



# CENTAURUS

**CENTAURUS ENERGY INC.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

**(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 September 30 2023	At December 31 2022
<b>Assets</b>			
Current assets			
Cash and cash equivalents		1	459
Trade and other receivables		400	20,064
Inventory		-	251
Other current assets		-	78
<b>Total current assets</b>		<b>401</b>	<b>20,852</b>
Property, plant and equipment	3	-	4,040
Exploration and evaluation assets	4	-	3,864
Other long-term assets	5	15,409	2,795
<b>Total non-current assets</b>		<b>15,409</b>	<b>10,699</b>
<b>TOTAL ASSETS</b>		<b>15,810</b>	<b>31,551</b>
<b>Liabilities</b>			
Current liabilities			
Current Loan		631	544
Short term debt	6	2,515	2,462
Derivative liability	6	5	5
Trade and other payables		1,512	7,974
Taxes payable		-	267
<b>Total current liabilities</b>		<b>4,663</b>	<b>11,252</b>
Non-current decommissioning obligations		-	7,324
Other long-term liabilities	10	-	2,889
<b>Total non-current liabilities</b>		<b>-</b>	<b>10,213</b>
<b>TOTAL LIABILITIES</b>		<b>4,663</b>	<b>21,465</b>
<b>Shareholders' Equity</b>			
Share capital	8	239,029	239,029
Contributed surplus		18,661	18,623
Accumulated other comprehensive loss		(26,941)	(26,941)
Deficit		(219,603)	(220,633)
<b>Total equity</b>		<b>11,146</b>	<b>10,078</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>15,810</b>	<b>31,543</b>

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		Nine months ended	
		September 30 2023	September 30 2022	September 30 2023	September 30 2022
<b>Revenues</b>					
Oil and natural gas revenues	11	-	2,315	-	9,942
Royalties		-	(475)	-	(1,605)
Other Income		-	-	-	42,747
		-	3,407	-	51,084
<b>Expenses</b>					
Operating	12	-	2,989	-	6,669
General and administrative	12	131	385	4,570	1,277
Finance (income) expenses	13	54	(3,924)	478	(6,503)
Share-based and long-term incentive compensation	14	10	(18)	38	(18)
Depletion and depreciation	3	-	164	-	474
Loss (Gain) on disposal of assets	3, 4	-	-	-	-
Impairment	3, 4	-	-	-	-
Other gains and losses		-	(56)	(6,115)	(1)
		195	(460)	(1,029)	1,898
<b>Gain (Loss) before income taxes</b>		<b>(195)</b>	<b>3,867</b>	<b>1,029</b>	<b>49,186</b>
<b>Income tax recovery (expense)</b>					
Current		-	-	-	-
Deferred		-	-	-	-
		-	-	-	-
<b>Gain (Loss)</b>		<b>(195)</b>	<b>3,867</b>	<b>1,029</b>	<b>49,186</b>
<b>Comprehensive Gain (Loss)</b>		<b>(195)</b>	<b>3,867</b>	<b>1,029</b>	<b>49,186</b>
<b>Net Gain (Loss) per share</b>					
Basic and diluted – continuing	8	<b>(0.18)</b>	0.01	<b>0.94</b>	0.09
Basic and diluted – total	8	<b>(0.15)</b>	0.01	<b>0.74</b>	0.09

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 8)	Contributed Surplus	Equity Component of Convertible Debentures (note 8)	Accumulated Other Comprehensive Loss	Deficit	Total Equity
<b>Balance at December 31, 2022</b>	<b>239,029</b>	<b>18,622</b>	-	<b>(26,941)</b>	<b>(220,633)</b>	<b>10,077</b>
Net Loss	-	-	-	-	<b>1,029</b>	<b>1,029</b>
Share-based compensation (note 14)	-	<b>38</b>	-	-	-	-
<b>Balance at September 30, 2023</b>	<b>239,029</b>	<b>18,660</b>	-	<b>(26,941)</b>	<b>(219,604)</b>	<b>11,144</b>
<b>Balance at December 31, 2021</b>	239,029	18,683	-	(26,941)	(260,805)	(30,034)
Net Gain	-	-	-	-	49,186	49,186
Share-based compensation (note 14)	-	(18)	-	-	-	(18)
<b>Balance at September 30, 2022</b>	239,029	18,665	-	(26,941)	(211,619)	19,135

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		Nine months ended	
		September 30		September 30	
		2023	2022	2023	2022
<b>Cash provided by (used in):</b>					
<b>Operating</b>					
Net Gain (Loss)		(195)	3,867	1,029	49,186
Items not affecting cash:					
Depletion and depreciation	3	-	164	-	474
Impairment	3	-	-	-	-
Accretion		-	63	-	142
Other gains and losses		-	-	(6,115)	-
Share-based and long-term incentive compensation	14	10	(18)	38	(18)
Deferred income tax expense (recovery)		-	-	-	-
Unrealized (gain) loss on foreign exchange	13	8	(4,172)	280	(5,703)
Lease commitment liability		-	(71)	-	(64)
Non-cash increase of contingent liability		-	-	(2,889)	2
Change in other long-term assets		-	-	113	-
Change in other long term liabilities		-	-	(7,324)	-
Change in non-cash working capital	9	129	2,564	6,372	(56,131)
<b>Cash flow from (used in) operating activities</b>		<b>(48)</b>	<b>2,397</b>	<b>(8,496)</b>	<b>(12,112)</b>
<b>Investing</b>					
Property, plant and equipment additions	3	-	(1,457)	7,904	13,311
Evaluation and exploration assets additions	4	-	-	-	-
Change in non-cash working capital	9	-	-	-	-
<b>Net cash from (used in) investing activities</b>		<b>-</b>	<b>(1,457)</b>	<b>7,904</b>	<b>13,311</b>
<b>Financing</b>					
Loan term debt proceeds		-	-	-	-
Convertible debentures repayment		-	-	-	-
Lease payment		-	-	-	-
Change in non-cash working capital		45	-	135	-
<b>Net cash used in financing activities</b>		<b>45</b>	<b>-</b>	<b>135</b>	<b>-</b>
Change in cash and cash equivalents		(3)	884	(458)	1,222
Cash and cash equivalents, beginning of period		4	606	459	268
<b>Cash and cash equivalents, end of period</b>		<b>1</b>	<b>1,490</b>	<b>1</b>	<b>1,490</b>

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



## Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Nine Months Ended September 30, 2023 and 2022 (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") was involved in the exploration, development and production of oil and natural gas in Argentina until January 2023. The Company is currently focused on managing the future proceeds from the Overriding Royalty Interest payable by Pan American Energy, (the "PAE ORRI"), which may include investment in new endeavors and/or capital returns. 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 Petroleum Americas Limited (Barbados) ("MPAL")
- Madalena Petroleum Holdings Limited (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.

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"). This action and other prospective material events could impact future cash flows and cause uncertainty as to whether the Company has sufficient liquidity throughout 2023. See note 6.

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, 2022. The disclosures provided below are incremental to those included with the annual consolidated financial statements. Certain information and disclosures normally included in the notes to the annual consolidated financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IASB").

The financial statements prepared and audited as of December 31, 2022 contained the consolidation of Madalena Energy Argentina SRL, a company that was sold in January 2023 (see note 15), therefore, the comparative figures in these financial statements are not comparable with the balances as of September 2023.



Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Nine Months Ended September 30, 2023 and 2022 (Unaudited)

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

The condensed interim consolidated financial statements were approved and authorized for issue by the Company’s Board of Directors on November 7, 2023.

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

USD 000s	2023	2022
<b>Cost</b>		
Balance, beginning of period	148,903	190,607
Additions	-	(69)
Disposals	(148,903)	(41,772)
Change in decommissioning liabilities	-	137
<b>Balance, end of period</b>	<b>-</b>	<b>148,903</b>
<b>Accumulated depreciation and depletion</b>		
Balance, beginning of period	(144,863)	(169,649)
Depreciation and depletion	-	(554)
Disposals	144,863	-
Impairment	-	25,340
<b>Balance, end of period</b>	<b>-</b>	<b>(144,863)</b>
Net book value, beginning of period	4,040	20,958
<b>Net book value, end of period</b>	<b>-</b>	<b>4,040</b>

As a result of Centaurus’ sale of Madalena Energy Argentina SRL, currently, Centaurus does not have fixed assets to report.

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

USD 000s	2023	2022
<b>Cost</b>		
Balance, beginning of period	3,864	3,864
Additions	-	-
Disposals	(3,864)	-
Change in decommissioning liabilities	-	-
<b>Balance, end of period</b>	<b>-</b>	<b>3,864</b>

As a result of Centaurus’ sale of Madalena Energy Argentina SRL, currently, Centaurus does not have fixed assets to report.



## Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Nine Months Ended September 30, 2023 and 2022 (Unaudited)

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

### 5. 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 the USD denominated ORRI receivable from PAE due to the CASE Sale Agreement (\$15.4 million, remaining net value).

The PAE ORRI, announced on April 28, 2021 and closed on March 23, 2022, is the payment, over time, of 1.25% to 2.5% Overriding Royalty Interest over the net proceeds corresponding to the 29% interest assigned by Centaurus to Pan American Energy, S.R.L., Argentine Branch ("PAE"), which is payable by PAE in semi-annual installments, and other considerations totaling \$16.83 million (as of the effective date of January 1, 2021).

To date, PAE has made payments as planned. And Centaurus expects that PAE will continue to make the payments in the future from the output and revenue from Coiron Amargo Sur Este.

Initially, the payments to Centaurus equal an overriding royalty of 1.25%, with another 1.25% being credit to PAE for previous payment made to the Province of Neuquén on behalf of Centaurus. Upon complete satisfaction of the previous payments made to the Province of Neuquén by PAE on behalf of Centaurus, Centaurus will receive semi-annual overriding royalty payments of 2.5% corresponding to the 29% interest assigned by Centaurus to PAE.

In October 2023, Centaurus received \$190,712 relating to the PAE ORRI.

The next payment is expected in February 2024.

### 6. 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 total package of debt and mezzanine financing of up to \$23 million through (i) a working capital loan (the "Working Capital Loan") of up to \$6.5 million and (ii) a convertible loan of up to \$16.5 million (the "Capex Loan") for purposes of funding Centaurus' capital expenditure obligations in the Puesto Morales concession and funding one or more acquisitions of oil and gas assets. The Working Capital Loan and the Capex Loans are each multi-drawdown facility. Interest accrues at 7% per annum. Principal and interest on each drawdown is repayable thirty-six months after drawdown.

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 extended the term of the Working Capital Loan agreement (the "Working Capital Loan Agreement"). The Amended and Restated Loan Agreement was approved on June 5, 2019 by a special meeting of shareholders.

As of September 30, 2023, \$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.

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. On March 27, 2020 the Company announced it had received a notice of default and reservation of rights from KD Energy and Hispania.

*KD Energy International, Capital Limited, Jose David Penafiel, Alejandro Augusto Penafiel, and Totisa Holdings S.A. v Centaurus Energy Inc*

In a Canadian court, KD Energy has made a claim for repayment of funds advanced to Centaurus allegedly under a CapEx loan in the amount of USD\$2,093,014.76, plus 7% interest from 7 April 2020 to date of trial, or alternatively claim by Totisa in unjust enrichment for funds advanced in the amount of USD \$2,093,014.76 plus interest under the

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Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Nine Months Ended September 30, 2023 and 2022 (Unaudited)

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

Judgment Interest Act, plus costs. In addition, in the same case, Jose Penafiel has claimed for wrongful dismissal damages of USD\$315,000 plus aggravated and punitive damages of \$300,000, and Alejandro Penafiel has claimed for wrongful dismissal damages of USD\$180,000 plus aggravated and punitive damages of \$150,000, plus interest. In this case, Centaurus defeated a summary judgment application by Totisa.

*KD Energy International Capital Limited and Hispania Petroleum S.A. v Centaurus Energy Inc.*

In the same Canadian court, KD Energy and Hispania have made claims for repayment of debt in the amount of USD\$2,411,770.40 plus interest of 7% per annum accruing from 27 June 2022 to date of trial, for funds advanced to Centaurus under either a CapEx loan or Working Capital Loan facility, plus costs. This relief sought is duplicative of the relief sought previously.

Centaurus filed a Statement of Defence and Counterclaim, seeking to set off any amounts owing, seeking damages of at least \$3,000,000 and punitive damages against the Plaintiffs, and seeking to consolidate the Actions.

The Plaintiffs filed a Statement of Defence to Counterclaim and Reply to Defence. Centaurus filed a Reply to Statement of Defence to Counterclaim.

*PEÑAFIEL, JOSÉ S/INFRACCIÓN ARTS. 309 Y 311 DEL C.P.*

Centaurus Energy’s prior management, specifically, Mr. José David Peñafiel and Mr. Alejandro Peñafiel, have been charged with and are being investigated by federal prosecutors in Buenos Aires, Argentina for numerous criminal counts, including, fraudulent management, special fraud to shareholders, market manipulation, accounting fraud, and money laundering.

The following table presents the reconciliation of the beginning and ending balances of the components of the loans as of December 31, 2022 and as of September 30, 2023:

USD 000s	Liability	Derivative Liability	Total
At December 31, 2022	2,408	5	2,413
Revaluation of conversion option	-	-	-
Interest	107	-	107
<b>At September 30, 2023</b>	<b>2,515</b>	<b>5</b>	<b>2,520</b>



Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Nine Months Ended September 30, 2023 and 2022 (Unaudited)

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

## 7. Decommissioning Obligations

USD 000s	September 30 2023	December 31 2022
Balance, beginning of year	7,324	9,106
Disposals	(7,324)	(2,259)
Additions from development activities	-	-
Accretion expense (note 17)	-	213
Revision of estimates	-	265
<b>Balance</b>	<b>-</b>	<b>7,324</b>
Current	-	-
Long-term	-	7,324
<b>Total</b>	<b>-</b>	<b>7,324</b>

As a result of Centaurus’ sale of Madalena Energy Argentina SRL, Centaurus no longer has decommissioning obligations to report.

## 8. 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 September 30, 2023 or December 31, 2022. No dividends have been declared by the Company at September 30, 2023 or December 31, 2022.

	Number of Shares 000s	Share Capital 000s
Balance at December 31, 2021	544,060	239,029
Balance at December 31, 2022	1,093	239,029
<b>Balance at September 30, 2023</b>	<b>1,093</b>	<b>239,029</b>



Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Nine Months Ended September 30, 2023 and 2022 (Unaudited)

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

**Net Income (Loss) Per Share**

As of September 30, 2023, there is no 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 September 30		Nine months ended September 30	
	2023	2022	2023	2022
Weighted average number of common shares - basic – 000s	1,093	544,060	1,093	544,060
Net Gain (Loss) from continuing operations - USD 000s	(195)	3,687	1,029	49,186
Per share – basic & diluted - continuing operations (\$/share)	(0.18)	0.01	0.94	0.09
Per share – basic & diluted - total (\$/share)	(0.15)	0.01	0.74	0.09

On December 21, 2022 all of the issued and outstanding common shares of the Corporation were consolidated on a five-hundred to one (500:1) basis. Under the Consolidation, every 500 common shares held by a Shareholder, received one Common Share. Following the completion of the Consolidation, there are currently 1,093,156 common shares issued and outstanding in the share capital of the Corporation.

Due to the consolidation, the earnings/loss per share of 2023 are not comparable with those of 2022.

**9. Supplemental Cash Flow Information**

*Changes in non-cash working capital*

USD 000s	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Trade and other receivables	-	(2,932)	12,261	(13,787)
Other current assets, including inventory	-	(398)	286	(319)
Lease liabilities	-	-	-	-
Trade and other payables	173	5,894	(6,788)	(42,025)
Change in non-cash working capital <sup>(1)</sup>	173	2,564	5,759	(56,131)
Attributable to:				
Operating activities	128	2,564	6,372	(56,131)
Investing activities	-	-	-	-
Financing activities	45	-	135	-
	173	2,564	6,507	(56,131)

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



Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Nine Months Ended September 30, 2023 and 2022 (Unaudited)

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

*Other cash flow information*

USD 000s	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Interest paid (income)	45	182	135	357
Interest received (income)	-	-	-	(1,345)
Taxes paid	-	-	-	-

**10. Other Long-Term Liabilities**

Other long-term liabilities included a provision for the lease of office space in Calgary, Alberta which has been under contract negotiations since October, 2017. That provision has been reversed as of September 2023. As of April 30, claims and counterclaims relating to the lease for prior office premises in Calgary have been dropped and the related actions have been discontinued. The parties settled out of Court with both parties dropping their claims; no amount has been paid by either party to the other party. Prior to the reversal, the Company had estimated the range of possible loss to be from CAD 0.9 million to CAD 1.2 million and had accrued CAD 1.2 million in other long-term liabilities.

**11. Revenue**

As a result of Centaurus’ sale of Madalena Energy Argentina SRL, currently, Centaurus does not have sales to report.

USD 000s	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Crude Oil	-	1,991	-	9,214
Natural gas	-	324	-	728
Oil and natural gas sales	-	2,315	-	9,942

**12. Operating Expenses – G&A**

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



Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Nine Months Ended September 30, 2023 and 2022 (Unaudited)

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

USD 000s	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
<b>Operating expenses</b>				
Compensation costs	-	842	-	2,933
Transportation and processing	-	174	-	742
Maintenance, workovers and other	-	1,973	-	2,994
	-	2,989	-	6,669
<b>General &amp; administrative expenses</b>				
Compensation costs	128	266	149	784
Other	3	118	4,421	493
	131	385	4,570	1,277

**13. Finance (Income) Expenses**

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

USD 000s	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Bank charges	-	2	-	52
Foreign exchange loss (gain)	8	(4,173)	278	(5,703)
Decommissioning obligations accretion (note 12)	-	63	-	142
Interest (income) and other expenses	46	183	201	(994)
	54	(3,924)	479	(6,503)

USD 000s	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Unrealized foreign exchange loss (gain)	8	(3,924)	278	(6,503)
Total	8	(3,924)	278	(6,503)



## Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Nine Months Ended September 30, 2023 and 2022 (Unaudited)

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

### 14. Share-based Compensation

There were no stock options exercised during the three months ended September 30, 2023 or 2022.

On January 8, 2021, 24,205,954 options (on a pre-consolidated basis) 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 agreed to cancel 2,700,000 options originally issued in April 2018 and 600,000 issued in January 2021.

The share-based compensation expense recorded in the consolidated statements for the three months ended September 30, 2023 was a loss of 10 thousand (2022 – Gain \$18 thousand).

### 15. Sale of Madalena Energy Argentina SRL to Gasener

On January 12, 2023, Centaurus closed an agreement with Gasener SRL, a hydrocarbon trading company based in Argentina, whereby Gasener has acquired Madalena Energy Argentina S.R.L, the Company’s operating subsidiary based in Argentina. Pursuant to the Transaction, Gasener has acquired MEA for a purchase price of US\$20,000 and will assume all liabilities with respect to MEA. Prior to the Transaction, Centaurus acquired MEA’s interests in the PAE ORRI in exchange for assumption and extinguishment of the intercompany debt owed by MEA to Centaurus. In addition, as part of the Transaction, a debt obligation of approximately US\$260,000 owed by MEA to David D. Tawil was assumed by Centaurus. The effect of the Transaction is that the Company has transferred all its conventional oil and gas assets and related liabilities in Argentina, including sizable upcoming drilling commitments, to Gasener, while retaining the PAE ORRI.

### 16. 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’s 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 its underlying 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 or 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.

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

At September 30, 2023, cash and cash equivalents of \$1 thousand was mostly deposited with banks in Canada (December 31, 2022 - \$17 thousand in Argentina), and is held in CAD.



## Notes to the Condensed Interim Consolidated Financial Statements

As of and for the Nine Months Ended September 30, 2023 and 2022 (Unaudited)

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

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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.

### **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 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 PAE in Argentina relating to the ORRI. These amounts are expected to be received pursuant to the terms of the ORRI.

During 2023, no provision for doubtful accounts has been recorded (2022 – nil).

## **17. Purchase of Common Shares**

On May 19, 2023, Centaurus announced that the TSX Venture Exchange ("TSX-V") accepted the Company's notice to implement a normal course issuer bid ("NCIB") to purchase, for cancellation, up to 109,315 of its common shares, representing 10% of Centaurus' Public Float (calculated in accordance with the rules of the TSX-V), over a twelve month period commencing on May 25, 2023. The NCIB will expire no later than May 25, 2024.