CENTAURUS ENERGY INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2020

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

This Management's Discussion and Analysis of financial condition and results of operations ("MD&A") is based on information available to May 27, 2020 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, 2020 and the accompanying notes as well as the audited consolidated financial statements for the year ended December 31, 2019 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 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. (formerly Madalena Energy Inc.) ("Centaurus", or the "Corporation") is an independent, Canadian company focused on Argentine upstream oil and gas with operations in four provinces of Argentina where it is focused on the delineation of unconventional resources in the Vaca Muerta shale, Lower Agrio shale and Loma Montosa oil plays. The Corporation is implementing horizontal drilling and completions technology to develop both its conventional and resource plays.

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

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

2020 Highlights

Maglan Agreement to Finance

On March 25, 2020, the Corporation announced that it had entered into a binding term sheet with respect to a debt financing agreement with Maglan Distressed Master Fund LP (the "Maglan Financing Agreement"), pursuant to which the Corporation will have access of up to $23 million, accruing interest on draws at the rate of 7% per annum, in the form of convertible and non-convertible facilities (the "Maglan Facilities"). Proceeds from the convertible loan facility shall be used by the Corporation to fund capital expenditures while proceeds under the non-convertible loan facility shall be used for the ongoing working capital requirements of the Corporation. The Maglan Facilities will have substantially similar terms as the Corporation's existing credit facilities, being the Working Capital Loan Agreement (as amended by the Working Capital Loan Amending Agreement) and the Amended and Restated Convertible Loan Agreement. On April 8, 2020, the Corporation and Maglan Distressed Master Fund LP entered into an amending agreement to extend the term of the binding term sheet to June 30, 2020. As of the date hereof, the Corporation has not entered into agreements respecting the Maglan Facilities.

Management and Board Changes

Effective February 18, 2020, Leonardo Madcur resigned from the Board.

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

On March 27, 2020, the Corporation announced that Jose Penafiel and Alejandro Penafiel had ceased to be officers and directors of the Corporation, in accordance with the terms of their employment agreements. The Corporation also announced that it had received a notice from KD and Hispania alleging that the Corporation was in default of the Amended and Restated Convertible Loan Agreement and the Working Capital Loan agreement, as further described elsewhere herein.

In addition, on April 8, 2020, Ralph Gillcrist, Barry Larson, Nossonol Kleinfeldt, Gus Halas and James K. Wilson resigned from the Board, and Steven Balsam was appointed.

Impact of the Coronavirus COVID-19

The outbreak of the Coronavirus (COVID-19) will have impact on the world GDP and is expected to have an adverse effect on the Company's operations, liquidity and financial results this year, but the extent and duration of these conditions over the longer term remain largely uncertain and dependent on future developments that cannot be accurately predicted at this time. The Company is closely monitoring the impact of the ongoing virus outbreak and will implement measures required to minimize the adverse impact on our staff, operations and financial results.

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

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

A new CASE-102(h) well was drilled in place of the CASE-201(h) well, which was temporarily abandoned due to technical drilling problems, as previously announced. The new well is currently awaiting completion.

The CASE-401h, CASE-301h, CASE-201(h) and CASE-102(h) wells are part of the Pilot Program covered by the Loan Facility that Centaurus has with PAE, which will be repaid with the net production proceeds from 100% of Centaurus's interest in the CASE block. Centaurus holds a 35% working interest in the CASE block.

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, 2020 compared to the three months ended March 31, 2019. 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).

	Three months ended March 31		
	2020	**2019**	**% Change(1)**
Average CAD to USD	**0.744**	0.752	(1.15%)
Average ARS to USD	**0.016**	0.026	(36.57%)
Period end CAD to USD	**0.705**	0.748	(5.81%)
Period end ARS to USD	**0.016**	0.023	(32.76%)

(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	
	2020	**2019**
Crude oil and NGLs (bbls/d)	**2,278**	1,585
Natural gas (mcf/d)	**1,305**	1,547
Total daily sales (boe/d)	**2,495**	1,843

% oil	**91%**	86%

Centaurus's primary producing concessions are at Coirón Amargo Sur Este ("CASE"), Puesto Morales and Palmar Largo. Other producing concessions include Coirón Amargo-Norte ("CA-Norte"), El Surubí and El Chivil. All concessions produce oil and Puesto Morales and CA-Norte also produce natural gas. Approximately 80% of Centaurus's current production comes from Coirón Amargo Sur Este ("CASE"), Puesto Morales, and Palmar Largo.

Crude oil and NGL sales volumes for the three months ended March 31, 2020 ("the Quarter" or "Q1-2020") increased to 2,270 bbls/d from 1,585 bbls/d for the three months ended March 31, 2019 ("Q1-2019"). The change compared to Q1-2019, can be attributed to the increase in CASE Block related to the new wells performed in the Pilot program CASE-101h, CASE-501h, CASE-401h and CASE-301h.

Natural gas sales volumes for the Quarter of 1,305 mcf/d decreased compared to 1,547 mcf/d for Q1-2019 due to lower production at Puesto Morales and CA-Norte.

Average Realized Prices

	Three months ended March 31	
USD	**2020**	**2019**
Crude oil and NGLs - $/bbl	**43.16**	48.35
Natural gas - $/mcf	**2.09**	4.31
Total - $/boe	**40.49**	45.21

The refiners used by the Company have paid an average unofficial crude oil price of $43.16 per barrel for the three months ended March 31, 2020 (2019 - $48.35). 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.

In August 2019, the Argentinian government issued the decree pursuant to which oil prices in USD were affected as a result of the exchange rate being frozen until November 15, 2019, affecting oil prices denominated in USD. The Government authorized certain increases in both the exchange rate and final consumers prices during the three months the Decree was in force. As a result of the decree, and considering the mentioned authorizations, prices in USD decreased due to the ARS devaluation of 35.6%.

The decree 566/2019, dated August 15, 2019, determined that during the period of ninety (90) calendar days:

- deliveries of crude oil made in the local market had to be billed and paid at the agreed price between the producing and refining companies as of August 9, 2019, applying a reference exchange rate of Argentine Pesos ("ARS") 45.19/US and a Brent reference price of 59 US/per barrel ("bbl");
- that the maximum price of gasoline and diesel in all its qualities, in all sales channels, may not be higher than the current price effective as of August 9, 2019;
- the refining companies and the wholesale and retail retailers of the country must cover, at the prices established in Decree 566/2019, the total national demand for liquid fuels in the Argentine Republic, in accordance with the volumes that are required from the usual practices of the Argentine market; and
- the hydrocarbon producing companies of the Argentine Republic, must cover the total demand for crude oil that is required by the Argentine market refining companies.

The decree 601/19, dated August 30, 2019, the provisions of Decree 566/2019 were modified establishing that until

November 13, 2019 deliveries of crude oil made in the local market need to be invoiced and paid at the agreed price between the producing and refining companies as of August 9, 2019, applying a reference exchange rate of 46.69 ARS/US and a Brent reference price of 59 US/bbl.

Through resolution 557/2019, of the Secretariat of Energy Government of September 19, 2019, it was determined that during the term of Decree 601/2019 all qualities of gasoline and diesel destined to the public supply through fuel pumps (gas stations) can increase up to 4% with respect to the prices in force as of August 9, 2019.

The average price the Company received for oil for the Quarter was $43.16/bbl, lower than the $48.35/bbl realized in Q1-2019 mainly as a result of the lower oil pricing.

Gas prices in Argentina are subject to seasonal demand and are negotiated between the producer and the buyer. For the period May to September 2019, which is the Argentine winter, the price was set at $3.70/mmbtu (Winter prices in 2018 were $5.30/mmbtu). Summer pricing for the period from October 2019 to April 2020 has been set at $2/mmbtu (October 2018 - April 2019 - $4.10/mmbtu).

The average total price received for the Quarter was $40.49/boe, lower than the $45.21/boe realized in Q1-201.

Oil and Natural Gas Revenue

	Three months ended March 31	
USD 000s, except boe	**2020**	**2019**
Crude oil	**8,947**	6,898
Natural gas	**248**	600
	9,195	7,498
$/boe	**40.49**	45.21

Oil and gas revenue was $9.2 million for the Quarter compared to $7.5 million for Q1-2019, an increase of 23% due to a 37% increase in sales volumes and a 10% decrease in prices received per boe.

Royalties

	Three months ended March 31	
USD 000s, except boe	**2020**	**2019**
Royalties	**1,550**	1,329
As % of revenue	**17%**	18%
$/boe	**6.83**	8.01

Royalty expenses were $1.5 million for the Quarter compared to $1.3 million in Q1-2019, with the increase due to higher sales volumes. The Royalty rate was 17% for the Quarter compared to 18% in Q1-2019.

Operating Costs

	Three months ended March 31

USD 000s, except boe	2020	2019
Compensation costs	**895**	977
Transportation and processing	**1,384**	1,533
Maintenance, workovers and other	**3,107**	3,055
	5,386	5,565
$/boe	**23.72**	33.55

Operating costs during the Quarter was $5.4 million compared to $5.6 in Q1–2019.

On a per boe basis, operating costs for the Quarter decreased 29% to $23.72/boe from $33.55/boe in Q1-2020 mainly as a result of higher sales volumes.

Netbacks (1)

	Three months ended March 31	
USD/boe	2020	2019
Oil and gas revenue	**40.49**	45.21
Royalties	**(6.83)**	(8.01)
Operating expenses	**(23.72)**	(33.55)
Netbacks	**9.94**	3.65

(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

	Three months ended March 31	
USD 000s	2020	2019
Argentina		
Gross G&A		
Compensation costs	**368**	565
Other	**338**	324
	706	889
Capitalized	**(39)**	(126)
	667	763
Corporate		
Gross G&A		
Compensation costs	**108**	40
Other	**248**	1,082
	356	1,122
Consolidated		
Net G&A total	**1,023**	1,885

Argentina
Gross G&A expenses for the Quarter decreased by $0.2 million to $0.7 million mainly due to a severance paid in Q1-2019.

During the Quarter, $39 thousand (Q1-2019 - $0.1 million) of directly attributable G&A costs in Argentina were capitalized to property, plant and equipment.

Corporate
Gross G&A expenses for the Quarter decreased to $0.4 million compared to $1.1 million in Q1-2019. The decrease was mainly due to lower consultant of $0.7million related to new business department in Q1-2019.

During the Quarter, there were no directly attributable G&A costs in Canada capitalized to property, plant and equipment in Argentina (Q1-2019 – nil).

Finance (Income) and Expenses

	Three months ended March 31	
USD 000s	**2020**	**2019**
Argentina		
Bank charges and fees	**135**	98
Foreign exchange (gain) loss – unrealized	**(48)**	(696)
Accretion of decommissioning obligations	**74**	112
Accretion of lease liabilities	**1**	2
Interest (income) and other expenses	**448**	(448)
	610	(932)
Corporate		
Foreign exchange loss (gain) - unrealized	**(147)**	15
Accretion of debt component of convertible debentures issued	**-**	17
Interest (Income) and other expenses	**(143)**	1
	(290)	33
Consolidated	**320**	(899)

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 $0.1 million (Q1-2019 - $0.1 million).

Accretion of decommissioning liabilities
Accretion expense was $74 thousand for the Quarter (Q1-2019– $0.1 million).

Foreign exchange (gain) loss – unrealized
During the Quarter the Company recorded an unrealized foreign exchange gain of $48 thousand compared to an unrealized loss of $0.7 million in Q1-2019. Quarterly 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 $1 thousand for the Quarter (Q1-2019–$2 thousand).

Interest (Income) and other expenses
Interest (income) and other expenses relates primarily to interests over Pan American Energy Loan of $0.4 million related to 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.

In Q1-2019 Interest (income) and other expenses relates primarily to a reversal of allowance for VAT credit of $0.4 million.

Corporate

Foreign exchange loss (gain)
During the Quarter, the Company recorded an unrealized foreign exchange gain of $0.1 million (Q1-2019 loss of $15 thousand). The USD to CAD foreign exchange rate depreciated by 9% since December 31, 2019 (Q1-2019 – 2% rate appreciation since December 31, 2018).

Accretion of debt component of convertible debentures issued
Accretion expense was nil for the Quarter (Q1-2019– $17 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. No options were granted during the Quarter (2019 – nil).

Share based compensation expense was $xx thousand in the Quarter compared to an expense of $110 thousand for Q1-2019.

Long-term Incentive Compensation
During 2016, the Company issued Long-term incentive units under a Long-term incentive plan ("LTIP") that allow 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 $xx thousand in the Quarter (Q1-2019 expense of $13 thousand).

Depletion and Depreciation ("D&D")

	Three months ended March 31	
USD 000s	**2020**	**2019**
Argentina	**3,773**	1,643
$/boe	**16.62**	9.91
Consolidated	**3,773**	1,643

Argentina
D&D increased to $3.7 million in the Quarter compared to $1.6 million in Q1-2019 mainly due to a higher depletable base and higher production. On a per boe basis, D&D for the Quarter increased to $16.62/boe from $9.91/boe in Q1-2019.

Impairment
At March 31, 2020 and 2019, Centaurus determined there were no triggers for impairment for any of its Cash Generating Units or for its Exploration and evaluation assets.
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 March 31, 2020.

Income Tax Expense (Recovery)

	Three months ended March 31	
USD 000s	**2020**	**2019**
Current	-	(21)
Deferred	-	2,172
Total	-	2,151

Centaurus has one legal entity in Argentina. The income tax rate in Argentina is 30%. The entities that do not have taxable income are subject to minimum taxes, which are generally taxed at 1% of net assets. Current income tax expense (including minimum tax) for the Quarter and Q1-2019 was nil.

The Company did not record a deferred income tax expense or recovery during the Quarter (Q1-2019 – deferred income tax expense - $2.2 million).

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.

	Three months ended March 31	
USD 000s	**2020**	**2019**
Cash flow from (used in) operating activities	**362**	(256)
Change in non-cash working capital	**563**	(775)
Change in other long-term assets	-	-
Change in other long-term liabilities	-	-
Funds flow from (used in) continuing operations	**925**	(1,031)

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

USD 000s	Three months ended March 31 2020	2019
Funds flow from (used in) continuing operations	**925**	(1,031)
Per share – basic and diluted	**(0.00)**	(0.00)
Net income (loss) - continuing operations	**(2,841)**	(626)
Per share – basic and diluted	**(0.01)**	(0.00)
Comprehensive income (loss) – continuing operations	**(2,841)**	(626)

Centaurus's funds flow from continuing operations for the Quarter increased by $2 million from Q1-2019, mainly due to higher sales of $1.3 million, and lower General and Administration expenses of $0.9 million.

The net loss from continuing operations for the Quarter was $2.8 million (Q1-2019 - loss of $0.6 million), mainly due to higher depletion of $2.1 million.

Capital Expenditures

USD 000s	Three months ended March 31 2020	2019
Argentina		
Land and associated renewal fees	**-**	-
Geological and geophysical	**-**	-
Drilling and completions	**4,962**	993
Well equipment and facilities	**33**	20
Other	**93**	132
Argentina total	**5,087**	1,145
Consolidated	**5,087**	1,145

Argentina

Capital expenditures for the Quarter were primarily related to Drilling and completions at Coirón Amargo-Sur Este (“CASE”) of $5 million, related to completion for CASE-301h and CASE-401h wells and the drilling for CASE-102h well.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk

USD 000s	March 31 2020	December 31 2019
Working capital (deficit) surplus		
Argentina	**(2,459)**	(10,017)
Canada	**(10,174)**	(10,427)
	(12,633)	(20,444)
Convertible loan – capital resource	**(316)**	(316)

Working Capital loan	**(1,725)**	(1,725)
Pan American Energy ("PAE") loan	**(26,905)**	(16,170)
Net financial position	**(41,579)**	(38,655)
Shareholders' equity	**9,370**	12,229

At March 31, 2020, the consolidated working capital deficit of the Corporation was $12.6 million (December 31, 2019 -$20.4 million deficit), consisting of working capital deficiency of $2.5 million (December 31, 2019 – working capital deficiency of $10 million) in Argentina and a working capital deficiency of $10.2 million (December 31, 2019- $10.4 million working capital deficiency) in Canada.

At March 31, 2020, $0.9 million, or 98%, of Centaurus cash and cash equivalents was deposited with banks in Argentina (December 31, 2019 - $0.6 million, 97%), and is held in ARS.

Due to significant commodity price volatility due to the COVID-19 pandemic and potential increased production supply from OPEC and Russia, future significant decreases to commodity prices may occur 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 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. Subsequent to year end 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. The parties have until June 30, 2020 to enter into a definitive agreement. 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. The Corporation's consolidated financial statements for the year ended March 31, 2020 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, $0.4 million was repatriated from Argentina (Q1-2019 – $0.9 million)

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

Outstanding Share Capital

No common shares were issued in the Quarter (Q1-2019 – nil).

No options were granted in Q1-2020 (Q1-2019 – nil).

As at May 27, 2020, the Company had 544.1 million shares, 26.1 million options and no warrants 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.

At March 31, 2020, an inflation rate of 1.15% was used (December 31, 2019 – 1.86%). The risk free rate used to discount the liability at March 31, 2020 was 1.15% (December 31, 2019 – 2.25%). The impact of the change in the risk free rate and inflation rate amounted to a $0.1 million decrease to the decommissioning obligations during the three month period ended March 31, 2020.

<u>Commitments and Contingencies</u>

Development and Exploration Commitments

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

USD 000s	Under negotiations	2020	2021	2022	Thereafter	Total
Development and Exploration Commitments	5,837	28,140	24,888	10,238	1,470	70,572
Total	**5,837**	**28,140**	**24,888**	**10,238**	**1,470**	**70,572**

<u>Coirón Amargo North ("CA-North")</u>

Centaurus and its partners at the CA concession in the province of Neuquén are responsible for paying 100% of the costs during the exploration and evaluation phase, with Gas y Petróleo del Neuquén S.A. ("GyP"), a provincial government entity, receiving a 10% carry whereby all other partners, including Centaurus, are responsible for paying their proportionate share of GyP's WI. Currently, exploration and evaluation phases are contained in CA-Sur, in the southern portion of CA.

In an exploitation or development phase, GyP is responsible for its 10% interest of the incurred capital costs through an assignment of GyP's 10% interest in future production revenue streams to Centaurus and its partners. Currently, exploitation and development phases are contained in CA-Norte, in the northern portion of CA, for which there are no current work commitments.

On January 13, 2020, 13, 2020, the Company received a default notification from the operator, Vista Oil and Gas Argentina S.A., due to a cash calls debt of $0.3 million. Since February 24, 2020, the Company has been informed that it not allowed to get the production until the debt is regularized.

<u>Coirón Amargo Sur Este (CASE - 35% WI)</u>

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 $32.2 million and a repayment of $5.3 million as of March 31 2020 (Dec 31, 2019 - there was a loan draw down of $18.3 million and repayment of $2.4).

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

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

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

(1) Committed values are reflected at Centaurus's 35% WI at March 31, 2020 plus Centaurus's proportionate share of GyP's carry.
(2) 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.
(3) Subject to the results on Phase I in 2019, three additional wells will be drilled over the following two-year period (Phase II).
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Pan American Energy ("PAE"), Centaurus' operating partner in CASE, successfully completed and tested the CASE-401(h) and CASE- 301(h), the third and fourth of the five well program, and connected to early production facilities.

A new CASE-102(h) well was drilled in place of the CASE-201(h) well, which was temporarily abandoned due to technical drilling problems, as previously announced. The new well is currently awaiting completion.

These wells are part of the pilot program (the "Pilot Program") covered by the Loan Facility that Centaurus has with PAE which will be repaid with the net production proceeds from 100% of Centaurus' interest in the CASE Block. Centaurus holds a 35% working interest in the CASE Block.

Curamhuele Block (90% WI-operated)

USD 000s	2020
Concession commitments	16,150

The Curamhuele Block is operated by Centaurus and covers an area of approximately 56,237 (50,613 net) acres. The block is situated along the east side of the north south trending Andean thrust belt in the middle portion of the Province of Neuquén, approximately 650 miles south and west of Buenos Aires.

Centaurus is responsible for paying 100% of the costs during the exploration or evaluation phase. If reserves are discovered in commercial quantities, the Corporation may convert certain areas of the block into an exploitation (development) concession. Production will be subject to a 12% royalty payable to the province of Neuquén. GyP is responsible for its 10% share of the costs incurred in the exploitation phase.

In December 2015, Centaurus ratified an extension of its second exploration term with the Province of Neuquén to September 9, 2016, and subsequent thereto, the Corporation put forward a proposal to the Province to enter into a four year evaluation period to further appraise the Curamhuele Block with a work commitment of $8.2 million to be incurred by March 9, 2019.

In 2016, the remaining work commitment relating to the existing Curamhuele Block concession agreement were fulfilled by completing the Yapai.x 1001 well in the Mulichinco formation and Lower Agrio Shale.

The Corporation received approval for a 2 year extension on the Curamhuele concession based on its proposal to drill one vertical well in a new location to vertically test the Vaca Muerta and Lower Agrio formations. The extension was initially applied for in December, 2018.

On May 13, 2019 the extension was approved by the Ministry of Energy and Natural Resources for the province of Neuquen (the "Ministry"), which granted an additional twenty-four months expiring March 9, 2021 for the exploratory period of the concession.

On November 14, 2019 the Corporation was notified by the Ministry that the milestones for the vertical test that were agreed as part of the two year extension were not being met. The Corporation entered discussions with the Ministry and GyP with respect to adjusting the milestones schedule. On January 10, 2020, the Corporation received a letter proposal from the Ministry which allowed the Corporation until April 30, 2020 to determine financing to comply with the schedule, conditional upon the Corporation securing a performance bond for a value equal to three thousand two hundred and thirty (3,230) technical units, being $16,150,000, which shall be executed if (i) the Corporation fails to comply with the terms of the extension, including submission of contracts, invoices or other evidence that the Corporation 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 Corporation accepted the Ministry's proposal on January 20, 2020 and subsequently secured the performance bond.

The Corporation 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 approval from the provincial authority to re-schedule and convert the last commitments in a new exploration plan. As of March 31, 2020, the Corporation is in negotiations for re-schedule 2019 commitment to 2020.

Santa Victoria Block (100% WI - operated)

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

El Chivil Block (100% WI – operated)

The concession's one year extension expiry occurred on September 7, 2016 and during the last quarter of 2016, the province of Formosa granted a further six month extension to negotiate a 10-year development period extension, which expired on May 1, 2017. The Corporation remains in discussions with the province of Formosa. There are no current ongoing commitments.

Palmar Largo operation agreement (100% WI – operated)

Centaurus has signed an operation agreement with Recursos y Energía Formosa SA ("REFSA"), an oil company belonging to the Province of Formosa (the "Province"), over the Palmar Largo Concession in Formosa, Argentina, effective December 1, 2018 (the "Operation Agreement"). The block covers an area of approximately 301,740 acres.

The Operation Agreement has an initial term of two years and provides for a potential extension of one year provided that Centaurus fulfils its investment commitment of $2 million. The Investment Commitment consists of 2 workovers in 2 wells in order to increase production and certain facility improvements. Centaurus will operate 100% of the Palmar Largo Concession and will be required to pay the existing 12% royalty on production revenues to the Province and an additional 5.32% of production revenues is to be paid to REFSA under the agreement.

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

QUARTERLY FINANCIAL RESULTS

Continuing Operations

USD 000s, unless otherwise noted	**Q1 2020**	**Q4 2019**	**Q3 2019**	**Q2 2019**
Oil and natural gas revenues	**9,195**	8,083	7,849	8,979
Net income (loss)	**(2,841)**	(18,351)	(2,167)	(2,050)
Shares outstanding – millions	**544.1**	544.1	544.1	544.1
Net income (loss) per share – basic and diluted	**(0.01)**	(0.03)	(0.00)	(0.00)

USD 000s, unless otherwise noted	**Q1** 2019	**Q4** 2018	**Q3** 2018	**Q2** 2018
Oil and natural gas revenues	7,498	8,488	8,269	9,802
Net income (loss)	(626)	3,236	(2,272)	(3,514)
Shares outstanding – millions	544.1	544.6	543.9	544.0
Net income (loss) per share – basic and diluted	(0.00)	0.01	(0.00)	(0.01)

The Corporation's increase in oil and gas revenues during the Q1-2020, Q4-2019, Q2-2019, Q3-2018 and Q1-2018 and decrease during the Q3-2019, Q1-2019, Q4-2018 and Q2-2018, can be primarily attributed to lower sales volumes at Puesto Morales and Surubi.

The Corporation recorded impairment expense of $17.7 million in Q4-2019 and a pre-tax impairment recovery of $0.9 million in Q4-2018.

Critical Accounting Judgments, Estimates and Accounting Policies

For further 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, 2019.

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, 2019.

Critical Accounting Judgments in Applying Accounting Policies

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, 2019.

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, 2019.

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, 2019.

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, 2019. 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, 2019.

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, 2019.

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.

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

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

Natural Gas

Mcf	thousand cubic feet
mmbtu	million British Thermal Units