



# CENTAURUS

**CENTAURUS ENERGY INC.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020**

**(UNAUDITED)**

**NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS**

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



Condensed Interim Consolidated Statements of Financial Position  
(Unaudited)

USD 000s	Note	At March 31 2021	At December 31 2020
<b>Assets</b>			
Current assets			
Cash and cash equivalents		280	118
Trade and other receivables		8,328	7,836
Inventory		489	789
Other current assets		358	548
<b>Total current assets</b>		<b>9,455</b>	<b>9,291</b>
Property, plant and equipment	3	1,277	1,228
Exploration and evaluation assets	4	3,864	30,766
Other long-term assets	6	2,469	2,775
<b>Total non-current assets</b>		<b>7,610</b>	<b>34,769</b>
<b>TOTAL ASSETS</b>		<b>17,065</b>	<b>44,060</b>
<b>Liabilities</b>			
Current liabilities			
Current Loan	7	24,416	12,080
Short term debt	8	2,158	2,122
Derivative liability	8	5	5
Trade and other payables		13,854	19,456
Taxes payable		187	292
Short-term lease liability	9	8	8
<b>Total current liabilities</b>		<b>40,628</b>	<b>33,963</b>
Non-current Loan	7	-	14,467
Non-current decommissioning obligations		9,239	12,643
Other long-term liabilities	13	1,135	1,233
<b>Total non-current liabilities</b>		<b>10,374</b>	<b>28,343</b>
<b>TOTAL LIABILITIES</b>		<b>51,002</b>	<b>62,306</b>
<b>Shareholders' Equity</b>			
Share capital	11	239,029	239,029
Contributed surplus		18,971	18,587
Accumulated other comprehensive loss		(26,941)	(26,941)
Deficit		(264,996)	(248,921)
<b>Total equity</b>		<b>(33,937)</b>	<b>(18,246)</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>17,065</b>	<b>44,060</b>

Commitments and Other Long-term Liabilities (note 15)

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



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

USD 000s, except per share amounts	Note	Three months ended March 31	
		2021	2020
<b>Revenues</b>			
Oil and natural gas revenues	14	4,162	9,195
Royalties		(601)	(1,550)
Other Income		(17)	59
		<b>3,544</b>	<b>7,704</b>
<b>Expenses</b>			
Operating	15	2,444	5,386
General and administrative	15	558	1,023
Finance (income) expenses	16	641	320
Share-based and long-term incentive compensation	18, 19	382	(22)
Depletion and depreciation	3	1,186	3,773
Depreciation of right-of-use assets	5	-	58
Loss (Gain) on disposal of assets	3, 4	242	72
Fair value change on warrant liability	8	-	(2)
Impairment	3	14,214	-
Other gains and losses		(48)	(63)
		<b>19,619</b>	<b>10,545</b>
<b>Loss before income taxes</b>		<b>(16,075)</b>	<b>(2,841)</b>
<b>Income tax recovery (expense)</b>			
Current		-	-
Deferred		-	-
		-	-
<b>Loss</b>		<b>(16,075)</b>	<b>(2,841)</b>
<b>Comprehensive Loss</b>		<b>(16,075)</b>	<b>(2,841)</b>
<b>Net Loss per share</b>			
Basic and diluted – continuing	12	(0.03)	(0.01)
Basic and diluted – total	12	(0.03)	(0.01)

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



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

USD 000s	Share Capital (note 11)	Contributed Surplus	Equity Component of Convertible Debentures (note 8)	Accumulated Other Comprehensive Loss	Deficit	Total Equity
<b>Balance at December 31, 2020</b>	<b>239,029</b>	<b>18,587</b>	-	<b>(26,941)</b>	<b>(248,921)</b>	<b>(18,246)</b>
Net Loss	-	-	-	-	<b>(16,075)</b>	<b>(16,075)</b>
Share-based compensation (note 11)	-	<b>384</b>	-	-	-	<b>384</b>
<b>Balance at March 31, 2021</b>	<b>239,029</b>	<b>18,971</b>	-	<b>(26,941)</b>	<b>(264,996)</b>	<b>(33,937)</b>
<b>Balance at December 31, 2019</b>	239,029	18,097	-	(26,941)	(217,956)	12,229
Net Loss	-	-	-	-	(2,841)	(2,841)
Share-based compensation (note 19)	-	(18)	-	-	-	(18)
Convertible debentures maturity	-	-	-	-	-	-
<b>Balance at March 31, 2020</b>	239,029	18,079	-	(26,941)	(220,797)	9,370

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



Condensed Interim Consolidated Statements of Cash Flows  
(Unaudited)

USD 000s	Note	Three months ended March 31	
		2021	2020
<b>Cash provided by (used in):</b>			
<b>Operating</b>			
Net Loss		(16,075)	(2,841)
Items not affecting cash:			
Depletion and depreciation	3	1,186	3,773
Depreciation of right-of-use assets	5	-	58
Impairment	3	14,214	-
Accretion		29	75
Fair value change on derivative liability	8, 16	-	(2)
Loss (Gain) on disposal of assets	3	242	72
Share-based and long-term incentive compensation	17, 18	382	(22)
Unrealized (gain) loss on foreign exchange	16	(26)	(195)
Lease commitment liability		(47)	-
Non-cash increase of other long term liability		2	7
Change in non-cash working capital	12	287	(563)
Cash flow from (used in) operating activities		194	362
<b>Investing</b>			
Property, plant and equipment additions	3	(29)	-
Evaluation and exploration assets additions	4	-	(7)
Net cash from (used in) investing activities		(29)	(7)
<b>Financing</b>			
Loan term debt proceeds	8	45	-
Lease payment	9	-	(57)
Net cash used in financing activities		45	(57)
Change in cash and cash equivalents		162	298
Cash and cash equivalents, beginning of period		118	599
<b>Cash and cash equivalents, end of period</b>		<b>280</b>	<b>897</b>

(1) Non-cash additions related to CASE \$383 YTD (note 3).

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



## Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Three Months Ended March 31, 2021 and 2020 (Unaudited)

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

### 1. Reporting Entity

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

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

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

### 2. Basis of Preparation

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

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The rapid outbreak and subsequent measures intended to limit the spread of COVID-19 have contributed to a significant increase in economic uncertainty, with more volatile commodity prices. The duration and severity of the business disruptions and reduction in consumer activity internationally and the resulting financial effect is difficult to reliably estimate. There could be further prospective material effects in future periods which could impact future cash flows and cause uncertainty as to whether the Company has sufficient liquidity throughout 2021.

Furthermore, the Company received notice of default on the existing credit facilities, being the Working Capital Loan Agreement dated May 8, 2017, as amended April 7, 2019 between the Company and Hispania Petroleum S.A and the Amended and Restated Convertible Loan Agreement made effective as of April 7, 2019 among the Company, Hispania Petroleum S.A. ("Hispania"), and KD Energy International Capital Limited ("KD Energy"). On April 9, 2020 the Corporation has signed a binding term sheet with Maglan Distressed Master Fund LP with respect to debt financing agreement, which will provide access up to \$23 million. The parties had until June 30, 2020 to enter into a definitive agreement. On July 17, 2020, the Corporation agreed to the extension of the deadline to October 31, 2020. On October 28, 2020, the Corporation agreed to the extension of the deadline indefinitely. As such, there is a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern.

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

#### Statement of Compliance

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

These condensed interim consolidated financial statements follow the same accounting policies and method of computation as the annual consolidated financial statements for the year ended December 31, 2020. The disclosures provided below are incremental to those included with the annual consolidated financial statements. Certain information and disclosures normally included in the notes to the annual consolidated financial statements have been



Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Three Months Ended March 31, 2021 and 2020 (Unaudited)

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condensed or have been disclosed on an annual basis only. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (“IASB”).

The condensed interim consolidated financial statements were approved and authorized for issue by the Company’s Board of Directors on May 21, 2021.

**3. Property, Plant and Equipment (“PP&E”)**

USD 000s	2021	2020
<b>Cost</b>		
Balance, beginning of period	184,007	178,746
Additions	172	7,947
Disposals	(8,193)	(2,584)
Change in decommissioning liabilities	(2,961)	(102)
<b>Balance, end of period</b>	<b>173,025</b>	<b>184,007</b>
<b>Accumulated depreciation and depletion</b>		
Balance, beginning of period	(182,779)	(155,775)
Depreciation and depletion	(1,186)	(13,210)
Impairment	12,217	(13,794)
<b>Balance, end of period</b>	<b>(171,748)</b>	<b>(182,779)</b>
Net book value, beginning of period	1,228	22,971
<b>Net book value, end of period</b>	<b>1,277</b>	<b>1,228</b>

The additions for the three month period were mainly due to the pilot program in Coiron Amargo Sur Este concession “CASE”).

The Disposals for the three month period were mainly due to the assignment agreement, transferring to Pan American Energy (“PAE”) a six percent (6%) working interest CASE. 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 (see below 7. Loan).

At March 31, 2021 and 2020, Centaurus determined there were no impairment indicators for any of its CGUs.

For MEA South and North the recoverable amount was higher than its carrying amount by \$9.4 million and \$2.8 million, respectively. The combined recoverable amounts, resulted in pre-tax impairment reversal of \$12.2 million (2020 – nil).

The impaired CGU’s (Cash Generating Units) recoverable values were estimated using value in use calculations based on future net cash flows expected to be derived from the CGU’s proven plus probable reserves using a discount rate of 18.3% for MEA North and a discount rate of 18.4% for MEA South.

The depletion expense calculation for the three months ended March 31, 2021 included as part of the depletable base, \$79.8 million for estimated future development costs associated with proved developed non-producing reserves in Argentina (March 31, 2020 - \$84.9 million).



Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Three Months Ended March 31, 2021 and 2020 (Unaudited)

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

During the three month period ended March 31, 2021, approximately \$28 thousand (March 31, 2020 - \$40 thousand) of directly attributable general and administration costs were capitalized to property, plant and equipment.

**4. Exploration and Evaluation Assets (“E&E”)**

USD 000s	2021	2020
<b>Cost</b>		
Balance, beginning of period	30,766	30,755
Additions	-	7
Disposals	(26,431)	-
Change in decommissioning liabilities	(471)	4
<b>Balance, end of period</b>	<b>3,864</b>	<b>30,766</b>

E&E assets consist of the Company’s intangible exploration projects in Argentina pending determination of proven or probable reserves. Additions represent the Company’s share of costs incurred on E&E assets during the period. E&E assets are not depreciated or depleted.

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

**5. Right-of-use assets**

USD 000s	2021	2020
<b>Cost</b>		
Balance, beginning of period	305	432
Disposals	-	(127)
Balance, end of period	305	305
<b>Accumulated depreciation and depletion</b>		
Balance, beginning of period	(305)	(232)
Depreciation and depletion	-	(73)
Balance, end of period	(305)	(305)
Net book value, beginning of period	-	-
<b>Net book value, end of period</b>	<b>-</b>	<b>-</b>

**6. Other Long-term Assets**

Other long-term assets are comprised of long-term receivables for which the fair value approximates the carrying value. The long-term receivables primarily relate to ARS denominated income tax receivable of \$2.5 million (December 31, 2020 – \$2.8 million)



## Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Three Months Ended March 31, 2021 and 2020 (Unaudited)

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

### 7. Loan

On December 7, 2016, Centaurus entered into an agreement with Pan American Energy (“PAE”) , subject to certain conditions, to provide Centaurus with a loan of up to \$40 million, on a limited recourse basis, to be drawn-down as required to fund certain CASE capital expenditures (the “Loan Agreement”). This limited recourse loan would bear interest at 7% per annum and is repayable in five years from the first to occur between the completion of the investments committed in the Pilot Program or the complete disbursement of the loan. Transaction fees of \$0.5 million were incurred in 2017 to complete this agreement.

On July 7, 2020, Centaurus received a notice of default under the loan agreement from PAE because the Corporation failed to comply with the cash calls issued under the joint venture agreement due since April 13, 2020 to June 16, 2020.

On January 22, 2021, Centaurus 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.

During the year, nil (2020 - \$13.2 million) had been disbursed under the agreement directly to the operator of CASE to fund capital expenditures. Repayment of \$2.5 million (2020 - \$2.9 million) was repaid through the application of the net revenue.

USD 000s	Total
At December 31, 2020	26,476
Proceeds	-
Interests	478
Repayment	(2,538)
<b>At March 31, 2021</b>	<b>24,416</b>
Current	24,416
Long-term	-
<b>Total</b>	<b>24,416</b>

On April 28, 2021, Centaurus entered into an agreement to sell its remaining working interest (29%) in CASE, with an effective date of January 1, 2021, in return for consideration with a reference value of more than \$51 million, including:

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

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



## Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Three Months Ended March 31, 2021 and 2020 (Unaudited)

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### 8. Convertible Loan Working Capital and Short term debt

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

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

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

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

On September 13, 2017, the shareholders of the Company passed an ordinary resolution approving KD Energy as a new "Control Person" (as such term is defined in the TSX Venture Exchange Corporate Finance Manual) of the Company. In connection therewith, the convertible loan agreement dated May 8, 2017 for an amount up to \$16.5 million is now available to be drawn upon by the Company in accordance with the terms thereof.

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

As of March 31, 2021, \$0.3 million has been drawn on the Capex Loan and \$1.7 million has been drawn on the Working Capital Loan by the Company.

The fair value of the conversion option component of the convertible loan as at December 31, 2020 was determined to be \$4 thousand (2019 - \$70 thousand) using the trinomial method with the following assumptions: expected dividend yield of 0%, expected volatility of 103% based on historical share prices, CDN risk free interest rate of 0.175%, US risk free interest rate of 0.11%, share price of CDN\$0.03, an exchange rate volatility of 5.8% and an expected life of 1.5 years.



## Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Three Months Ended March 31, 2021 and 2020 (Unaudited)

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

The fair value of the conversion option component of the convertible loan as of March 31, 2021 was determined to be \$4 thousand using the trinomial method with the following assumptions: expected dividend yield of 0%, expected volatility of 113% based on historical share prices, CDN risk free interest rate of 0.19%, US risk free interest rate of 0.18%, share price of CDN\$0.03, an exchange rate volatility of 3.8% and an expected life of 1.5 years.

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

The following table presents the reconciliation of the beginning and ending balances of the components of the loans as of December 31, 2020 and as of March 31, 2021:

USD 000s	Liability	Derivative Liability	Total
At December 31, 2020	2,122	5	2,127
Revaluation of conversion option	-	-	-
Interests	36	-	36
<b>At March, 2021</b>	<b>2,158</b>	<b>5</b>	<b>2,163</b>

### 9. Lease liability

USD 000s	2021	2020
Balance, beginning of year	8	216
Accretion expense (note 17)	-	1
Obligations settled	-	(72)
Disposal	-	(137)
<b>Balance, end of period</b>	<b>8</b>	<b>8</b>
Current	8	8
Long-term	-	-
<b>Total</b>	<b>8</b>	<b>8</b>

The total undiscounted amount of finance liabilities debt at March 31, 2021 is \$8 thousand (2020 - \$8 thousand). The finance liabilities debt have been discounted using discount rates that reflect current market assessments of the time value of money and the risks specific to each liability.

The incremental borrowing rate used to discount the liability at March 31, 2021 was 10.5% (2020 – 10.5%).

### 10. Decommissioning Obligations

The total undiscounted amount of cash flow required to settle Centaurus’s decommissioning obligations in Argentina at March 31, 2020, is approximately \$9.2 million (December 31, 2020 – \$12.6 million), with the majority of the costs to be incurred between 2026 and 2027. The decommissioning obligations have been estimated using existing technology at current prices and discounted using discount rates that reflect current market assessments of the time value of money and the risks specific to each liability.

At March 31, 2021 an inflation rate of 1.74% was used (December 31, 2020 – 0.93%). The risk free rate used to discount the liability at March 31, 2021 was 1.74% (December 31, 2020 – 0.93%). The majority of the Argentine decommissioning obligations are expected to be invoiced in USD and settled through payments in ARS.



Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Three Months Ended March 31, 2021 and 2020 (Unaudited)

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

USD 000s	March 31 2021	December 31 2020
Balance, beginning of year	12,643	12,664
Disposals	(3,413)	(595)
Additions from development activities	-	142
Accretion expense (note 17)	29	188
Revision of estimates	(20)	244
<b>Balance</b>	<b>9,239</b>	<b>12,643</b>
Current	-	-
Long-term	9,239	12,643
<b>Total</b>	<b>9,239</b>	<b>12,643</b>

### 11. Share Capital

The Company is authorized to issue an unlimited number of common shares and preferred shares. The holders of common shares are entitled to receive dividends as declared by the Company and are entitled to one vote per share. No preferred shares were outstanding at March 31, 2021 or December 31, 2020. No dividends have been declared by the Company at March 31, 2021 or December 31, 2020.

	Number of Shares 000s	Share Capital 000s
Balance at December 31, 2019	544,060	239,029
Balance at December 31, 2020	544,060	239,029
<b>Balance at March 31, 2021</b>	<b>544,060</b>	<b>239,029</b>

### Net Income (Loss) Per Share

As of March 31, 2021, there is no resulting dilutive impact of the convertible debentures or share options. The following table provides the weighted average number of common shares used in the per share calculations:

	Three months ended March 31	
	2021	2020
Weighted average number of common shares - basic – 000s	544,060	544,060
Net Loss from continuing operations - USD 000s	(16,075)	(2,841)
Per share – basic & diluted - continuing operations (\$/share)	(0.03)	(0.01)
Per share – basic & diluted - total (\$/share)	(0.03)	(0.01)



Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Three Months Ended March 31, 2021 and 2020 (Unaudited)

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

## 12. Supplemental Cash Flow Information

### *Changes in non-cash working capital*

USD 000s	Three months ended March 31	
	2021	2020
Trade and other receivables	(186)	(1,896)
Other current assets, including inventory	490	(101)
Lease liabilities	-	(56)
Trade and other payables	(16)	1,490
<b>Change in non-cash working capital<sup>1</sup></b>	<b>288</b>	<b>(563)</b>
Attributable to:		
Operating activities	288	(563)
Investing activities	-	-
Financing activities	-	-
	<b>288</b>	<b>(563)</b>

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

### *Other cash flow information*

USD 000s	Three months ended March 31	
	2021	2020
Interest paid (income)	449	207
Interest received (income)	-	-
Taxes paid	-	-

## 13. Commitments and Other Long-term Liabilities

USD 000s	Under negotiations	2021	2022	2023	Thereafter	Total
Development and Exploration Commitments	17,300	41,666	500	-	1,800	61,266
<b>Total</b>	<b>17,300</b>	<b>41,666</b>	<b>500</b>	<b>-</b>	<b>1,800</b>	<b>61,266</b>

### *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



Notes to the Condensed Interim Consolidated Financial Statements

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incurred to complete this agreement. The outstanding amount of the loan, as of the end of quarter (net of repayments) is \$24.4 million.

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

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

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

USD 000s	2021 <sup>(2)</sup>
Concession commitments at CASE <sup>(1)</sup>	11,116

(1) Committed values are reflected at Centaurus 29% WI at March 31, 2021 plus Centaurus proportionate share of GyP's carry.

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

On January 22, 2021, Centaurus and PAE interested 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 April 28, 2021, Centaurus entered into an agreement to sell its remaining working interest (29%) in CASE, with an effective date of January 1, 2021, in return for consideration with a reference value of more than \$51 million, including:

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

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

*Curamhuele Block (90% WI-operated)*

USD 000s	2021
Concession commitments	16,150

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

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



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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.

### Puesto Morales Block (100% WI-operated)

USD 000s	Under negotiations	2021	2022
Concession commitments	13,700	14,400	500

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

### Santa Victoria Block (100% WI - operated)

The contract can contain up to three exploration and evaluation phases, of which the second expired in April 2017. The second phase required additional work commitments of \$4.037 million for which no qualifying expenditures have been made. A performance bond of \$3.6 million is in place over the commitments under this exploration and evaluation permit. Since November 2017, the Corporation has proposed alternatives to the province of Salta in order to reconvert and reschedule pending commitments.



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El Chivil Block (100% WI – operated)

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

Palmar Largo operation agreement (100% WI – operated)

Centaurus has signed an operation agreement with Recursos y Energía Formosa SA, an oil company belonging to the Province of Formosa, 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 long term liabilities

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

**14. Revenue**

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

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

USD 000s	Three months ended March 31	
	2021	2020
Crudo Oil	4,079	8,947
Natural gas	83	248
Oil and natural gas sales	4,162	9,195

USD 000s	Three months ended March 31	
	2021	2020
Casing sale	-	59
Other from JV CASE	(17)	-
Other income	(17)	59

**15. Operating Expenses – G&A**

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



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costs included in the operating and general and administrative expense line items in the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

USD 000s	Three months ended March 31	
	2021	2020
<b>Operating expenses</b>		
Compensation costs	917	895
Transportation and processing	394	1,384
Maintenance, workovers and other	1,133	3,107
	<b>2,444</b>	<b>5,386</b>
<b>General &amp; administrative expenses</b>		
Compensation costs	226	476
Other	332	547
	<b>558</b>	<b>1,023</b>

**16. Finance (Income) Expenses**

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

USD 000s	Three months ended March 31	
	2021	2020
Bank charges	33	135
Foreign exchange loss (gain)	(26)	(195)
Decommissioning obligations accretion (note 12)	29	74
Lease liabilities accretion	-	1
Interest (income) and other expenses	605	305
	<b>641</b>	<b>320</b>

USD 000s	Three months ended March 31	
	2021	2020
Unrealized foreign exchange loss (gain)	(26)	(195)
Total	(26)	(195)
Currency exchange rate at period end:		
\$1 USD = CAD	1.26	1.42
\$1 USD = ARS	92.00	64.47



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### 17. Share-based Compensation

There were no share-based options exercised during the three months ended March 31, 2021 or 2020.

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.

The share-based compensation expense recorded in the consolidated statements of loss for the three months ended March 31, 2021 was \$0.4 million (2020 – recovery of \$19 thousand).

### 18. Long-term Incentive Plan

The LTIP recovery recorded as part of share-based and long-term incentive compensation recovery in the consolidated statements of loss for the three months ended March 31, 2021 was \$1 thousand (2020 – \$3 thousand) and is revalued at the end of each reporting period.

At March 31, 2021 the LTIP liability was \$1 thousand (December 31, 2020 - \$1 thousand).

### 19. Financial Instruments and Risk Management

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

#### Capital Management

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

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

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

#### Liquidity risk

At March 31, 2021, cash and cash equivalents of \$0.3 million was deposited with banks in Argentina (December 31, 2020 - \$0.1 million), and is held in ARS. Cash and cash equivalents of \$38 thousand was deposited with banks in Canada and Barbados, \$37 thousand is held in USD and \$1 thousand is held in CAD.



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### **Repatriation of Funds to Canada**

Centaurus's corporate office is in Canada. Funds are required to enable the Company to maintain its Canadian corporate office and manage the regulatory, reporting, audit, legal and tax requirements of a TSX-V listed company.

During 2021, nil (2020 - \$0.4 million) was repatriated from Argentina. The Company didn't increase its investment in its Argentine subsidiaries (2020 - nil).

### **Market risk**

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

### **Credit risk**

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

Cash and cash equivalents are held in local short term investments, and therefore the Company does not believe these financial instruments are subject to material credit risk.

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

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

During 2021, no provision for doubtful accounts has been recorded (March 31, 2020 - nil).

### **Commodity price risk**

The average price the Company received for oil for the Quarter was \$38.02/bbl, lower than the \$43.78/bbl realized in Q1-2020 due to significant commodity price volatility due to the COVID-19 pandemic.

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, 2021, Brent crude oil pricing recovered to \$63.54/bbl.

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