CENTAURUS

CENTAURUS ENERGY INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

(UNAUDITED)

NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim condensed financial statements of Centaurus Energy have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

USD 000s	Note	As at June 30 2020	As at December 31 2019
Assets			
Current assets			
Cash and cash equivalents		**59**	599
Trade and other receivables		**12,087**	8,315
Inventory		**1,262**	1,105
Other current assets		**452**	295
Total current assets		**13,860**	10,314
Property, plant and equipment	3	**11,386**	22,971
Exploration and evaluation assets	4	**30,766**	30,755
Lease right-of-use assets	5	**127**	200
Other long-term assets	6	**3,105**	195
Total non-current assets		**45,384**	54,121
TOTAL ASSETS		**59,244**	64,435
Liabilities			
Current liabilities			
Current Loan	7	**9,493**	8,981
Short term debt	8	**2,050**	1,979
Derivative liability	8	**9**	21
Trade and other payables		**18,198**	19,001
Taxes payable		**648**	560
Short term lease liability	9	**155**	216
Total current liabilities		**30,553**	30,758
Loan	7	**21,090**	7,189
Decommissioning obligations	10	**13,111**	12,664
Other long-term liabilities	14	**1,534**	1,595
Total non-current liabilities		**35,735**	21,448
TOTAL LIABILITIES		**66,288**	52,206
Shareholders' Equity			
Share capital	11	**239,029**	239,029
Contributed surplus		**18,108**	18,097
Accumulated other comprehensive loss		**(26,941)**	(26,941)
Deficit		**(237,240)**	(217,956)
Total equity		**(7,044)**	12,229
TOTAL LIABILITIES AND EQUITY		**59,244**	64,435

Commitments and Other Long-term Liabilities (note 16)
See the accompanying Notes to the Condensed Interim Consolidated Financial Statements.

{W:/DOCS/8941.001/58/00585668.DOCX /}

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Unaudited)

USD 000s, except per share amounts	Note	Three months ended June 30 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Revenues					
Oil and natural gas revenues	15	**4,860**	8,979	**14,055**	16,477
Royalties		**(607)**	(1,727)	**(2,157)**	(3,056)
Other Income		**-**	307	**59**	506
		4,253	7,559	**11,957**	13,927
Expenses					
Operating	16	**5,131**	5,448	**10,517**	11,013
General and administrative	16	**931**	1,382	**1,948**	3,267
Finance (income) expenses	17	**1,143**	1,528	**1,463**	616
Share-based and long-term incentive compensation	19, 20	**20**	68	**4**	164
Depletion and depreciation	3	**3,757**	1,516	**7,530**	3,159
Depreciation of right-of-use assets	5	**15**	15	**73**	31
Loss (Gain) on disposal of assets	3, 4, 12	**417**	7	**490**	(3,442)
Fair value change on warrant liability		**(9)**	-	**(11)**	-
Impairment	3	**9,326**	-	**9,326**	-
Other gains and losses		**(36)**		**(99)**	-
		20,695	9,964	**31,241**	14,808
Loss before income taxes		**(16,442)**	(2,405)	**(19,284)**	(881)
Income tax recovery (expense)					
Current		**-**	(21)	**-**	-
Deferred		**-**	376	**-**	(1,795)
		-	355	**-**	(1,795)
Loss		**(16,442)**	(2,050)	**(19,284)**	(2,676)
Comprehensive Loss		**(16,442)**	(2,050)	**(19,284)**	(2,676)
Net Loss per share					
Basic and diluted – continuing	13	**(0.03)**	(0.00)	**(0.04)**	(0.01)
Basic and diluted – total	13	**(0.03)**	(0.00)	**(0.04)**	(0.01)

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements.
{W:/DOCS/8941.001/58/00585668.DOCX /}

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

USD 000s	Share Capital (note 11)	Contributed Surplus	Equity Component of Convertible Debentures (note 8)	Accumulated Other Comprehensive Loss	Deficit	Total Equity
Balance at December 31, 2019	**239,029**	**18,097**	**-**	**(26,941)**	**(217,956)**	**12,229**
Net Loss	-	-	-	-	(19,284)	(19,284)
Share-based compensation (note11)	-	11	-	-	-	11
Convertible debentures maturity	-	-	-	-	-	-
Warrants	-	-	-	-	-	-
Balance at June 30, 2020	**239,029**	**18,108**	**-**	**(26,941)**	**(237,240)**	**(7,044)**
Balance at December 31, 2018	239,029	17,750	76	(26,941)	(194,668)	35,246
Net Loss	-	-	-	-	(2,676)	(2,676)
Share-based compensation (note 11)	-	193	-	-	-	193
Common shares issue – Convert debentures		76	(76)	-	-	-
Warrants (note 8)			-	-	-	-
Balance at June 30, 2019	239,029	18,019	-	(26,941)	(197,344)	32,763

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

USD 000s	Note	Three months ended June 30 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Cash provided by (used in):					
Operating					
Net Loss		**(16,442)**	(2,050)	**(9,958)**	(2,676)
Items not affecting cash:					
Depletion and depreciation	3	**3,757**	1,516	**7,530**	3,159
Depreciation of right-of-use assets	5	**15**	15	**73**	30
Impairment	3	**9,326**	-	**9,326**	-
Accretion		**38**	118	**110**	236
Fair value change on convertible deventures held		**(9)**	-	**(11)**	
Loss (Gain) on disposal of assets	3, 12	**417**	-	**490**	(3,801)
Share-based and long-term incentive compensation	18, 19	**20**	68	**4**	164
Deferred income tax expense (recovery)		**-**	(376)	**-**	1,796
Unrealized (gain) loss on foreign exchange	17	**152**	1,255	**(43)**	574
Lease commitment liability		**-**	-	**-**	-
Non-cash increase of contingent liability		**1**	32	**8**	53
Change in non-cash working capital	13	**1,701**	241	**1,138**	1,029
Cash flow from (used in) operating activities		**(1,024)**	819	**(659)**	564
Investing					
Property, plant and equipment additions	3	**-**	(2,745)	**-**	(3,866)
Evaluation and exploration assets additions	4	**-**	-	**(7)**	(23)
Change in non-cash working capital	13	**191**	(397)	**191**	299
Net cash from (used in) investing activities		**191**	(3,142)	**184**	(3,590)
Financing					
Loan term debt proceeds	8	**-**	2,041	**-**	2,041
Convertible debentures repayment	8	**-**	(1,468)	**-**	(1,468)
Lease payment	9	**(5)**	(15)	**(62)**	(30)
Change in non-cash working capital		**-**	3,059	**-**	3,469
Net cash used in financing activities		**(5)**	3,617	**(62)**	4,012
Change in cash and cash equivalents		**(839)**	1,294	**(540)**	986
Cash and cash equivalents, beginning of period		**897**	470	**599**	778
Cash and cash equivalents, end of period		**59**	1,764	**59**	1,764

(1) Non-cash additions related to CASE $4,950 YTD (note 3).
(2) Non-cash loan received from PAE, net of repayments $13,514 YTD (note 7)

See the accompanying Notes to the Condensed Interim Consolidated Financial Statements.

{W:/DOCS/8941.001/58/00585668.DOCX /}

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

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to a going concern, which contemplate the realization of assets and the settlement of liabilities in the normal course of business as they become due.

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. 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 throughout 2020.

Furthermore, subsequent to year end the Company received notice 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"). On April 9, 2020 the Corporation has signed a binding term sheet with Maglan Distressed Master Fund LP with respect to debt financing agreement, which will provide access up to $23 million. The parties had until June 30, 2020 to enter into a definitive agreement. On July 17, 2020, the Corporation received the extension of the deadline to October 31, 2020. While negotiations are ongoing there is no guarantee of agreement on the final terms of the financing. As such, there is a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern. These condensed interim 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.

Statement of Compliance

These condensed interim 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 condensed interim consolidated financial statements follow the same accounting policies and method of computation as the annual consolidated financial statements for the year ended December 31, 2019. The disclosures provided below are incremental to those included with the annual consolidated financial statements. Certain information and disclosures normally included in the notes to the annual consolidated financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB").

The condensed interim consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on Oct 8, 2020.

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

USD 000s	2020	2019
Cost		
Balance, beginning of period	178,746	152,435
Additions	4,950	25,869
Disposals	-	(72)
Change in decommissiong liabilities	321	514
Balance, end of period	184,017	178,746
Accumulated depreciation and depletion		
Balance, beginning of period	(155,775)	(129,957)
Depreciation and depletion	(7,530)	(8,075)
Impairment	(9,326)	(17,743)
Balance, end of period	(172,631)	(155,775)
Net book value, beginning of period	22,971	22,478
Net book value, end of period	**11,386**	22,971

The additions for the three and six monts period were mainly due to pilot program in Coiron Amargo Sur Este concession.

At June 30, 2020, Centaurus determined indicators of impairment existed in each of its Argentine CGUs as result of the impact on commodity prices generated by the economic impact of the global COVID-19 pandemic and the global oversupply of crude oil.

As a result, impairment tests were performed over each CGU and one of them, MEA South, was deemed to be impaired as it´s estimated recoverable amount was lower than the carrying amount by $10.5 million. For MEA North the recoverable amount was higher than it carrying amount by $1.2 million. The combined recoverable amounts, calculated as $11.4 million, resulted impairment expense of $9.3 million (2019 –nil).

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 using a discount rate of 18.1% for MEA North and of 19.2% for MEA South, and the following forecast benchmark commodity price estimates:

Year	Brent Oil Price (1) (USD/bbl)	Argentina Domestic Gas Price (1) (USD/mmbtu)
2020	36.00	3.68
2021	44.00	3.68
2022	50.50	3.68
2023	55.50	3.75
2024	60.50	3.83
2025	62.00	3.91
2026	63.10	3.98
2027	64.30	4.06
2028	65.60	4.14
2029	66.80	4.23
2029+	+2%/yr	+2%/yr

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

At this time, the extent to which COVID-19 may affect the Corporation is uncertain; however, it is possible that COVID-19 may have further adverse effects on commodity prices, the Corporation's business, results of operations and financial condition depending on the severity and duration of the pandemic. Based on IFRS guidance, the Company has not reflected these subsequent conditions in the recoverable amount estimates within the Company's impairment tests as at June 30, 2020.

The depletion expense calculation for the three month and six month period ended June 30, 2020 included as part of the depletable base, $84.9 million for estimated future development costs associated with proved developed non-producing reserves in Argentina (June 30, 2019 - $5.5 million).

During the three and six months period ended June 30, 2020, approximately $57 thousand and $0.1 million (2019 - $0.1 million and $0.15 million) of directly attributable general and administration costs were capitalized to property, plant and equipment.

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

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

E&E assets consist of the Company's intangible exploration projects in Argentina pending determination of proven or probable reserves. 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 June 30, 2020 and 2019, Centaurus reviewed the carrying amounts of E&E assets for indicators of potential impairment. As a result of this assessment, no indicators of impairment were identified.

5. Right-of-use assets

USD 000s	2020	2019
Cost		
Balance, beginning of period	432	-
IFRS 16 first recognition	-	432
Additions	-	-
Balance, end of period	432	432
Accumulated depreciation and depletion		
Balance, beginning of period	(232)	-
Depreciation and depletion	(73)	(232)
Balance, end of period	(305)	(232)
Net book value, beginning of period	200	-
Net book value, end of period	**127**	200

6. 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 income tax receivable of $3.1 million (December 31, 2019 – $0.2 million)

7. 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 CASE capital expenditures. 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.

Negotiations are currently underway with the operator to resolve the situation.

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 $4.5 million (2019 - $0.9 million) was repaid through the sale of the net revenue.

USD 000s	Total

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

At December 31, 2019	16,170
Proceeds	18,002
Interests	899
Repayment	(4,488)
At June 30, 2020	**30,583**
Current	9,493
Long-term	21,090
Total	**30,583**

8. Convertible Loan Working Capital 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 the 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 June 30, 2020, $0.3 million has been drawn on the Capex Loan and $1.7 million has been drawn on the Working Capital Loan by the Company.

The fair value of the conversion option component of the convertible loan as at December 31, 2019 was determined to be $21 thousand using the trinomial method with the following assumptions: expected dividend yield of 0%, expected volatility of 78% based on historical share prices, CDN risk free interest rate of 1.7%, US risk free interest rate of 1.57%, share price of CDN$0.065, an exchange rate volatility of 5.8% and an expected life of 2.50 years.

The fair value of the conversion option component of the convertible loan as at June 30, 2020 was determined to be $8 thousand using the trinomial method with the following assumptions: expected dividend yield of 0%, expected volatility of 92% based on historical share prices, CDN risk free interest rate of 0.3%, US risk free interest rate of 0.16%, share price of CDN$0.04, an exchange rate volatility of 6.4% and an expected life of 2 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, 2019 and as at June 30, 2020:

USD 000s	Liability	Derivative Liability	Total
At December 31, 2019	1,979	21	2,000
Convertible loan disburstment	-	-	-
Revaluation of conversion option	-	(11)	(11)
Interests	71	-	71
Impact of foreign exchange	-	(1)	(1)
At June 30, 2020	**2,050**	**9**	**2,059**

9. Lease liability

USD 000s	2020	2019
Balance, beginning of year	**216**	-
IFRS 16 first recognition	**-**	236
Accretion expense (note 17)	**1**	43
Obligations settled	**(62)**	(63)
Balance, end of period	**155**	216
Current	**155**	216
Long-term	**-**	-
Total	**155**	216

{W:/DOCS/8941.001/58/00585668.DOCX /}

The total undiscounted amount of finance liabilities debt at June 30, 2020 is $155 thousand (December 31, 2019 – $216 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 June 30, 2020 was 10.5% (December 31, 2019– 10.5%).

10. Decommissioning Obligations

The total undiscounted amount of cash flows required to settle Centaurus's decommissioning obligations in Argentina only at June 30, 2020 is approximately $13.2 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 June 30, 2020 an inflation rate of 1.06% was used (December 31, 2019 – 1.86%). The risk free rate used to discount the liability at June 30, 2020 was 1.18% (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.

USD 000s	June 30 2020	December 31 2019
Balance, beginning of year	**12,664**	15,621
Disposals	**-**	(3,801)
Additions from development activities	**142**	86
Accretion expense (note 17)	**109**	324
Revision of estimates	**192**	434
Balance	**13,107**	12,664
Current	**-**	-
Long-term	**13,107**	12,664
Total	**13,107**	12,664

11. 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 June 30, 2020 or December 31, 2019. No dividends have been declared by the Company at June 30, 2020 or December 31, 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 June 30, 2020	**544,060**	**239,029**

{W:/DOCS/8941.001/58/00585668.DOCX /}

Net Income (Loss) Per Share

As at June 30, 2020, there is no resulting dilutive impact of the convertible debentures or share options. The following table provides the weighted average number of common shares used in the per share calculations:

	Three months ended June 30		Six months ended June 30	
	2020	**2019**	**2020**	**2019**
Weighted average number of common shares - basic – 000s	**544,060**	544,060	**544,060**	544,060
Net Loss from continuing operations - USD 000s	**(16,442)**	(2,050)	**(19,284)**	(2,676)
Per share – basic & diluted - continuing operations ($/share)	**(0.03)**	(0.00)	**(0.04)**	(0.00)
Per share – basic & diluted - total ($/share)	**(0.03)**	(0.00)	**(0.04)**	(0.01)

12. El Vinalar assignment

In December 2018, the Company entered into an agreement assigning Centaurus's 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 to decommissioning obligations of $3.8 million. Resulting in a net gain of $3.5 million.

13. Supplemental Cash Flow Information

Changes in non-cash working capital

	Three months ended June 30		Six months ended June 30	
USD 000s	**2020**	**2019**	**2020**	**2019**
Trade and other receivables	**(4,776)**	2,378	**(6,672)**	1,693
Other current assets, including inventory	**(213)**	(982)	**(314)**	(2,374)
Lease liabilities	**(5)**	66	**(62)**	86
Trade and other payables	**6,886**	1,441	**8,377**	5,392
Change in non-cash working capital[1]	**1,892**	2,903	**1,329**	4,797
Attributable to:				
Operating activities	**1,701**	241	**1,138**	1,029
Investing activities	**191**	(397)	**191**	299
Financing activities	**-**	3,059	**-**	3,469
	1,892	2,903	**1,329**	4,797

(1) Change in non-cash working capital excludes the current portion of long-term debt, as this is considered part of financing activities.

Other cash flow information

	Three months ended June 30		Six months ended June 30	
USD 000s	2020	2019	2020	2019
Interest paid (income)	660	30	1,073	57
Interest received (income)	-	-	-	-
Taxes paid	-	-	-	-

14. Commitments and Other Long-term Liabilities

USD 000s	Under negotiations	2020	2021	2022	Thereafter	Total
Development and Exploration Commitments	5,837	28,140	24,888	10,238	1,470	70,573
Total	**5,837**	**28,140**	**24,888**	**10,238**	**1,470**	**70,573**

Coirón Amargo North ("CA-North")

Centaurus and its partners at the Coirón Amargo ("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. The amounts due to Centaurus from GyP are recorded on Centaurus's books as a receivable. 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 notice from the operator, Vista Oil and Gas Argentina S.A., due to a cash calls debt. Effective February 24, 2020, the Company has not received its share of the production under the UTE. Under the Joint Venture agreement, the Company has 180 days to settle the debt. If after that term, the Company don´t settle the debt, the operator could request to the Company to leave the Joint Venture.

On June 30, 2020, the Corporation received a notice from Vista Oil and Gas Argentina S.A. informing that an operating committee meeting will be held to exclude Centaurus from the joint venture and distribute the working interest among the partners.

On July 6, 2020, the Corporation replied the notice denying any breach and hopes to be able to reach an agreement.

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 would bear 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. There was a loan draw down of $36.3 million and a repayment of $6.9 million as of June 30 2020 (Dec 31, 2019 - there was a loan draw down of $18.3 million and repayment of $2.4 million).

On May 4, 2020, Centaurus received a breach notification from PAE for not comply with 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 since April 13, 2020 to June 16, 2020.

Negotiations are currently underway with the operator to resolve the situation.

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

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

USD 000s	2020 (2)	2021 (3)	Beyond(3)
Concession commitments at CASE (1)	-	8,223	9,723

(3) Committed values are reflected at Centaurus's 35% WI at June 30, 2020 plus Centaurus's proportionate share of GyP's carry.

(4) Phase I includes the drilling of five horizontal multifrac wells targeting the Vaca Muerta, the construction of early production facilities,
investment for infrastructure improvement and social responsibility commitments.

(5) Subject to the results on Phase I in 2019, three additional wells will be drilled over the following two-year period (Phase II).

.

Curamhuele Block (90% WI-operated)

USD 000s	2020
Concession commitments	16,150

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.

Pursuant to the Company's exploration permit in Curamhuele, the Company is responsible for paying 100% of the costs during the exploration phase to maintain its 90% WI.

On November 14, 2019 the Company was notified by the Province of Neuquen that the milestones for the vertical test that were agreed as part of the 2 year extension were not being met. Following receipt of the letter, the Company engaged in discussions and correspondence with the Ministry and Gas y Petróleo del Neuquén S.A. ("GyP"), a provincial government oil and gas company who has a 10% working interest in the concession, for the purpose of adjusting the milestone schedule. On January 10, 2020, the Company received a letter from the Ministry which proposed an agreement to adjust the milestones and provided an extension to the Company until April 30, 2020 to determine a specific financing to comply with the schedule. Such extension was conditional to 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.

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

Puesto Morales Block (100% WI-operated)

USD 000s	Under negotiation	2020	2021	Beyond
Concession commitments	1,800	28,140	515	1,985

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.

As of June 30, 2020, the 2019 commitment to drill a vertical well for USD 1.8 million has expired.

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 Company has proposed alternatives to the province of Salta in order to reconvert and reschedule pending commitments. As of June 30, 2020 negotiations were continuing and are currently advancing to its final stages with the province of Salta for reconversion of the existing exploration commitment into a new exploration permit for an initial four year term.

El Chivil Block (100% WI – operated)

The concession's one year extension expiry occurred on September 7, 2016 and during the last quarter of 2016, the province of Formosa granted a further six month extension to negotiate a 10-year development period extension, which expired on May 1, 2017. The Corporation has since been in discussions with the province of Formosa with respect to negotiating an extension.

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 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 June 30, 2020, the Corporation has a pending commitment for USD 2 million related to the second workover.

Other long term liabilities

Other long term liabilities includes a provision of office space in Calgary, Alberta which has been under contract negotiations since October, 2017.

15. Revenue

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

	Three months ended June 30		Six months ended June 30	
USD 000s	2020	2019	2020	2019
Crudo Oil	**4,620**	8,340	**13,567**	15,238
Natural gas	**240**	639	**488**	1,239
Oil and natural gas sales	**4,860**	8,979	**14,055**	16,477

	Three months ended June 30		Six months ended June 30	
USD 000s	2020	2019	2020	2019
Oil storage services in CA-Norte	**-**	113	**-**	162
Water treatment and other services to UTE El Surubí	**-**	194	**-**	344
Casing sale	**-**	194	**59**	344
Other income	**-**	307	**59**	506

16. Operating Expenses – G&A

Centaurus's condensed interim consolidated statements of income (loss) and comprehensive income (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 on the condensed interim consolidated statements of income (loss) and comprehensive income (loss). The following table details the amount of total employee compensation costs included in the operating and general and administrative expense line items in the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

USD 000s	Three months ended June 30 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Operating expenses				
Compensation costs	**1,016**	1,065	**1,910**	2,043
Transportation and processing	**1,413**	1,367	**2,797**	2,900
Maintenance, workovers and other	**2,702**	3,016	**5,810**	6,070
	5,131	5,448	**10,517**	11,013
General & administrative expenses				
Compensation costs	**396**	429	**873**	1,033
Other	**535**	953	**1,075**	2,234
	931	1,382	**1,948**	3,267

17. Finance (Income) Expenses

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

USD 000s	Three months ended June 30 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Bank charges	**75**	110	**214**	209
Foreign exchange loss (gain)	**152**	1,255	**(43)**	574
Decommissioning obligations accretion (note 12)	**38**	93	**109**	192
Accretion of debt portion of convertible debenture issued (note 8)	**-**	23	**-**	40
Lease liabilities acreation	**-**	2	**1**	4
Interest (income) and other expenses	**878**	45	**1,182**	(403)
	1,143	1,528	**1,463**	616

	Three months ended	Six months ended

	June 30		June 30	
USD 000s	2020	2019	2020	2019
Unrealized foreign exchange loss (gain)	152	1,255	(43)	574
Total	152	1,255	(43)	574
Currency exchange rate at period end:				
$1 USD = CAD			$ 1.36	$1.31
$1 USD = ARS			$ 70.46	$42.46

18. Share-based Compensation

There were no share-based options exercised during the three months ended June, 2020 or 2019.

The share-based compensation expense recorded in the consolidated statements of loss for the three months and six month ended June 30, 2020 was $30 thousand and $11 thousand (2019 – expense of $83 thousand and $192 thousand).

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

As at October 8, 2020, the Company had 544.1 million shares and 30.2 million options outstanding.

19. Long-term Incentive Plan

The LTIP recovery recorded as part of share-based and long-term incentive compensation expense in the consolidated statements of loss for the three months and six months ended June 30, 2020 was $4 thousand and $7 thousand (2019 – expense of $15 thousand and $28 thousand) and is revalued at the end of each reporting period.

At June 30, 2020 the LTIP liability was $3 thousand (December 31, 2019 - $40 thousand).

20. 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 update to risk exposures and explains how they are managed.

Capital Management

The Corporation 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 Corporation 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 Corporation considers its capital structure to include shareholders' equity and working capital. In order to maintain or adjust the capital structure, the Corporation 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 Corporation 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 Corporation 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 Corporation's capital structure.

Liquidity risk

At June 30, 2019, cash and cash equivalents of $19 thousand was deposited with banks in Argentina (December 31, 2019 - $0.6 million), and is held in ARS. Cash and cash equivalents of $40 thousand was deposited with banks in Canada and Barbados, $37 thousand is held in USD and $3 thousand is held in CAD.

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 - $0.9 million) was repatriated from Argentina. The Company didn't increase its investment in its Argentine subsidiaries (2019 - nill).

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.

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 are held in local short term investments, 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, no provision for doubtful accounts has been recorded (June 30,2019 - nil).

Commodity price risk

The average price the Company received for oil for the Quarter was $24.94/bbl, lower than the $52.85/bbl realized in Q2-2019 due to significant commodity price volatility due to the COVID-19 pandemic and potential increased production supply from OPEC and Russia.

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 June 30, 2020, Brent crude oil pricing recovered to $41.15/bbl.

In the framework of the public emergency in Argentina and the international crisis derived from COVID-19, dated May 19, 2020, the National Executive Power published Decree No. 488/2020 (the "Decree") 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 royalty's liquidation. The Ministry of Energy shall be 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 Law Hydrocarbons;

(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 Effect, refining and trading companies must buy crude oil to cover their total needs from local producers. In addition, they can not 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 freezed 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 an important commercial discount on it.

As a result, oil average price received by the Company for the Quarter was $25.70/bbl, lower than the $52.85/bbl realized in Q2-2019 due to significant commodity price volatility as a consequence of COVID-19 pandemic and potential increased production supply from the OPEC and Russia.

Gas prices in Argentina are subject to seasonal demand and are negotiated between the producer and the buyer. Summer pricing for the period from October 2019 to April 2020 was set at $2.00/mmbtu. (October 2018 - April 2019 - $4.10/mmbtu). For the winter season from May to September 2020, the price will be $2.35/mmbtu (May to September 2019 - $3.70/mmbtu).