



CENTAURUS ENERGY INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2022



MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2022

(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 May 31, 2022 and should be read in conjunction with Centaurus Energy Inc.'s ("Centaurus" or the "Company") unaudited condensed interim consolidated financial statements for the three months ended March 31, 2022 and the accompanying notes as well as the unaudited consolidated financial statements for the year ended December 31, 2021 and the accompanying notes. This MD&A contains forward-looking information about the Company'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 Company's forward-looking information. Centaurus's 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 Company's activities contained in its continuous disclosure documents, including quarterly condensed interim consolidated financial statements and the Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com and on the Company's website at www.ctaurus.com.

Basis of Presentation

This MD&A and the unaudited condensed interim consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board applying IAS 34. Unless otherwise indicated, all dollar amounts are in United States dollars ("USD"). 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 (used in) operations, working capital 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 Company'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 (used in) Operating Activities and Funds Flow from (used in) Continuing Operations sections of this MD&A.

Funds flow from (used in) 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.



Introduction

Centaurus Energy Inc. ("Centaurus", or the "Corporation") is an independent, Canadian company focused on Argentine upstream oil and gas with operations. 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 Pink market 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.

2021 Highlights

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 in 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"), has 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 has 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.

Upon closing, PAE paid to the Company approximately US\$165,000 for the ORRI proceeds attributable to 2021. The next ORRI payment will be received after the close of the first half of 2022.

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

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

Impact of the Coronavirus COVID-19

In March 2020, the World Health Organization declared COVID-19 a global pandemic. Since that time, the oil and gas industry has experienced significant volatility with commodity prices, and in particular oil prices, as a result of a decline in economic activity and lower demand for commodities in both Canada and around the world. In the second half of 2020 and into 2021, oil prices have partially recovered from the lows that occurred in the second quarter of 2020 as restrictions eased and vaccines started to be administered. In early 2021, full demand recovery remains uncertain as countries are at various stages of rolling-out vaccines while virus outbreaks continue to occur, mainly due to new variants which has resulted in activity restrictions.

Responses to the spread of COVID-19 have resulted in a significant increase in economic uncertainty in Argentina, with more volatile commodity prices, currency exchange rates and a marked decline in long-term interest rates. These events have resulted in a volatile and challenging economic climate which has adversely affected the Company's operational results and financial position.

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 issued in January 2021. 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.

Management Changes

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

Ruben Etcheverry, a member of the Company's Board of Directors, has relinquished his position.

Foreign Exchange Fluctuations

The table below provides various exchange rates that illustrate the quarterly 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 months ended March 31, 2022 compared to the three month ended March 31, 2021. Foreign exchange changes in CAD and ARS impact the unrealized foreign exchange gains and losses recorded in the condensed interim consolidated statements of income (loss).

USD	Three months ended		% Change ⁽¹⁾
	2022	2021	
Average CAD to USD	0.793	0.790	0.46%
Average ARS to USD	0.010	0.011	(11.87%)
Period end CAD to USD	0.789	0.795	(0.81%)



Period end ARS to USD **0.010** 0.011 (10.44%)

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

Continuing Argentine Operations and Corporate Segments

Sales Volumes

	Three months ended March 31	
	2022	2021
Crude oil and NGLs (bbls/d)	1,149	1,192
Natural gas (mcf/d)	736	718
Total daily sales (boe/d)	1,272	1,312
% oil	90%	91%

Centaurus's primary producing concessions were at Coirón Amargo Sur Este ("CASE"), Puesto Morales and El Surubí. Since the closing of the CASE Sale Agreement in March 2022, the primary producing concessions are Puesto Morales and El Surubí. El Surubí produces oil exclusively and Puesto Morales also produces natural gas.

Crude oil and NGL sales volumes for the three months ended March 31, 2022 ("the Quarter" or "Q1-2022") decreased to 1,149 bbl/d from 1,192 bbl/d for the three months ended March 31, 2021 ("Q1-2021"). The change compared to Q1-2021 can be attributed to the decrease in Palmar Largo and Chivil due to the concessions being relinquished during Q1-2021 and the CASE sale during Q1-2022.

Natural gas sales volumes for the Quarter of 736 mcf/d increased compared to 718 mcf/d for Q1-2021.

Average Realized Prices

USD	Three months ended March 31	
	2022	2021
Crude oil and NGLs - \$/bbl	54.18	38.02
Natural gas - \$/mcf	3.07	1.28
Total - \$/boe	50.73	35.26

The refiners used by the Company have paid an average unofficial crude oil price of \$54.18 per barrel for the three months ended March 31, 2022 (2021 - \$38.02). 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 March 31, 2022, Brent crude oil pricing recovered to



\$107.91/bbl.

The average price received by the Company for the Quarter was \$54.18/bbl, higher than the \$38.02/bbl realized in Q1-2021 due to a recovery in commodity prices compared to the effect that the pandemic caused in 2020.

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 2021 to April 2022 was set at \$12.2030/mmbtu. (October 2020 - April 2021 - \$21.0020/mmbtu). For the winter season from May to September 2022, the price is \$34.7515/mmbtu (May to September 2021 - \$23.3575/mmbtu).

Oil and Natural Gas Revenue

USD 000s, except boe	Three months ended March 31	
	2022	2021
Crude oil	5,063	4,079
Natural gas	203	83
	5,806	4,162
\$/boe	50.72	35.26

Oil and gas revenues were \$5 million for the Quarter compared to \$4 million for Q1-2021, an increase of 25% due to higher sales price, explained above.

Royalties

USD 000s, except boe	Three months ended March 31	
	2022	2021
Royalties and Turnover taxes	819	601
As % of revenue	14%	14%
\$/boe	7.15	5.09

Royalty expenses were \$ 0.8 million for the Quarter compared to \$0.6 for Q1-2021. The Royalty rate was 14% for the Quarter and Q1-2021.

Operating Costs

USD 000s, except boe	Three months ended March 31	
	2022	2021
Compensation costs	902	917
Transportation and processing	385	394
Maintenance, workovers and other	671	1,133
	1,958	2,444



\$/boe	17.11	20.70
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Operating costs during the Quarter was \$1.9 million compared to \$2.4 in Q1-2021.

On a per boe basis, operating costs for the Quarter decreased 17.3% to \$17.11/boe from \$20.70/boe in Q1-2021 mainly as a result of lower maintenance, workovers and other costs.

Netbacks ⁽¹⁾

USD/boe	Three months ended March 31	
	2022	2021
Oil and gas revenue	50.72	35.26
Royalties	(7.15)	(5.09)
Operating expenses	(17.11)	(20.70)
Netbacks	26.46	(9.47)

- (1) The term “netback” is a non-GAAP measure and may not be comparable with the calculation of other entities. Netback is calculated as the average unit sales price, less royalties and operating expenses, and represents the cash margin for every barrel of oil equivalent sold. The Company 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 March 31	
	2022	2021
Argentina		
Gross G&A		
Compensation costs	300	227
Other	6,248	229
	6,548	456
Capitalized	(50)	(28)
	6,498	428
Corporate		
Gross G&A		
Compensation costs	-	-
Other	135	130
	135	130
Consolidated		
Net G&A total	6,633	558

Argentina

Gross G&A expenses for the Quarter increased by \$0.4 million to \$6.2 million mainly due to the payment to the province of Neuquen to comply with the commitments of Curamhuele.



During the Quarter, \$50 thousand (Q1-2021 - \$28 thousand) of directly attributable G&A costs in Argentina were capitalized to property, plant and equipment.

Corporate

Gross G&A expenses for the Quarter increased to \$135 thousand compared to \$130 thousand in Q1-2021.

Finance (Income) and Expenses

USD 000s	Three months ended March 31	
	2022	2021
Argentina		
Bank charges and fees	37	33
Foreign exchange (gain) loss – unrealized	304	(58)
Accretion of decommissioning obligations	31	29
Interest (income) and other expenses	(1,271)	672
	(899)	676
Corporate		
Foreign exchange loss – unrealized	(17)	32
Interest (Income) and other expenses	(5)	(67)
	(22)	(35)
Consolidated	(921)	641

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 were \$37 thousand (Q1-2021 - \$33 thousand).

Accretion of decommissioning liabilities

Accretion expense was \$31 thousand for the Quarter (Q1-2021– \$29 thousand).

Foreign exchange (gain) loss – unrealized

During the Quarter the Company recorded an unrealized foreign exchange loss of \$0.3 million compared to an unrealized gain of \$58 thousand in Q1-2021. 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 lease liabilities

Accretion expense was nil for the Quarter (Q3-2020– was nil).

Interest (Income) and other expenses

Interest (income) and other expenses relates primarily to recovery of interest of \$1.3 million associated with the Pan American Energy Loan related to the CASE Pilot Program. 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, but with the closing of the CASE sale operation, the 2021 interest was reversed

Corporate

Foreign exchange loss (gain)

During the Quarter, the Company recorded an unrealized foreign exchange gain of \$17 thousand (Q1-2021 loss - \$ 32



thousand).

Share-based and Long-term Incentive Compensation

Share-based Compensation

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 issued in January 2021.

As of May 31, 2022, the Company had 544.1 million shares and 51.1 million options outstanding.

Long-term Incentive Compensation

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 (Q1-2021 recovery of \$1 thousand).

Depletion and Depreciation (“D&D”)

USD 000s	Three months ended March 31	
	2022	2021
Argentina	180	1,186
\$/boe	1.58	10.05
Consolidated	180	1,186

Argentina

D&D decreased to \$0.1 million in the Quarter compared to \$1.2 million in Q1-2021 mainly due to a lower depletable base and lower production. On a per boe basis, D&D for the Quarter decreased to \$1.58/boe from \$10.05/boe in Q1-2021.

Impairment

At March 31, 2022 and 2021, Centaurus determined there were no impairment indicators for any of its CGUs.

As part of the write-off of CASE balances, \$24.9 million was reversed

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 21.1% for MEA North and a discount rate of 21.3% for MEA South.

Income Tax Expense (Recovery)

USD 000s	Three months ended March 31	
	2022	2021
Current	-	-



Deferred	-	-
Total	-	-

Centaurus has one legal entity in Argentina. The income tax rate in Argentina is 35%. Current income tax expense for the Quarter and Q1-2021 was nil.

The Company did not record a deferred income tax expense or recovery during the Quarter (Q1-2021 – nil).

Reconciliation of Cash Flow from (used in) Operating Activities and Funds Flow from (used in) Continuing Operations

As detailed previously in this MD&A, funds flow from (used in) operations is a term that does not have any standardized meaning under GAAP. Centaurus's method of calculating funds flow from (used in) 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 (used in) continuing operating activities before change in non-cash working capital, and change in other long-term assets and liabilities.

USD 000s	Three months ended March 31	
	2022	2021
Cash flow from (used in) operating activities	226	195
Change in non-cash working capital	37,992	(288)
Funds flow from (used in)	38,218	(93)

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

USD 000s	Three months ended March 31	
	2022	2021
Funds flow from (used in)	38,218	(93)
Per share – basic and diluted	0.07	(0.00)
Net gain (loss)	37,714	(16,075)
Per share – basic and diluted	0.14	(0.03)
Comprehensive gain (loss)	(37,714)	(16,075)

Centaurus's funds flow from continuing operations for the Quarter increased by \$38.3 million from Q1-2021 mainly due to lower operating costs.

The net gain from continuing operations for the Quarter was \$37.7 million (Q1-2021 - loss of \$16 million) primarily due to CASE sale operation..

Capital Expenditures

USD 000s	Three months ended March 31	
	2022	2021



Argentina		
Drilling and completions	-	144
Other	14	28
Argentina total	14	172
Consolidated	14	172

Argentina

Capital expenditures for the Quarter were primarily related to SG&A capitalization.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk

USD 000s	March 31 2022	December 31 2021
Working capital (deficit) surplus		
Argentina	2,796	(25,038)
Canada	(11,147)	(4,123)
	(8,351)	(29,160)
Convertible loan – capital resource	(2,287)	(2,265)
Working Capital loan	-	-
Short term loan	(66)	(66)
Pan American Energy (“PAE”) loan	-	(17,314)
Net financial position	(6,130)	(48,805)
Shareholders’ equity	(10,516)	(27,256)

On March 31, 2022, the consolidated working capital deficit of the Company was \$8.3 million (December 31, 2021 - \$29.1 million deficit), consisting of working capital surplus of \$2.7 million (December 31, 2021 - working capital deficiency of \$25 million) in Argentina and a working capital deficit of \$11.1 million (December 31, 2021- \$4.1 million deficit) in Canada.

At March 31, 2022, cash and cash equivalents of \$0.7 million was mostly deposited with banks in Argentina (December 31, 2021 - \$0.6 million), and is held in ARS.

On March 27, 2020, the Company received a notice of default and reservation of rights from KD Energy and Hispania, alleging that the Corporation is in default of the terms of the Working Capital Loan Agreement and Amended and Restated Convertible Loan Agreement. On March 25, 2020, the Company and Maglan Distressed Master Fund LP entered into the Maglan Financing Agreement, pursuant to the terms of which the parties will enter into agreements providing the Corporation with access of up to \$23 million.

While negotiations are ongoing there is no guarantee of agreement on the final terms of the financing. As such, there is a material uncertainty that casts significant doubt on the Company’s ability to continue as a going concern. These financial statements do not include adjustments in the carrying values of the assets and liabilities that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

Repatriation of Funds to Canada

Funds are required to enable the Company to maintain compliance and manage the regulatory, reporting, audit, legal and tax requirements of a company listed on the TSXV.

During the Quarter, there was no repatriation from Argentina (Q1-2021 – nil).



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

Outstanding Share Capital

No common shares were issued in the Quarter (Q1-2021 – nil).

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 issued in January 2021.

As of May 31, 2022, the Company had 544.1 million shares and 51.1 million options outstanding.

Fair value of Financial Instruments

The Company'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 debentures issued, the carrying values of which approximate their fair values due to their short-term nature with the exception of: (i) convertible debentures issued, which relates to the debt component of these instruments and are accreted up to their principal value over the term of the debenture using the effective interest rate method 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 Company expects the decommissioning obligations for its obligation to be invoiced in USD and settled in ARS.

Changes to Centaurus's estimates of decommissioning, restoration and similar liabilities are recorded directly to the related asset with a corresponding entry to the provision. Centaurus's 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.

On March 31, 2022, an inflation rate of 2.32% was used (December 31, 2021 – 1.52%). The risk free rate used to discount the liability at March 31, 2022 was 2.32% (December 31, 2021 – 1.52%). The impact of the change in the risk-free rate and inflation rate amounted to a \$31 thousand decrease to the decommissioning obligations during the three months period ended March 31, 2022 (December 31, 2021 - nil).

Commitments and Contingencies

Development and Exploration Commitments

USD 000s	Under negotiations	2022	2023	2024	Thereafter	Total
Development and Exploration Commitments	32,000	2,000	-	-	-	34,000
Total	32,000	2,000	-	-	-	34,000

Coirón Amargo Sur Este (CASE - 29% WI)



Pan American Energy ("PAE"), Centaurus' operating partner in CASE, 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 within 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 loan was fully paid as of the end of quarter.

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.

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"), has 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 has 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.

Upon closing, PAE paid to the Company approximately US\$165,000 for the ORRI proceeds attributable to 2021. The next ORRI payment will be received after the close of the first half of 2022.

Curamhuele Block (90% WI-operated)

USD 000s	Under negotiations
Concession commitments	0

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 Neuquen (the "Ministry"), which granted an additional twenty-four months expiring March 9, 2021 for the exploratory period of the concession.

On November 14, 2019 the Company was notified by the Province of Neuquen that the milestones for the vertical test that were agreed to as part of the 2 year extension were not being met. Following receipt of the letter, the Company engaged in discussions and correspondence with the Ministry and Gas y Petróleo del Neuquén S.A. ("GyP"), a provincial government oil and gas company who has a 10% working interest in the concession, for the purpose of adjusting the milestone schedule. On January 10, 2020, the Company received a letter from the Ministry which proposed an agreement to adjust the milestones and provided an extension to the Company until April 30, 2020 to determine a specific financing to comply with the schedule. Such extension was conditional on the Company submitting a performance bond for \$16.2 million. The bond shall be executed if (i) the Company fails to comply with the terms of the extension, including submission of contracts, invoices or other evidence that the Company has contracted a drilling rig and has secured the wellhead and all casing necessary; or (ii) the March 9, 2021 deadline for completing the commitments.

The Company accepted the Ministry's proposal on January 20.

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

As a part of the CASE sale agreement, PAE made a 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.

Puesto Morales Block (100% WI-operated)

USD 000s	Under negotiations	2022	Total
Concession commitments	28,400	2,000	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.

In May 2022, MEA entered into an agreement with REFINAR S.A., an oil and gas corporation based in Argentina ("Refinar"), whereby Refinar will fund workover operations in the Rinconada-Puesto Morales blocks in the Province of Rio Negro (the "Transaction"). The Transaction includes a pre-purchase of oil by Refinar, to fund the scheduled workover activity.

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.

El Chivil Block (100% WI – operated)

On February 2, 2021, the Company 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.

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 \$0.7 million (2021- \$0.7 million), recorded as part of Other long-term liabilities in the consolidated statements of financial position at March 31, 2022.

QUARTERLY FINANCIAL RESULTS

Continuing Operations

	Q1	Q4	Q3	Q2
USD 000s, unless otherwise noted	2022	2021	2021	2021
Oil and natural gas revenues	5,807	8,203	5,425	5,281
Net income (loss)	37,714	9,571	1,895	2,556
Shares outstanding – millions	544.1	544.1	544.1	544.1
Net income (loss) per share – basic and diluted	0.07	0.02	(0.00)	(0.00)

	Q1	Q4	Q3	Q2
USD 000s, unless otherwise noted	2021	2020	2020	2020
Oil and natural gas revenues	4,162	6,225	6,895	4,860
Net income (loss)	(16,075)	(7,925)	(3,758)	(16,442)
Shares outstanding – millions	544.1	544.1	544.1	544.1
Net income (loss) per share – basic and diluted	(0.03)	(0.01)	(0.00)	(0.03)

Critical Accounting Judgments, Estimates and Accounting Policies

For more details regarding the Company's critical accounting judgments, estimates and accounting policies the following should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2020.



Management is required to make judgments, estimates and assumptions in the application of accounting policies that could have a significant impact on the Company'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 Company'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 Company's notes to the consolidated financial statements for the year ended December 31, 2020.

Critical accounting estimates

Critical accounting estimates are those estimates that require Management to make particularly subjective or complex judgments about matters that are inherently uncertain. Estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to accounting estimates are recognized in the period in which the estimates are revised. During the Quarter, there were no changes to the Company's key sources of estimation uncertainty. Further information on the Company's key sources of estimation uncertainty can be found in the notes to the consolidated financial statements for the year ended December 31, 2020.

Risk Management

For a full understanding of the risks that impact the Company, the following discussion should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2020.

The Company 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 Company's ability to effectively execute its business strategy. The factors that impact the Company's exposure to liquidity risk, safety risk, capital project execution and operating risk, reserves replacement risk, environmental risk and regulatory risk has not changed substantially since December 31, 2020. For a further and more in-depth discussion of the Company's risk management see the Company's Consolidated Financial Statements for the year ended December 31, 2020.

A description of the risk factors and uncertainties affecting the Company can be found in the Advisory and a full discussion of the material risk factors affecting the Company can be found in the Company's Annual Information Form for the year ended December 31, 2020.

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 Company 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 Company 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 outcome of the strategic review process, 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 Company 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 Company 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's 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's 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 Company uses this measure to analyze operating performance.

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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 Company 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

bbbl	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