



**CENTAURUS ENERGY INC.**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

**FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2021**



## MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2021

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

*This Management's Discussion and Analysis of financial condition and results of operations ("MD&A") is based on information available to August 2, 2022 and should be read in conjunction with Centaurus Energy Inc.'s ("Centaurus" or the "Corporation") for the year ended December 31, 2021 and the accompanying notes. This MD&A contains forward-looking information about the Corporation's current expectations, estimates, projections and assumptions. See the Advisory for information on the risk factors that could cause actual results to differ materially and the assumptions underlying the Corporation's forward-looking information. Centaurus management prepared the MD&A, while the Audit Committee of the Centaurus Board of Directors (the "Board") reviewed and recommended its approval by the Board. Additional information relevant to the Corporation's activities contained in its continuous disclosure documents, including the consolidated financial statements and the Annual Information Form ("AIF"), is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") under the Corporation's profile at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.ctaurus.com](http://www.ctaurus.com).*

### **Basis of Presentation**

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

### **Non-GAAP Measures**

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

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

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



## Review of Operations

### Introduction

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

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

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

### 2021 Highlights

#### *Management and Board Changes*

Steven Azarbad, the Company's interim CFO since March 2020 has relinquished his position. David Tawil, the Company's interim CEO, has assumed the duties of Mr. Azarbad.

#### *Impact of the Coronavirus COVID-19*

The outbreak of the Coronavirus (COVID-19) had impact on the world GDP and had an adverse effect on the Company's operations, liquidity and financial results this year, but the extent and duration of these conditions over the longer term remain largely uncertain and dependent on future developments that cannot be accurately predicted at this time.

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

#### *Coirón Amargo Sur Este (CASE); 29% non-operated*

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

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

The CASE-401(h), CASE-301(h), CASE-201(h) and CASE-102(h) wells are part of the Pilot Program covered by the Loan Facility that Centaurus has with PAE, which will be repaid with the net production proceeds from 100% of Centaurus's interest in the CASE block.



## 2021 Developments

### ***Proposal to merge with Crown Point***

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

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

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

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

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

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

- a) satisfaction of all amounts owed by the Company under the Loan Agreement between PAE and Centaurus, dated December 7, 2016 (the "Loan Agreement"), and termination of the Loan Agreement, and
- b) payment to Centaurus, over time, of a 2.5% Overriding Royalty Interest (ORRI) over the net proceeds corresponding to the 29% interest being assigned to PAE, totaling \$25 million.

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

### ***Palmar Largo operation agreement***

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

### ***El Chivil end of concession***

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

### ***Curamhuele; exploratory permit expiration***

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

### ***Grant of options***

On January 8, 2021, the Corporation announced the grant of 24,205,954 options to officers, directors, employees and consultants pursuant to the Company's stock option plan, exercisable at a price of USD 0.04337 (CAD 0.055) per share and expiring on January 8, 2026. In addition, the Company and certain option holders have agreed to cancel 2,700,000 previously issued options originally issued in April 2018 and 600,000 options issued on January 8, 2021



were forfeited.. The issuance of options is subject to Exchange approval and the shares issuable upon exercise of the options may not be traded for 4 months and one day from the date of grant.

### Foreign Exchange Fluctuations

The table below provides various exchange rates that illustrate the foreign exchange fluctuations between the USD, the Argentine Peso ("ARS"), and the Canadian dollar ("CAD"). The table illustrates the impact of both the ARS and CAD changes relative to the USD in the three and twelve months ended December 31, 2021 compared to the three and twelve months ended December 31, 2020. During 2021, ARS continued to depreciate against the USD, and CAD appreciated against the USD. Foreign exchange changes in ARS and CAD impact the unrealized foreign exchange gains and losses recorded in the consolidated statements of loss.

USD	Three months ended			Year ended		
	December 31		%	December 31		%
	2021	2020	Change <sup>(1)</sup>	2021	2020	Change <sup>(1)</sup>
Average CAD to USD	0.793	0.767	3.39%	0.797	0.746	7.01%
Average ARS to USD	0.010	0.012	(20.34%)	0.011	0.014	(25.71%)
Period end CAD to USD	0.788	0.785	0.43%	0.788	0.785	0.43%
Period end ARS to USD	0.010	0.012	(18.08%)	0.010	0.012	(18.08%)

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

### Continuing Argentine Operations and Corporate Segments

#### Sales Volumes

	Three months ended		Year ended	
	December 31		December 31	
	2021	2020	2021	2020
Crude oil and NGLs (bbls/d)	1,609	1,762	1,212	2,042
Natural gas (mcf/d)	781	788	755	1,086
Total daily sales (boe/d)	1,739	1,894	1,337	2,223
% oil	93%	93%	91%	92%

Centaurus's primary producing concessions are at Coirón Amargo Sur Este ("CASE"), Puesto Morales and El Surubí. All concessions produce oil and Puesto Morales also produce natural gas. Approximately 96% of Centaurus' current production comes from Coirón Amargo Sur Este ("CASE"), Puesto Morales, and El Surubí.

Crude oil and NGL sales volumes for the three months ended December 31, 2021 ("the Quarter" or "Q4-2021") decreased to 1,609 bbl/d from 1,762 bbl/d for the three months ended December 31, 2020 ("Q4-2020"). The change compared to Q4-2020 can be attributed to the decrease in Palmar Largo and Chivil due to the concessions being relinquished during Q1-2021.

Natural gas sales volumes for the Quarter of 781 mcf/d decreased compared to 788 mcf/d for Q4-2020 due to lower production at Puesto Morales and CA-Norte.

For the year ended December 31, 2021 ("YTD"), crude oil and NGL sales volumes decreased to 1,212 bbl/d from 2,042 bbl/d for the year ended December 31, 2020 ("YTD-2020"). The change compared to Q4-2020 can be attributed to the decrease in Palmar Largo and Chivil due to the concessions being relinquished during Q1-2021 and to the change in CASE Working interest..



Natural gas sales volumes YTD decreased to 755 mcf/d from 1,086 mcf/d due to lower production at Puesto Morales and CA-Norte.

**Average Realized Prices**

USD	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Crude oil and NGLs - \$/bbl	53.71	37.94	50.31	35.30
Natural gas - \$/mcf	1.90	1.01	2.56	1.99
Total - \$/boe	50.54	35.98	47.02	33.45

The refiners used by the Company have paid an average unofficial crude oil price of \$53.71 per barrel for the three months ended December 31, 2021 (2020 - \$37.94). 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, 2021, Brent crude oil pricing recovered to \$74.17/bbl.

In the framework of the public emergency in Argentina and the international crisis derived from COVID-19, the National Executive Power published Decree No. 488/2020 (the “Decree”), dated May 19, 2020, in the Official Gazette, through which it establishes, with effect from May 19 to December 31, 2020 (the “Term of Validity”), a reference price to invoice and collect deliveries of crude oil in the local market equivalent to USD 45/bbl (the “Reference Price”), which will be adjusted for quality and delivery port in accordance with local market practices. Said Reference Price will be in force as long as the price of "Ice Brent First Line" does not exceed 45 USD/bbl for 10 consecutive days. Producers must apply the Reference Price for royalties liquidation. The Ministry of Energy is empowered to review and modify the Reference Price on a quarterly basis, and also to review the scope of the standard, following the parameters of production, activity and investment levels.

During the Term of Validity, production companies, including the Company:

- (i) must maintain the levels of activity and/or production registered during the year 2019, taking into account the contraction of local and international demand as a consequence of COVID-19, considering an adequate and economic exploitation of the field, in accordance with the Hydrocarbons Law;
- (ii) must apply the same criteria to the maintenance of contracts with regional contractors and suppliers.
- (iii) must maintain the current workforce as of December 31, 2019, within the framework of productivity agreements with union organizations; and
- (iv) will not be able to access the exchange market to form external assets or the bond market for cash operations with settlement abroad.

During the Term of Validity, refining and trading companies must buy crude oil to cover their total needs from local producers. In addition, they cannot import products that are available in the local market or for which there is processing capacity in the local market.

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



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

As a result, the average price received by the Company for the Quarter was \$53.71/bbl, higher than the \$37.94/bbl realized in Q4-2020 due to the increase of the prices after the COVID-19 pandemic.

The average price received YTD was \$50.31/bbl, compared to the \$35.30/bbl realized YTD-2020 for the same reasons above mentioned.

Natural gas prices in Argentina are subject to seasonal demand and are negotiated between the producer and the buyer. For the period May to September 2021, which is the Argentine winter, the price was set at \$3.75/mmbtu (Winter prices in 2020 were \$2.35/mmbtu). Summer pricing for the period from October 2021 to April 2022 has been set at \$2.30/mmbtu (October 2020 - April 2021 - \$2.00/mmbtu).

The average total price received for the Quarter was \$50.54/boe, higher than the \$35.98/boe realized in Q4-2020, and the average for YTD was \$47.02/boe, higher than \$33.45/boe realized in YTD-2020.

### ***Oil and Natural Gas Revenue***

USD 000s, except boe	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Crude oil	7,949	6,152	22,250	26,384
Natural gas	137	73	704	792
	8,085	6,225	22,954	27,175
\$/boe	50.54	35.73	47.02	33.40

Oil and gas revenues were \$7.9 million for the Quarter compared to \$6.2 million for Q4-2020, an increase of 27% mainly due to the increase of prices explained above..

YTD oil and gas revenues were \$22.9 million compared to \$27.2 million YTD-2020, a decline of 16% due to the decrease in Palmar Largo and Chivil due to the concessions being relinquished during Q1-2021 and to the change in CASE working interest.

### ***Other Income***

Other income of \$3.3 million YTD-2021 primarily related to the agreement to sell 6% of CASE JV to PAE. (YTD-2020, \$0.4 million related to a retroactive agreement signed with Vista Oil and Gas Argentina) .



USD 000s	Three months ended		Twelve months ended	
	December 31		December 31	
	2021	2020	2021	2020
Oil storage services in CA-Norte	-	-	-	-
Agreement to sell 6% of WI in CASE	3,220	-	3,135	-
Casing sales	-	-	-	59
Vista retroactive agreement in CA- Norte	-	280	-	280
Other	-	63	-	93
Other income	3,220	343	3,135	432

### Royalties

USD 000s, except boe	Three months ended		Year ended	
	December 31		December 31	
	2021	2020	2021	2020
Royalties	1,332	1,266	3,439	4,636
As % of revenue	16%	20%	15%	17%
\$/boe	8.32	7.26	7.04	5.70

Royalty expenses were \$ 1.3 million for the Quarter compared to \$1.3 million for Q4-2020. The Royalty rate was 16% for the Quarter compared to 20% in Q4-2020.

YTD, royalties and turnover taxes were \$3.4 million compared to \$4.6 million YTD-2020.

### Operating Costs

USD 000s, except boe	Three months ended		Year ended	
	December 31		December 31	
	2021	2020	2021	2020
Compensation costs	1,039	928	3,876	3,668
Transportation and processing	478	870	1,684	4,521
Maintenance, workovers and other	1,800	2,196	5,381	10,315
	3,317	3,994	10,941	18,505
\$/boe	20.74	22.92	22.41	22.74

Operating costs during the Quarter decreased 15% to \$3.3 million from \$3.9 million in Q4-2020 mainly due to lower operating expenses. On a per boe basis, operating costs for the Quarter decreased 10% to \$20.74/boe from \$22.92/boe in Q4-2020 due to the decrease in Palmar Largo and Chivil due to the concessions being relinquished during Q1-2021 and to the change in CASE working interest.

Operating costs YTD were \$10.9 million compared to \$18.5 million YTD-2020. The decrease was as a result lower production in Palmar Largo and Chivil due to the concessions being relinquished during Q1-2021. On a per boe basis, YTD costs were \$22.41 per boe, decreased from \$22.74 per boe YTD-2020 for the same reasons as noted



above.

**Netbacks <sup>(1)</sup>**

USD/boe	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Oil and gas revenue	50.54	35.73	47.02	33.40
Royalties	(8.32)	(7.26)	(7.04)	(5.70)
Operating expenses	(20.74)	(22.92)	(22.41)	(22.74)
<b>Netbacks</b>	<b>21.47</b>	<b>5.54</b>	<b>17.56</b>	<b>4.96</b>

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

**General and Administration ("G&A") Expenses**

USD 000s	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
<b>Argentina</b>				
Gross G&A				
Compensation costs	340	263	1,053	1,346
Other	7,115	1,232	7,757	2,277
	7,455	1,495	8,810	3,623
Capitalized	(56)	(47)	(189)	(190)
	7,399	1,448	8,621	3,433
<b>Corporate</b>				
Gross G&A				
Compensation costs	-	-	-	108
Other	32	30	195	543
	32	30	195	651
<b>Consolidated</b>				
Net G&A total	7,431	1,478	8,816	4,084

**Argentina**

Gross G&A expenses for the Quarter and year increased by \$6 million and \$4.8 million, respectively, mainly due to Curamhuele commitment payment accruals.

YTD, amounts capitalized were \$0.2 million compared to \$0.2 million YTD-2020.

**Corporate**

Gross G&A expenses for the quarter are comparable to quarter 2020.

During the Quarter and YTD, there were no directly attributable G&A costs in Canada capitalized to property, plant and equipment in Argentina (Q4 and YTD-2020 – nil).



### Finance (Income) and Expenses

USD 000s	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
<b>Argentina</b>				
Bank charges and fees	86	40	193	268
Foreign exchange (gain) loss - unrealized	(211)	232	(2,228)	202
Accretion of decommissioning liabilities	35	40	138	188
Lease liabilities accretion	-	-	-	1
Allowance for Tax Doubtful Accounts	(4,068)	-	(4,078)	-
Interest (income) and other expenses	(782)	4,932	777	7,045
	(4,940)	5,245	(5,198)	7,704
<b>Corporate</b>				
Foreign exchange (gain) loss - unrealized	70	138	75	57
Accretion of debt component of convertible debentures issued	-	-	-	-
Interest and other expenses	975	(73)	765	(300)
	1,045	65	839	(243)
<b>Consolidated</b>	<b>(3,894)</b>	<b>5,310</b>	<b>(4,358)</b>	<b>7,461</b>

#### Argentina

##### Bank Charges and Fees

Bank charges and fees relate to various forms of taxation in Argentina outside of royalties and income taxes. Bank charges and fees for the Quarter was \$86 thousand (Q4-2020 - \$40 thousand).

YTD, bank charges and fees were \$0.2 million compared to \$0.3 million YTD-2020. The decrease was due to reduced financing transaction activity.

##### Foreign exchange loss –unrealized

During the Quarter the Company recorded an unrealized foreign exchange gain of \$0.2 million compared to an unrealized loss of \$0.2 million in Q4-2020.

YTD, the Company recorded an unrealized foreign exchange gain of \$2.2 million compared to a \$0.2 million loss in YTD-2020. Quarterly and YTD fluctuations in unrealized gains and losses are a result of changing foreign exchange rates and underlying movements in the net assets of the Argentine subsidiaries.

##### Accretion of decommissioning liabilities

Accretion expense was \$35 thousand for the Quarter (Q4-2020– \$40 thousand).

YTD, accretion expense was \$138 thousand compared to \$188 thousand YTD-2020.

##### Interest (Income) and other expenses

Interest (income) and other expenses for the Quarter relates primarily to a recovery of interest of 1 million associated with the Centaurus Loan. The other interests came from PAE Loan. This loan bear interest at 7% per annum and is repayable in five years from the first to occur between the completion of the investments committed in the Pilot Program or the complete disbursement of the loan.

YTD, interest (income) and other expenses relate primarily to interest associated with the Pan American Energy Loan of \$1.5 million related to the CASE Pilot Program (YTD-2020-\$1.9 million).



### Allowance for Tax Doubtful Accounts

The recovery relates to a \$4 million reduction in an allowance for VAT recognized in prior years.

### **Corporate**

#### Foreign exchange loss (gain)

During the Quarter, the Company recorded an unrealized foreign exchange loss of \$70 thousand (Q4-2020 loss -\$ 0.1 million).

YTD, the Company recorded an unrealized foreign exchange loss of \$75 thousand compared to a \$57 thousand loss in YTD-2020.

The USD to CAD foreign exchange rate appreciated by 1% since December 31, 2020 (YTD-2020 – 2% appreciation since December 31, 2019).

#### Interest (Income) and other expenses

Interest (income) and other expenses for the Quarter relates primarily to interest loss of \$1 million associated with an adjustment to the Argentina intercompany loans (Q4-2020- \$0.1 million gain). This loan bear interest at 5% per annum.

YTD, interest (income) and other expenses relate primarily to interest loss associated with an adjustment of the Argentina intercompany loans of \$1 million (YTD-2020-\$0.3 million).

### **Share-based and Long-term Incentive Compensation**

#### Stock options

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

On January 8, 2021, 24,205,954 options were granted to certain directors of the Company with exercise prices of USD \$0.04337 (CAD \$0.055) per share (2020 – nil). In addition, the Company and certain option holders have agreed to cancel 2,700,000 previously issued options originally issued in April 2018 and 600,000 options issued in January 2021 were forfeited.

As of August 2, 2022, the Company had 544.1 million shares and 51.1 million options outstanding.

#### Long-term incentive units

During 2016, the Company issued long-term incentive units under a Long-Term Incentive Plan (“LTIP”) that allows employees to benefit as a result of appreciation of the trading price of Centaurus’s common shares from the issue date, through the payment of cash upon vesting. On August 26, 2016, 6.5 million Units were issued to certain employees at an exercise price of CAD \$0.145 per common share.

LTIP compensation recovery was nil in the Quarter (Q4-2020 - recovery of \$13 thousand).

On a YTD basis, LTIP compensation was \$1 thousand (YTD-2020 - \$9 thousand).

### **Depletion and Depreciation (“D&D”)**

USD 000s, except boe	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
<b>Argentina</b>	<b>371</b>	2,431	<b>1,792</b>	13,210
\$/boe	<b>2.32</b>	13.95	<b>3.67</b>	16.24
<b>Corporate</b>	-	-	-	-
<b>Consolidated</b>	<b>371</b>	2,431	<b>1,792</b>	13,210



### Argentina

D&D decreased to \$0.3 million in the Quarter compared to \$2.4 million in Q4-2020 mainly due to a lower depletable base. On a per boe basis, D&D for the Quarter decreased to \$2.32/boe from \$13.95/boe in Q4-2020.

YTD, D&D decreased to \$1.8 million from \$13.2 million due to lower depletable base.

### **Property Plant and Equipment ("PPE") Impairment**

Impairment tests were performed over each CGU, which resulted in the estimated recoverable amount of each CGU being higher than the carrying amount, MEA South by \$10.5 million and MEA North by \$5.8 million. An aggregate impairment recovery of \$16.3 million was recognized in fiscal 2021 (2020 – impairment expense of \$15.3 million). The impairment reversal resulted from an increase in future forecasted commodity prices combined with an increase in reserves estimation.

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, 2021 reserve report using a discount rate of 21.1% (2020 – 18.3%) for MEA North and of 21.3% (2020 – 18.4%) for MEA South.

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

Year	Brent Oil Price <sup>(1)</sup> (USD/bbl)	Argentina Domestic Gas Price <sup>(1)</sup> (USD/mmbtu)
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.

The depletion expense calculation for the year ended December 31, 2021 included as part of the depletable base, \$0.8 million (2020 – \$79.8 million) for estimated future development costs in Argentina.

During the year ended December 31, 2021, approximately \$0.2 million (2020 - \$0.2 million) of directly attributable general and administration costs were capitalized to property, plant and equipment in Argentina



### ***Exploration & Evaluation ("E&E") Impairment***

On March 16, 2021, the Company's exploratory permit relating to the Curamhuele block expired, which resulted in an impairment expense of \$26.4 million (December 31, 2020, no indicators of impairment were identified).

### ***Income Tax Expense (Recovery)***

USD 000s	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Current	-	579	-	579
Deferred	-	-	-	-
<b>Total</b>	<b>-</b>	<b>579</b>	<b>-</b>	<b>579</b>

Centaurus has one legal entity in Argentina. The income tax rate in Argentina is 35%.

The Company did not record a deferred income tax expense or recovery during the Quarter (Q4-2020 – nil).

On a YTD basis, the Company did not record a deferred income tax expense or recovery (YTD-2020 – nil).

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

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

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

USD 000s	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Cash flow from operating activities	6,867	(233)	7,442	(839)
Change in non-cash working capital	(1,310)	(5,434)	(1,310)	(6,248)
Funds flow (used in) from continuing operations	<b>5,557</b>	<b>(5,667)</b>	<b>6,132</b>	<b>(7,087)</b>

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

USD 000s	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Funds flow from (used in) continuing operations	5,557	(5,667)	6,132	(7,087)
Per share – basic & diluted	0.01	-	0.01	-
Net income (loss) gain - continuing operations	6,793	(14,982)	(4,829)	(38,020)
Per share – basic & diluted	0.01	(0.03)	(0.01)	(0.07)



Comprehensive (loss) gain – continuing operations	6,793	(14,982)	(4,829)	(38,020)
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Centaurus funds flow from continuing operations for the Quarter increased by \$11.2 million from Q4-2020.

On an YTD basis, funds flow from continuing operations decreased by \$13.2 million from YTD-2020.

The net cash flows provided by continuing operations for the Quarter was \$5.6 million (Q4-2020 – used \$5.7 million), due primarily due to the variation of the impairment (2020 expense 5.9 million and 2021 recovery of 4 million), the income related to CASE sale agreement (\$3.2 million), an increase in sales (\$1.8 million), less depletions (\$2 million).

The net loss from continuing operations YTD was \$4.8 million (YTD-2020 – net loss of \$38.0 million), primarily due to the situation explained above.

### Capital Expenditures

USD 000s	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
<b>Argentina</b>				
Land and associated renewal fees	-	-	-	-
Geological and geophysical	-	-	-	-
Drilling and completions	16,300	672	16,444	7,658
Well equipment and facilities	-	5	-	130
Other	6	46	80	165
Argentina total	16,306	723	16,524	7,954
<b>Consolidated</b>	16,306	723	16,524	7,954

#### Argentina

Capital expenditures for the Quarter were primarily related to drilling and completions of \$16.3 million mainly related to CASE.

On a YTD basis, Capital expenditures were primarily related primarily related to CASE.

As December 31, 2021, the net book value of the PP&E assets was \$20.9 million (2020 - \$1.2 million) and the net book value of the E&E assets were \$3.8 million (2020 - \$30.8 million). The December 31, 2021 reserve report was prepared by Juan Rosbaco.

#### Transactions with Related Parties

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

As at December 31, 2021, the Corporation is indebted to the interim Chief Executive Officer for \$370 thousand primary related to trade payables settled by the officer on behalf of the Corporation.

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, 2021, there were not any disbursements (2020 – nil) and interests related for \$143 thousand (2020 – \$143 thousand).

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



## Financial Position, Liquidity and Capital Resources

### Liquidity risk

USD 000s	December 31 2021	December 31 2020
Working capital (deficit) surplus		
Argentina	(43,508)	(28,012)
Canada	(3,714)	(3,556)
	(47,222)	(31,568)
Convertible loan – capital resource	(2,265)	(342)
Working Capital loan	-	(1,780)
Short term loan	(66)	(70)
Pan American Energy ("PAE") loan	(17,293)	(26,497)
Net financial position	(66,846)	(60,258)
Shareholders' deficiency	(30,034)	(25,301)

At December 31, 2021, the consolidated working capital deficit of the Corporation was \$47.2 million (December 31, 2020 -\$31.5 million deficit), consisting of working capital deficiency of \$43.5 million (December 31, 2020 – deficiency working capital of \$28 million) in Argentina and a working capital deficiency of \$3.7 million (December 31, 2020- \$3.5 million working capital deficiency) in Canada.

At December 31, 2021, cash and cash equivalents of \$2 thousand was deposited with banks in Argentina (December 31, 2020 - \$0.1 million), and is held in ARS. Cash and cash equivalents of \$4 thousand (2020 -\$9 thousand) was deposited with banks in Canada and Barbados, and is held in USD.

On March 27, 2020, the Company received a notice of default and reservation of rights from KD Energy and Hispania, alleging that the Corporation is in default of the terms of the Working Capital Loan Agreement and Amended and Restated Convertible Loan Agreement. On March 25, 2020, the Company and Maglan Distressed Master Fund LP entered into the Maglan Financing Agreement, pursuant to the terms of which the parties will enter into agreements providing the Corporation with access of up to \$23 million. While negotiations are ongoing there is no guarantee of agreement on the final terms of the financing.

The consolidated financial statements do not include adjustments in the carrying values of the assets and liabilities that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

### Repatriation of Funds to Canada

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

During 2021, nil was repatriated from Argentina. (2020 - \$0.4 million) The Company did not increase its investment in its Argentine or other subsidiaries (2020 - nil).

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

No common shares were issued in the Quarter (Q4-2020 – nil).

On a YTD basis, no common shares were issued (YTD-2020 – nil).

No options were granted during the Quarter (Q4-2020 – nil).

During the year ended December 31, 2021, 24,205,954 options were granted to certain directors of the Company with exercise prices of CAD \$0.055 or USD \$0.04337 per share.

As at August 2,, 2022, the Corporation had 544.1 million shares and 51.1 million options outstanding.



### ***Fair value of Financial Instruments***

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

### ***Decommissioning Obligations***

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

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

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

At December 31, 2021, an inflation rate of 1.52% was used (December 31, 2020 – 0.93%). The risk-free rate used to discount the liability at December 31, 2021 was 1.52% (December 31, 2020 – 0.93%). The impact of the change in the risk-free rate and inflation rate amounted to a \$0.4 million decrease to the decommissioning obligations for the year ended December 31, 2021 (December 31, 2020 - \$0.2 million).

### ***Commitments and Other Long-term Liabilities***

Consolidated undiscounted Commitments table

USD 000s	Under negotiations	2022	2023	Thereafter	Total
Development and Exploration Commitments	33,450	26,016	-	-	61,266
<b>Total</b>	<b>33,450</b>	<b>26,016</b>	-	-	<b>61,266</b>

#### *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, 2021, (net of repayments) is \$16.9 million.



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	2022 <sup>(2)</sup>
Concession commitments at CASE <sup>(1)</sup>	11,116

(1) Committed values are reflected at Centaurus 29% WI at December 31, 2021 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.

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 March 22, 2022, Madalena Energy Argentina S.R.L. ("MEA"), closed the agreement to sell its remaining working interest in CASE, located in the Province of Neuquén, Argentina to Pan American Energy, S.L., Argentine Branch ("PAE"), the operator of CASE.

Pursuant to the transaction with PAE, Centaurus sold its remaining working interest (29%) in the CASE block, with an effective date of January 1, 2021, in return for consideration with a reference value of more than US\$49 million, including:

- a. satisfaction and discharge 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,
- b. payment of US\$6,000,000 to the Province of Neuquén to settle MEA liabilities related to the Curamhuele hydrocarbons area, located in the Province of Neuquén ("Curamhuele"), and
- c. payment to Centaurus, over time, of 1.25% to 2.5% Overriding Royalty Interest (the "ORRI") over the net proceeds corresponding to the 29% interest being assigned to PAE which shall be payable by PAE in semi-annual installments, and other considerations totaling US\$16.83 million.

Curamhuele Block (90% WI-operated)

USD 000s	2022
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 Agrío 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 Agrío 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 Neuquén (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 Neuquén 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.

As part of the March 22, 2022 agreement with PAE, PAE paid US\$ 6,000,000 to the Province of Neuquén to settle MEA liabilities related to the Curamhuele hydrocarbons area.



Puesto Morales Block (100% WI-operated)

USD 000s	Under negotiation	2022	2023	Beyond	Total
Concession commitments	13,700	14,900	-	1,800	30,400

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

Santa Victoria Block (100% WI - operated)

The contract can contain up to three exploration and evaluation phases, of which the second expired in April 2017. The second phase required additional work commitments of \$4.037 million for which no qualifying expenditures have been made. A performance bond of \$3.6 million is in place over the commitments under this exploration and evaluation permit. Since November 2017, the Corporation has proposed alternatives to the province of Salta in order to reconvert and reschedule pending commitments. As of December 31, 2020 negotiations were continuing and are currently advancing to its final stages with the province of Salta for reconversion of the existing exploration commitment into a new exploration permit for an initial four year term.

El Chivil Block (100% WI – operated)

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.

As of December 31, 2021, the Corporation has a pending commitment for \$1 million related to the second workover.

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

Other Commitments

In November 2016, Centaurus sub-leased its former corporate office premises to the end of 2018, with the expectation of further renewals or alternative sub-lease arrangements to the end of the head lease term of September 2022. The difference between the head lease payments under the existing contract and the sub-lease contract income expected over the period of the lease term, results in an onerous contract and a liability has been recognized of approximately \$0.24 million (2020 - \$0.97 million), recorded as part of Other long-term liabilities in the consolidated statements of financial position at December 31, 2021..



### Other long-term liabilities

A continuity relating to these liabilities is as follows:

	Year ended December 31,	
	2021	2020
Balance, beginning of year	1,325	1,595
Lease liability <sup>(1)</sup>	-	30
LTIP liability	-	(9)
New contingencies	-	-
Other liabilities	(90)	(54)
Effect of change in foreign exchange rates	(84)	(237)
Balance, end of year	1,151	1,325

(1) Relates to "Other Commitments"

### Annual and Quarterly Financial Results

#### *Annual Financial Results – Continuing Operations*

As at December 31	2021	2020	2019
USD 000s, unless otherwise noted			
Oil and natural gas revenues	22,954	27,175	32,409
Other income	3,135	432	1,643
Net loss from continuing operations	(4,829)	(38,020)	(23,288)
Shares outstanding – millions	544.1	544.1	544.1
Net loss per share – basic and diluted- continuing operations	(0.01)	(0.07)	(0.04)
Total assets	40,942	39,241	64,435
Shareholders' equity (deficiency)	(30,034)	(25,301)	12,229

The decrease in oil and gas revenues in 2021 was a result of a decrease in Palmar Largo and Chivil due to the concessions being relinquished during Q1-2021 and to the change in CASE working interest.

The Corporation recorded a pre-tax impairment expense in 2021 of \$10 million. The Corporation recorded a pre-tax impairment expense of \$15.3 million in 2020, respectively.

#### *Quarterly Financial Results - Continuing Operations*

	Q4	Q3	Q2	Q1
USD 000s, unless otherwise noted	2021	2021	2021	2021
Oil and natural gas revenues	8,085	5,425	5,281	4,162
Net income (loss)	6,793	1,895	2,556	(16,075)
Shares outstanding – millions	544.1	544.1	544.1	544.1
Net income (loss) per share – basic and diluted	0.01	(0.00)	(0.00)	(0.03)



USD 000s, unless otherwise noted	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Oil and natural gas revenues	6,225	6,895	4,860	9,195
Net income (loss)	(7,925)	(3,758)	(16,442)	(2,841)
Shares outstanding – millions	544.1	544.1	544.1	544.1
Net income (loss) per share – basic and diluted	(0.01)	(0.0)	(0.03)	(0.01)

The Corporation recorded impairment recovery of \$4.1 million in Q4-2021 and \$9.3 million in Q2-2021 (\$5.9 million in Q4-2020).

### ***Critical Accounting Judgments, Estimates and Accounting Policies***

For further details regarding the Corporation’s critical accounting judgments, estimates and accounting policies, the following should be read in conjunction with the Corporation’s consolidated financial statements for the year ended December 31, 2021.

Management is required to make judgments, estimates and assumptions in the application of accounting policies that could have a significant impact on the Corporation’s financial results. Actual results may differ from those estimates and those differences may be material. The estimates and assumptions used are subject to updates based on experience and the application of new information. The Corporation’s critical accounting policies and estimates are reviewed annually by the Audit Committee of the Board. Further details on the basis of presentation and significant accounting policies can be found in the Corporation’s notes to the consolidated financial statements for the year ended December 31, 2021.

#### **(a) Future accounting standards and pronouncements**

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

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

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

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

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

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

##### ***Critical Accounting Judgments in Applying Accounting Policies***

Critical judgments are those judgments made by management in the process of applying accounting policies that have the most significant effect on the amounts recognized in the Corporation’s consolidated financial statements and accompanying notes for the year ended December 31, 2021. Further information on management’s critical accounting judgments in applying accounting policies can be found in the notes to the consolidated financial statements for the year ended December 31, 2021.

##### ***Critical Accounting Estimates***

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



financial statements for the year ended December 31, 2021.

### **Risk Management**

For a full understanding of the risks that impact the Corporation, the following discussion should be read in conjunction with the Corporation's consolidated financial statements for the year ended December 31, 2021.

The Corporation is exposed to a number of risks through the pursuit of its strategic objectives. Some of these risks impact the oil and gas industry as a whole and others are unique to its operations and its involvement in Argentina. Actively managing these risks improves the Corporation's ability to effectively execute its business strategy. The factors that impact the Corporation's exposure to liquidity risk, safety risk, capital project execution and operating risk, reserves replacement risk, environmental risk and regulatory risk has not changed substantially since December 31, 2021. For a further and more in-depth discussion of the Corporation's risk management see the Corporation's consolidated financial statements for the year ended December 31, 2021.

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

### **Advisory**

#### ***Forward Looking Statements***

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

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

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

#### ***Reserves and Other Oil and Gas Disclosure***

Any references in this MD&A to test rates, flow rates, initial and/or final raw test or production rates, early production, test volumes behind pipe and/or "flush" production rates are useful in confirming the presence of hydrocarbons, however, such rates are not necessarily indicative of long-term performance or of ultimate recovery. Such rates may also include recovered "load" fluids used in well completion stimulation. Readers are cautioned not to place reliance



on such rates in calculating the aggregate production for Centaurus. In addition, the Vaca Muerta and Agrio shales are unconventional resource plays which may be subject to high initial decline rates.

### ***Analogous Information***

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

### ***Numerical Amounts***

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

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

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

### **Abbreviations**

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

#### *Oil and Natural Gas Liquids*

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

#### *Natural Gas*

Mcf      thousand cubic feet  
mmbtu   million British Thermal Units