**	**2019**
Unrealized foreign exchange loss (gain)	**259**	(656)
Total	**259**	(656)
Currency exchange rate at period end:		
$1 USD = CAD	**$1.27**	$1.30
$1 USD = ARS	**$84.15**	$59.89

17. 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 of $70 thousand and interests related for $0.4 thousand (note 8).

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.

(Tabular amounts are stated in thousands of United States dollars ("USD"), except per share amounts and as otherwise stated)

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.

18. Income Taxes

The provision for income tax differs from the result that would be obtained by applying the combined Canadian federal and provincial tax rate of 24% (2019 – 27%) to the income (loss) before taxes. The difference results from the following:

	Year ended December 31	
	2020	**2019**
Income (Loss) before income tax – continuing operations	**(38,020)**	(23,759)
Tax rate	**24%**	27%
Expected income tax recovery (expense)	**9,125**	6,415
Recovery (expense) resulting from:		
Effect of foreign tax rates	**2,586**	549
Share-based compensation	**(111)**	(58)
Unrecognized deferred tax benefit and other	**(7,609)**	(5,998)
Canadian tax rate adjustments	**(6,114)**	-
Argentina tax rate adjustments	**(1,620)**	(1,908)
Deductible/non-taxable differences on foreign operation	**4,388**	1,490
Other	**(1,224)**	(19)
Total income tax recovery (expense)	**(579)**	471
Attributable to:		
Current tax recovery (expense)	**(579)**	-
Deferred tax recovery (expense)	**-**	471
Total income tax recovery (expense)	**(579)**	471

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.

(Tabular amounts are stated in thousands of United States dollars ("USD"), except per share amounts and as otherwise stated)

Deferred tax assets have not been recognized on the following temporary differences and credits:

Canada	Year ended December 31 2020	2019
Property, plant and equipment	**15,582**	17,356
Share issue costs	**235**	693
Capital losses	**23,583**	23,566
Non-capital losses (expire 2026 to 2040)	**89,064**	85,871
Foreign tax credits	**51,385**	42,905
Other	**937**	1,878
Total unrecognized temporary differences	**180,787**	172,269

Argentina	Year ended December 31 2020	2019
Non-capital losses (expire 2021 to 2030)	**38,332**	592
Total unrecognized temporary differences	**38,332**	592

Barbados		
Non-capital losses (expire 2021 to 2023)	**4,871**	4,818
Total unrecognized temporary differences	**4,871**	4,818

The following table summarizes the movements of the deferred income tax liability during the year:

	Year ended December 31			
	2019	**Recognized in statement of loss**	**Other**	**2020**
Property, plant and equipment	**(4,594)**	2,342	-	**(2,252)**
Decommissioning obligations	**3,166**	(6)	-	**3,160**
Non-capital losses	**385**	7,624	-	**8,009**
Accruals and other	**1,191**	(525)	-	**666**
Unrecognized deferred tax asset	**(148)**	(9,435)	-	**(9,583)**
	-	-	-	**-**

No deferred tax liability has been recognized for temporary differences associated with investments in subsidiaries and joint ventures as the Company is in a position to control the entities and it is considered probable that these timing differences will not reverse in the foreseeable future.

19. Supplemental Cash Flow Information

Changes in non-cash working capital

USD 000s	Year ended December 31 2020	2019
Trade and other receivables	**2,784**	(2,600)
Other current assets, including inventory	**(45)**	(124)
Lease liabilities	**(208)**	236
Trade, tax and other payables	**4,099**	3,241
Change in non-cash working capital	**6,630**	753
Attributable to:		
Operating activities	**6,248**	251
Investing activities	**382**	502
	6,630	753

Other cash flow information

USD 000s	Year ended December 31 2020	2019
Interest paid	**2,503**	315
Interest received (income)	**(46)**	-

20. 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**

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.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 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, three additional wells will be drilled over the successor 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 which 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 negotiations	2021	2021	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 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.

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 Corporation relinquished its El Chivil concession.

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 long-term liabilities

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 $0.97 million (2019 - $1.1 million), recorded as part of Other long-term liabilities in the consolidated statements of financial position at December 31, 2020.

A continuity relating to these liabilities is as follows:

	Year ended December 31	
USD 000s	**2020**	2019
Balance, beginning of year	**1,595**	1,182
Lease liability	**30**	(92)
LTIP liability	**(9)**	(58)
Other liabilities	**(54)**	501
Effect of change in foreign exchange rates	**(237)**	62
Balance, end of year	**1,325**	1,595

21. Financial Instruments and Risk Management

The Company is exposed to various risks that arise from its business environment and the financial instruments it holds. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework, policies and procedures. The following outlines the Company's risk exposures and explains how these risks and its capital structure are managed.

Capital Management

The Company's objective has been to maintain its capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company manages its capital structure and makes adjustments to it, as it is able to, in light of changes in economic conditions and the risk characteristics of the underlying oil and natural gas assets. The Company considers its capital structure to include shareholders' equity and working capital. In order to maintain or adjust the capital structure, the Company may obtain issue shares, adjust its capital spending to manage current and projected debt levels, sell non-core assets, farm-out existing opportunities or attempt to obtain new credit facilities.

In order to facilitate the management of its capital structure, the Company prepares annual capital expenditure budgets, which are updated throughout the year depending on varying factors including current and forecast prices, actual capital deployment and general industry conditions, if necessary.

The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the next twelve months and there are no external restrictions on the Company's capital structure.

At December 31, 2020, the consolidated working capital deficit of the Company was $31.5 million (December 31, 2019 -$20.4 million deficit), consisting of working capital deficiency of $28 million (December 31, 2019 –working capital deficiency 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.

Liquidity risk

At December 31, 2020, cash and cash equivalents of $0.1 million was deposited with banks in Argentina (December 31, 2019 - $0.6 million), and is held in ARS. Cash and cash equivalents of $9 thousand (2019 -$19 thousand) was deposited with banks in Canada and Barbados, and is held in USD.

Repatriation of Funds to Canada

Centaurus's corporate office is in Canada. Funds are required to enable the Company to maintain its Canadian corporate office and manage the regulatory, reporting, audit, legal and tax requirements of a TSX-V listed company. During 2020, $0.4 million (2019 - $2.2 million) was repatriated from Argentina. The Company didn't increase its investment in its Argentine subsidiaries (2019 - nil).

Credit risk

The Company's primary operations are conducted in Argentina. The Company is exposed to credit risk in relation to its cash and cash equivalents, trade and other receivables, and other long-term assets.

Cash and cash equivalents consist of funds held on deposit with reputable financial institutions, and therefore the Company does not believe these financial instruments are subject to material credit risk.

Other long-term assets relate to amounts due from various governments in Argentina primarily as it relates to VAT and is collected as revenue is earned. Although collection is slow, it is expected.

In Argentina, the majority of the Company's oil production is sold to the Argentine subsidiaries of major international oil and gas companies. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with large purchasers.

During 2020, a provision for doubtful accounts of $6 thousand (2019 - nil) has been recorded.

Maximum exposure to credit risk for trade and other receivables by type of customer

USD 000s	Year Ended December 31 2020	 2019
Oil and natural gas marketing companies	**3,983**	4,136
Other trade receivables	**196**	183
Total trade receivables	**4,179**	4,319
Taxes receivable	**(1,220)**	3,996
Total trade and other receivables	**2,959**	8,315

Amounts due from oil and gas marketing companies were subsequently collected by the Company.

Aged trade and other receivables

USD 000s	Year Ended December 31 2020	 2019
Current (less than 90 days)	**4,179**	4,301
Past due (more than 90 days)	**-**	18
Total	**4,179**	4,319

Market risk

Changes in commodity prices, interest rates and foreign currency exchange rates can expose the Company to fluctuations in its net earnings and in the fair value of its financial assets and liabilities.

Commodity price risk

The refiners used by the Company have paid an average unofficial crude oil price of USD $37.79 per barrel for the year ended December 31, 2020 (2019 – USD $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/bbl 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 Fourth Quarter was $37.79/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.

Interest rate risk

The Company has entered into negotiations on a series of agreements with Maglan Distressed Master Fund LP.

The Working Capital Loan is a multi-drawdown facility, which shall be used for general working capital purposes. Interest accrues at 7% in USD per annum.

The Capex Loan is a multi-drawdown convertible loan. The loan similarly accrues interest at 7% in USD per annum. There is not risk associated with interest rate as a result of the interest fixed in USD at 7% per annum.

As at December 31, 2020, neither of these loans have been finalized or funded; hence, $nil is owing as at the reporting period date.

Foreign currency exchange risk

The majority of the Company's exploration and development activities are conducted in Argentina and the majority of the Company's cash and cash equivalents are denominated in ARS. The Company is exposed to currency risk to the extent that revenue, expenses and monetary assets and liabilities are denominated in currencies that differ from the functional currency of the respective entity within the Company. The company has all its revenue nominated in USD. This mitigate most of the effect associated with foreign currency behaviors.

The impact of a 10% change in foreign exchange rates on gains and losses recorded on financial instruments, when translating from ARS and/or CAD to USD at December 31, 2020 would have changed the unrealized foreign exchange gain recorded in the consolidated statements of loss by $0.4 million (2019 - $0.2 million) for the year ended December 31, 2020.

22. Operating Expenses – General and Administrative Expenses

Centaurus's consolidated statements of loss and comprehensive loss are prepared primarily by nature of expenses, with the exception of employee compensation costs which are included in both the operating and general and administrative expense line items in the consolidated statements of loss and comprehensive loss. The following table details the amount of total employee compensation costs included in the operating and general and administrative expenses line items in the consolidated statements of loss and comprehensive loss.

	Year ended December 31	
USD 000s	2020	2019
Operating expenses		
Compensation costs	3,668	4,465
Transportation and processing	4,521	6,965
Maintenance, workovers and others	10,315	11,951
	18,505	23,381
General & Administrative expenses		
Compensation costs	1,454	2,141
Other	2,630	4,931
	4,084	7,072

b) Key management personnel of the Company consist of its directors and executive officers. As at December 31, 2020, the Company had 4 directors and 2 officers (2019 – 9 directors and 3 officers). The table below summarizes all key managament personnel net compensation paid and payable during the years ended December 31, 2020 and 2019.

	Year ended December 31	
USD 000s	2020	2019
Short-term employee benefits, including wages and management fees	278	908
Share-based compensation	393	216
	671	1,124

23. Revenues

Centaurus generally recognizes oil and natural gas revenue when title passes from Centaurus to the purchaser or, in the case of services, as contracted services are performed. Production revenues are pursuant to the terms outlined in contractual agreements and are based on fixed or variable price components. The transaction price for crude oil and natural gas is based on the commodity price in the month of production, adjusted for various factors including product quality and location. Commodity prices are based on monthly or daily market indices.

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.

Disaggregated revenue information

All of the Company's significant revenue streams are located in Argentina and include the following:

	Twelve months ended December 31	
USD 000s	**2020**	**2019**
Crude Oil	**26,384**	30,360
Natural gas	**792**	2,049
Oil and natural gas sales	**27,175**	32,409

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

24. Subsequent events

- ***Proposal to merge with Crown Point***

  In 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.

- ***Sale of Working Interest in Coiron Amargo Sur Este to Pan American Energy***

  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.

- ***Stock options***
  Centaurus granted 24,205,954 stock options to officers, directors, employees and consultants pursuant to the Company's stock option plan, which are exerciseable at a price of USD$0.04337 (CAD$0.055) per share and expire on January 8, 2026.