



**CENTAURUS ENERGY INC.**

**MANAGEMENT'S DISCUSSION & ANALYSIS**

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



## MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

(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 November 7, 2023 and should be read in conjunction with Centaurus Energy Inc.'s ("Centaurus" or the "Company") unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 and the accompanying notes as well as the audited consolidated financial statements for the year ended December 31, 2022 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](http://www.sedar.com) and on the Company's website at [www.ctaurus.com](http://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.*

*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), which means that the comparative figures observed in these financial statements are not directly comparable with the balances as of September 2023.*

### **Non-GAAP Measures**

*Certain financial measures in this document do not have a standardized meaning as prescribed by IFRS, such as funds flow from (used in) operations, working capital and netbacks and therefore are considered non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers. These measures have been described and presented to provide shareholders and potential investors with additional measures for analyzing the Company's ability to generate funds to finance its operations and information regarding its liquidity. The additional information should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. The definition and/or reconciliation of each non-GAAP measure is presented in the Netbacks and Reconciliation of Cash Flow from (used in) Operating Activities and Funds Flow from (used in) Continuing Operations sections of this MD&A.*

*Funds flow from (used in) continuing operations per share is calculated using the same basic and diluted weighted average number of shares for the period, consistent with the calculations of loss per share.*

*The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. Per boe amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. This equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*



## **Introduction**

Centaurus Energy Inc. ("Centaurus," the "Company," or the "Corporation") is an independent, Canadian company that has been focused on Argentine upstream oil and gas with operations until January 2023. The Company is currently focused on managing the future proceeds from the PAE ORRI, totaling US\$16 million, which may include investment in new endeavors and/or capital returns.

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

## **2022 Highlights**

### ***Shares consolidation***

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 (the "Consolidation"). Under the Consolidation, every 500 common shares held by a Shareholder, received one Common Share. As a result 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.

## **2023 Highlights**

### ***Sale of Madalena Energy Argentina SRL to Gasener***

On January 12, 2023, Centaurus closed an agreement with Gasener SRL ("Gasener"), a hydrocarbon trading company based in Argentina, whereby Gasener acquired Madalena Energy Argentina S.R.L, the Company's operating subsidiary based in Argentina. Pursuant to the Transaction, Gasener acquired MEA for a purchase price of US\$20,000 and assumed 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.

The PAE ORRI, announced on April 28, 2021 and closed on March 23, 2022, is the payment to Centaurus, 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-

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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.

### 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 and nine months ended September 30, 2023 compared to the three and nine month ended September 30, 2022. 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).

(1)

USD	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2023	2022	Change <sup>(1)</sup>	2023	2022	Change <sup>(1)</sup>
Average CAD to USD	0.745	0.766	(2.67%)	0.743	0.768	(3.27%)
Average ARS to USD	0.003	0.007	(56.58%)	0.004	0.008	(46.81%)
Period end CAD to USD	0.740	0.730	(1.38%)	0.740	0.738	(0.18%)
Period end ARS to USD	0.003	0.007	(57.90%)	0.003	0.006	(49.38%)

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

### Continuing Argentine Operations and Corporate Segments

#### Sales Volumes

	Three months ended		Nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Crude oil and NGLs (bbls/d)	-	323	-	574
Natural gas (mcf/d)	-	877	-	775
Total daily sales (boe/d)	-	469	-	703
% oil	-	69%	-	82%

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



### Average Realized Prices

USD	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Crude oil and NGLs - \$/bbl	-	67.00	-	58.81
Natural gas - \$/mcf	-	4.01	-	3.44
Total - \$/boe	-	53.63	-	51.80

### Oil and Natural Gas Revenue

USD 000s, except boe	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Crude oil	-	1,991	-	9,214
Natural gas	-	324	-	728
	-	2,315	-	9,942
\$/boe	-	53.63	-	51.80

### Royalties

USD 000s, except boe	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Royalties and Turnover taxes	-	475	-	1,605
As % of revenue	-	21%	-	16%
\$/boe	-	11.00	-	8.36

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



## Operating Costs

USD 000s, except boe	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Compensation costs	-	842	-	2,933
Transportation and processing	-	174	-	742
Maintenance, workovers and other	-	1,973	-	2,994
	-	2,989	-	6,669
\$/boe	-	69.25	-	34.75

As a result of Centaurus' sale of Madalena Energy Argentina SRL, currently, Centaurus does not have operating costs to report.

## Netbacks <sup>(1)</sup>

USD/boe	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Oil and gas revenue	-	53.63	-	51.80
Royalties	-	(11.00)	-	(8.36)
Operating expenses	-	(69.25)	-	(34.75)
Netbacks	-	(26.62)	-	8.69

- (1) The term “netback” is a non-GAAP measure and may not be comparable with the calculation of other entities. Netback is calculated as the average unit sales price, less royalties and operating expenses, and represents the cash margin for every barrel of oil equivalent sold. The Company uses this measure to analyze operating performance and considers netback a key measure, as it demonstrates its profitability relative to current commodity prices.



## General and Administration (“G&A”) Expenses

USD 000s	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
<b>Argentina</b>				
Gross G&A				
Compensation costs	-	266	-	785
Other	-	147	-	499
	-	413	-	1,283
Capitalized	-	(75)	-	(202)
	-	338	-	1,081
<b>Corporate</b>				
Gross G&A				
Compensation costs	128	-	149	-
Other	3	47	4,421	195
	131	47	4,570	195
<b>Consolidated</b>				
Net G&A total	131	385	4,570	1,277

### Corporate

Gross G&A expenses increased to \$4.5 million compared to \$195 thousand in Q3-2022 due to interest forgiveness.

## Finance (Income) and Expenses

USD 000s	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
<b>Argentina</b>				
Bank charges and fees	-	2	-	52
Foreign exchange (gain) loss – unrealized	-	(3,755)	-	(5,188)
Accretion of decommissioning obligations	-	63	-	142
Interest (income) and other expenses	-	193	-	(967)
	-	(3,496)	-	(5,961)
<b>Corporate</b>				
Foreign exchange loss – unrealized	8	(417)	278	(516)
Interest (Income) and other expenses	46	(10)	201	(27)
	54	(427)	479	(543)
<b>Consolidated</b>	54	(3,924)	479	(6,503)

### Corporate

#### Foreign exchange loss (gain)

During the Quarter, the Company recorded an unrealized foreign exchange loss of \$8 thousand (Q3-2022 gain \$417 thousand).



## Share-based and Long-term Incentive Compensation

### Share-based Compensation

The Company has issued stock options as incentive programs that allow officers, directors, consultants and certain employees to purchase shares in the Company.

On January 8, 2021, 24,205,954 options (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.

As of November 7, 2023, the Company had 1.1 million shares and 0.1 million options outstanding.

## Depletion and Depreciation (“D&D”)

USD 000s	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
<b>Argentina</b>	-	164	-	474
\$/boe	-	3.80	-	2.47
<b>Consolidated</b>	-	164	-	474

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

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

As detailed previously in this MD&A, funds flow from (used in) operations is a term that does not have any standardized meaning under GAAP. Centaurus’s method of calculating funds flow from (used in) continuing operations may differ from that of other companies, and accordingly, may not be comparable to measures used by other companies. Funds flow from (used in) continuing operations is calculated as cash flow from (used in) continuing operating activities before change in non-cash working capital, and change in other long-term assets and liabilities.

USD 000s	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Cash flow from (used in) operating activities	(48)	2,397	(8,496)	(12,112)
Change in non-cash working capital	129	(2,564)	6,372	56,131
Funds flow from (used in) continuing operations	81	(167)	(2,124)	44,019





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

USD 000s	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Funds flow from (used in)	81	(167)	(2,124)	44,019
Per share – basic and diluted	0.07	(0.00)	(1.94)	0.08
Net gain (loss)	(195)	3,867	1,029	49,186
Per share – basic and diluted	(0.15)	0.01	0.74	0.09
Comprehensive gain (loss)	(195)	3,867	1,029	49,186

Centaurus's funds flow from continuing operations for the Quarter was \$81 thousand.

The net loss from continuing operations for the Quarter was \$0.2 million (Q3-2022 – gain \$3.8 million).

## Capital Expenditures

USD 000s	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
<b>Argentina</b>				
Well equipment and facilities	-	-	-	114
Other	-	1,457	-	1,591
Argentina total	-	1,457	-	1,705
<b>Consolidated</b>	-	1,457	-	1,705

## FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

### Liquidity risk

USD 000s	September 30 2023	December 31 2022
Working capital (deficit) surplus		
Argentina	-	13,176
Canada	(4,263)	(3,578)
	(4,263)	9,599
Convertible loan – capital resource	(2,515)	(2,462)
Working Capital loan	-	-
Short term loan	(631)	(543)
Pan American Energy (“PAE”) loan	-	-
Net financial position	(7,409)	6,594
Shareholders’ equity	11,144	10,077



On September 30, 2023, the consolidated working capital deficit of the Company was \$4.2 million (December 31, 2022 -\$9.6 million surplus).

On March 27, 2020, the Company received a notice of default and reservation of rights from KD Energy and Hispania, alleging that the Corporation is in default of the terms of the Working Capital Loan Agreement and Amended and Restated Convertible Loan Agreement.

*KD Energy International, Capital Limited, Jose David Peñafiel, Alejandro Augusto Peñafiel, 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 a claim by Totisa in unjust enrichment for funds advanced in the amount of USD \$2,093,014.76 plus interest under the Judgment Interest Act, plus costs. In addition, in the same case, Jose Peñafiel has claimed for wrongful dismissal damages of USD\$315,000 plus aggravated and punitive damages of \$300,000, and Alejandro Peñafiel 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.

**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.



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

#### Outstanding Share Capital

No common shares were issued in the Quarter (Q3-2022 – nil).

On January 8, 2021, 24,205,954 options were granted to certain directors of the Company with exercise prices of USD \$0.04337 (CAD \$0.055) per share (2020 – nil). In addition, the Company and certain option holders have agreed to cancel 2,700,000 previously issued options originally issued in April 2018 and 600,000 issued in January 2021.

As of November 7, 2023, the Company had 1.1 million shares and 0.1 million options outstanding.

#### Fair value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, trade and other receivables, certain items in other long-term assets and liabilities, current portion of long-term debt, trade and other payables, taxes payable, convertible debentures issued, the carrying values of which approximate their fair values due to their short-term nature with the exception of: (i) convertible debentures issued, which relates to the debt component of these instruments and are accreted up to their principal value over the term of the debenture using the effective interest rate method and (ii) certain other long-term assets and liabilities whose calculated fair value approximates its carrying value.

#### Decommissioning Obligations

Having sold its stake in Madalena Energy Argentina SRL, Centaurus Energy Inc no longer has decommissioning obligations to report.

#### Commitments and Contingencies

##### 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 had been recognized of approximately \$0.9 million recorded as part of Other long-term liabilities in the consolidated statements of financial position at March 31, 2023. During the second quarter of 2023, this liability was reversed.

## QUARTERLY FINANCIAL RESULTS

### Continuing Operations

USD 000s, unless otherwise noted	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Oil and natural gas revenues	-	-	-	2,205
Net income (loss)	(195)	398	828	(9,016)
Shares outstanding – millions	1.1	1.1	1.1	1.1
Net income (loss) per share – basic and diluted	(0.18)	0.36	0.76	(8.25)



USD 000s, unless otherwise noted	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Oil and natural gas revenues	2,315	1,782	5,807	8,085
Net income (loss)	3,867	883	37,714	6,793
Shares outstanding – millions	544.1	544.1	544.1	544.1
Net income (loss) per share – basic and diluted	0.01	0.00	0.07	0.01

### ***Critical Accounting Judgments, Estimates and Accounting Policies***

For more details regarding the Company’s critical accounting judgments, estimates and accounting policies the following should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2022.

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, 2022.

#### **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, 2022.

#### **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, 2022.

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 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, 2022. 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, 2022.

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, 2022.

#### **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.

### **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**

#### **Natural Gas**

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

Mcf thousand cubic feet  
mmbtu million British Thermal Units