



MAHA ENERGY AB
Annual Report 2017

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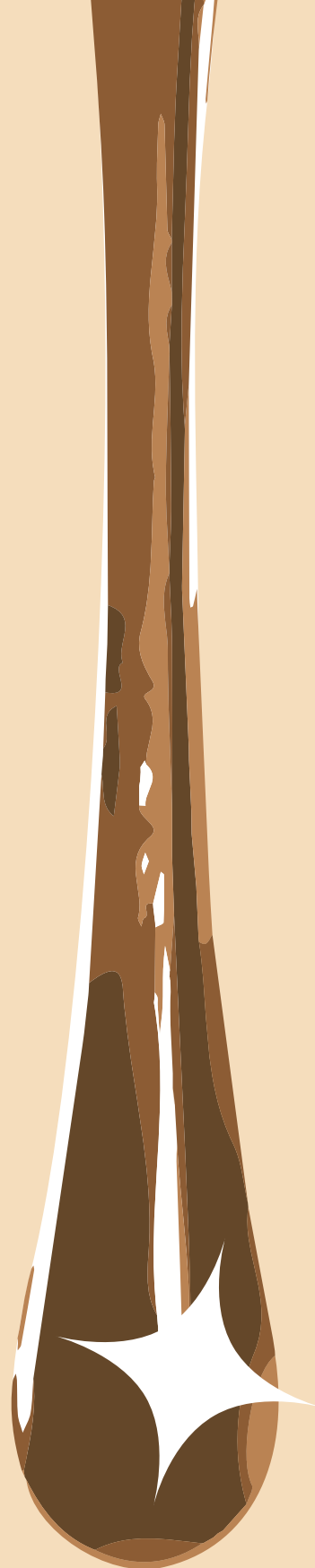
Information regarding Annual General Meeting

The Annual General Meeting of shareholders of Maha Energy AB will be held on Wednesday May 30, 2018, 3:00 p.m. at Setterwalls on Sturegatan 10 in Stockholm. The notice and the complete proposals of the Board of Directors etc. will be available at www.mahaenergy.ca. To be entitled to participate, shareholders must be included in the register of shareholders maintained by Euroclear Sweden AB, in their own names, as of Thursday May 24, 2018 and must notify Maha Energy AB no later than Thursday May 24, 2018. According to the Swedish Companies Act, a shareholder who wishes to attend by proxy, must present a proxy in writing, dated and signed by the shareholder.

Financial Information

The company plans to publish the following financials reports:

- Three month report 2018 (January – March 2018) on May 29, 2018
- Six month report 2018 (April – June 2018) on August 29, 2018
- Nine month report 2018 (July – September 2018) on November 29, 2018
- Year-end report 2018 (September – December 2018) on February 28, 2019





Maha Energy AB in short

Maha Energy focuses on enhanced oil recovery engineering solutions for under performing hydrocarbon assets.

Maha is an independent, international upstream oil and gas company whose business activities include exploration, development and production of crude oil and natural gas. While currently the primary focus is the recovery of oil from existing and proven accumulations, other conventional and unconventional resource development opportunities are and will be considered as they arise. As the Company focuses on applying modern state-of-the-art tailored solutions on assets with proven hydrocarbon systems to recover the hydrocarbons in place, the Company's primary risk is not uncertainty of reservoir content but fluid extraction. The shares are listed on Nasdaq First North (MAHA-A) in Stockholm. FNCA is the Certified Adviser.

The head office is located in Stockholm, Sweden. The Company maintains a technical office in Calgary, AB, Canada, as well as operations offices in Newcastle, WY, USA, and Salvador and Rio De Janerio, Brazil.

2017 – In brief

Operational

- Maha's crude oil production in 2017 was 334,579 barrels (16,839 bbls in 2016).
- Successful acquisition of the producing Tartaruga and Tie Fields in Brazil.
- Proven (1P) reserves increased by 11% year on year to 9.5 million barrels.
- Proven plus Probable (2P) reserves increased by 26% year on year to 34.3 million barrels.

Financial

- 2017 gross revenue of TUSD 14,604; TSEK 124,787 (2016: TUSD nil; TSEK nil)
- Net sales 2017 of TUSD 12,387; TSEK 105,843 (2016: TUSD nil; TSEK nil)
- Operating Result for 2017 of TUSD 1,010; TSEK 8,632 (2016: TUSD (2,382); TSEK (20,376))
- Result from continuing operations for 2017 TUSD (2,795); TSEK (23,882) (TUSD (2016: 2,451); TSEK (20,966))
- Weighted Average Earnings per share (basic and diluted) 2017 of (2016: USD (0.03); (SEK 0,28) ((USD (0.03); (SEK 0,26))
- Cash and cash equivalents as at 31 December 2017: TUSD 18,729; TSEK 178,115 (TUSD 6,758; TSEK 57,807)
- Placed a TSEK 300,000 Secured Bond to finance the Tie Field acquisition

Average 2017 SEK/USD Exchange Rate: 8.5447

Average 2016 SEK/USD Exchange Rate: 8.5543

SEK/USD Exchange Rate as at 31 December, 2017: 8.1836

SEK/USD Exchange Rate as at 31 December, 2016: 9.1073

Letter to Shareholders

Dear Friends and Fellow Shareholders of Maha Energy AB, 2017 was a pivotal year for Maha Energy. With completion of the acquisition of two producing oil fields in Brazil this year significant value is being added to the Company – in particular the Company's reserves have nearly tripled. You will recall the January 1st 2017 Tie Field discounted Proven (P) and Proven plus Probable (2P) reserve values as reported by McDaniels (independent reserve engineers from Calgary), were USD 124 million (NPV(10%)) and 188 million (NPV(10%)). This of course compares favorably to the USD 35 million (plus assumption of normal course obligations) purchase price of the Tie Field. This value has been enhanced as the timing of these acquisitions has been fortuitous – oil prices commenced a meaningful recovery after each purchase price had been negotiated.

Results

While the Company, as expected, had a negative Net Result for the year, in both the third and fourth quarters (which were fully impacted by the addition of the Tie light oil field) the Company enjoyed positive Net Results from continuing operations (for example – Q4 Net Result from continuing operations was USD 1.0 million). With stabilized higher oil prices and the announced Capital Plan this trend is expected to continue and improve.

Production and Work Plan

Production for the year was also up. The Company produced, and sold, a total of 334,579 barrels of oil during the year compared to 16,839 in 2016. While production outages at Tartaruga in August impacted annual production; work is underway at Tartaruga to add another jet pump, perforate a previously unperforated sand at the 7TTG well and to drill a horizontal sidetrack in from the 107D well during 2018 which is expected to meaningfully improve the production performance of each well.

At the Tie Field, gas handling constraints were resolved by late December resulting in a corresponding increase in production at the GTE-4 Well. Further increases in production are expected at Tie after the following previously announced operations are completed: (a) adding a jet pump to the GTE-3 Well which is currently not flowing oil to surface, (b) drill another well on the field and (c) enhancements to the Tie Field facilities to accommodate production increases. Once the work is completed, production will be evenly distributed over three wells and jet pumps will be added as and when required in the future.



At the LAK Field in Wyoming, production has stabilized to approximately 30 BOPD, essentially from two producing wells, showing good response to the water injection. This significant step confirms the pilot and the concept and as such the Company will continue with the previously announced phased development. The first phase of the development plan started in 2014 will be concluded during 2018 by drilling two additional horizontal producers and six vertical hot water injectors.

Reserves

With the Tie and Tataruga field acquisitions completed, the Company's proven reserves have increased from 0.04 million bbls to 9.46 million barrels. The proven plus probable (2P) reserves have increased from 12.8 million barrels to 34.34 million barrels – an increase of 268%.

The Next Year

Whilst 2017 was a year of growth by acquisition and successful integration of staff and operations; 2018 will be a year of growth through the drill bit. Maha has a very ambitious capital budget for 2018 that should result in rapid growth for Maha. The total capital budget, as previously announced and outlined above, for 2018 is almost USD 23 million broken down roughly 50% at Tie, 35% at Tartaruga and 15% at LAK. Of particular excitement are the plans to drill the combined exploration and production well at the Tie Field and the long awaited horizontal sidetrack of 107D at the Tartaruga Field.

We look forward to an exciting 2018 and thank you for your continued support.

Jonas Lindvall
Managing Director

Overview of Maha Energy 2017 Operations

Country	License name	Maha WI (%)	Status	Area (acres)	BOEPD ¹	Partner
USA	LAK Ranch	99%	Pre-Production	6,475	28	SEC
Brazil	Tartaruga	75%	Producing	13,201	160	Petrobras
Brazil	Tie	100%	Producing	1,511	1,460 ²	
Brazil	REC-T 155	100%	Exploration	4,276	–	
Brazil	REC-T 129	100%	Exploration	7,241	–	
Brazil	REC-T 142	100%	Exploration	6,856	–	
Brazil	REC-T 224	100%	Exploration	7,192	–	
Brazil	REC-T 117	100%	Exploration	6,795	–	
Brazil	REC-T 118	100%	Exploration	7,734	–	



1 Average Produced Barrels of Oil Equivalents Per Day during the calendar year
 2 Only for last six months of the year



LAK Ranch

Wyoming, United States

The LAK Ranch heavy oil field is currently undergoing a limited field pilot production program whereby hot water is used as an injection fluid into 3 horizontal water injection wells. Production is primarily from two horizontal producers. Prior results from a 16 month pilot test conducted in 2004–2006 along with the of the current field pilot tests and recent core laboratory work are encouraging and the Company plans to proceed with a limited phased development of the field.

For the year ended December 31, 2017, the Company generated revenue of USD 453,000 on an average sales volume of 28 bopd compared with USD 177,000 of revenue during the year ended December 31, 2016 from an average of 16 bopd. Lower production volumes in 2016 were a primarily the result of the field wide shut in due to low oil prices and an opportunity to modify the surface facilities for water re-injection.

The crude oil produced from the LAK area is 19° API. During 2017, the LAK Ranch oil field produced a total of 10,177 barrels (2016: 5,725 barrels), net to Maha. The average realized price was USD 44.88/bbl (2016: USD 34.34/bbl).

Technical work completed during 2015 and 2016 has laid the groundwork for the full field development plan. The full field development plan contemplates hot water injection (rather than steam) playing a more significant role than originally anticipated. The extra cost of hot water injector wells are far offset by the elimination of steam requirements. A 2014 study conducted by RPS Knowledge Reservoir estimates the Best Estimate of Original Oil in Place (OOIP) in the reservoir to be 62 million barrels. As at the end of 2017, approximately 138,000 barrels of oil have been produced from the LAK Ranch field since its' discovery.



Canadian Assets

Manitou and Marwayne

The Company does not hold any assets in Canada as at 31 December, 2017. The Manitou and Marwayne assets (the "Canadian Assets") were legacy assets from a transaction completed in 2014 with Palliser Energy Inc. Palliser Energy went into receivership in February 2015. The court appointed Receiver sold the Palliser assets in May 2016 to Petrocapita Oil and Gas LLP ("Petrocapita") who then became a Partner and the Operator of Maha's Canadian Assets.

In February 2017, Maha sold the Canadian Assets to Petrocapita. The total purchase price included a convertible debenture (due on December 1, 2023) issued by the Petrocapita Income Trust (Petrocapita's shareholder), and a cash payment of CAD 750,000 (See Administration Report and note 12.). Due to the speculative nature of the convertible debenture, no value has been assigned.



Tartaruga

Sergipe, Brazil

During 2016, the Company entered into purchase and sale agreements with two companies to acquire a 75% operated interest in an onshore production block located in the Sergipe Alagoas Basin in Brazil. The acquisition was subject to regulatory approvals by the Brazilian Government and the Brazilian National Oil Agency (ANP). These approvals were obtained on November 29, 2016 and the purchase of the interest was completed in January 2017.

Tie Field

Reconcavo, Brazil

In February 2017, Maha entered into an agreement to acquire the Brazil business unit of Gran Tierra Energy Inc. for cash consideration of USD 35 million (together with normal adjustments and assumption of ordinary course liabilities). The transaction closed on 1 July, 2017, and Maha now owns and operate, through a wholly-owned subsidiary, 100% working interests in six onshore concession agreements located in the Reconcavo Basin of Brazil, including the oil producing Tie field.



Reserves and Resources

Maha Energy's net working interest reserves at December 31, 2017, were 34.34 million barrels of oil ("mmboe") of 2P-reserves (proven and probable).

Audited Reserves (as at December 31, 2017)

Field	Oil (million bbls)			Total
	Proven	Probable	Possible	
LAK Ranch	0.03	13.44	5.42	18.89
Tartaruga	3.82	5.27	20.68	29.77
Tie	5.61	6.17	1.76	13.53
Total	9.46	24.88	27.86	62.20
Proven (P)				9.46
Proven & Probable (2P)				34.34
Proven & Probable & Possible (3P)				62.20

The reserves were evaluated by Chapman Petroleum Engineering Ltd. ("Chapman"), an independent Engineering Company based in Calgary, Canada, conforming to the standards set out in the Canadian Oil and Gas Evaluation Handbook (COGEH) prepared jointly by the Society of Petroleum Engineers (Calgary) and the Canadian Institute of Mining, Metallurgy and Petroleum. The Reserves and economic evaluations are consistent with the requirements of Form NI 51-101 F1 Part 2.

Reserve and Resource Classifications

Reserves and resources are classified according to Canadian NI-51-101 standards and therefore the classifications defined below may not be in accordance with other jurisdictions.

Maha's crude oil reserves estimates presented are based on the Canadian standards set out in the Association of Professional Engineers and Geoscientists of Alberta (APEGA) professional standard "The Canadian Oil and Gas Evaluation Handbook (COGEH)". A summary of those definitions and guidelines is presented below.

Development and Production Status

Each of the reserves categories (proved, probable and possible) may be divided into developed and undeveloped categories:

- Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
- Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

- Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.
- Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves category (proved, probable, possible) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Reserves Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on;

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology; and
- specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates.

The reserves are classified based on the degree of certainty of the estimates.

- Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

- Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
- Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

Other criteria that must also be met for the classification of reserves are provided in the COGE Handbook.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserves entities (which refers to the lowest level at which reserves calculations are

performed) and to reported reserves (which refers to the highest-level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves;
- at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves; and
- at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in the COGE Handbook.



Summary of Assets



LAK – Wyoming USA

Property Description

The LAK Ranch heavy oil field is situated on the eastern edge of the prolific Powder River Basin in Wyoming, USA. The Company is the 99 percent owner and operator of the LAK Ranch heavy oil field. The remaining 1 percent interest in the LAK Ranch field is entitled to 1 percent of revenues after paying production taxes without obligation to pay capital or operating costs and is therefore accounted for as a royalty holder. The LAK Ranch property area is 6,475 gross acres and produces 19° API oil from three deviated wells located in the northern section of the license area. Maha (Canada) acquired the asset in 2013 and has since embarked on a very detailed production optimization and appraisal program of the field. Independent reservoir engineering firm RPS Knowledge Reservoir, of Houston, Texas, has generated a static geological model, using the Petrel software, that has calculated the best estimated Original Oil In Place (“OOIP”) to be 62 million barrels at the end of 2014. The Petrel static geological model, that uses accepted industry parameters, was based on fifteen existing representative wellbores to estimate the OOIP. Parameters used in defining the OOIP rely on direct measurements from petro-physical information as well as core data which in turn provide evidence as to the rock’s porosity, oil saturation, and permeability. The static geo-model is based on the latest acquired 3D seismic to define the areal extent of the reservoir. As a result of the work completed in 2014, further production optimization work continued in 2015 culminating in a revised development plan based upon historical field production results. Because of the vis-

cus nature of the 19° API oil, the addition of heat in the form of superheated water is modelled to generate a 21 percent recovery factor. The recovery factor is estimated using the CMG STARS reservoir simulation software which predicts fluid movements through the Petrel static geo-model. The recovery factor is defined as the percentage of producible oil compared to the oil originally in place. Factors influencing the recovery factor include reservoir and fluid characteristics (porosity, permeability, pressure, viscosity, temperature and saturations). The LAK Ranch heavy oil field is currently producing stable 28 bopd from 6 wells, driven by a pilot hot water flood that is shaping up to be a reliable recovery method for further development.

Ownership History

In February 2013, Maha (Canada) acquired a 60 percent working interest in the LAK Ranch from Derek Resources in exchange for the drilling and completion of a 5 well program and USD 500,000 in cash.

In April 2014, Maha (Canada) completed the acquisition of Derek’s remaining interest in the LAK Ranch. The aggregate acquisition cost was USD 869,632 (SEK 5.9 million) in cash and forgiveness of joint venture debt along with 3,750,000 Maha (Canada) common shares.

Fiscal Terms

Production is subject to a 14.06 percent royalty tax to the State of Wyoming and 12.97 percent Freehold royalties until 2019 at which time the royalty rate on certain areas within the field will increase to a maximum of 17.4 percent. Commencing in 2017, the minimum Freehold royalties are USD 120,000 per annum (approximately SEK 1.0 million). There are no State taxes payable in Wyoming. As part of the



reformed tax code in the USA, Maha (US) will be subject to a flat 21 percent tax rate which is an improvement over the previous sliding scale Federal tax averaging approximately 35 percent on taxable income in excess of USD 100,000. The LAK Ranch lease has an indefinite term as long as the minimum annual royalty is paid.

LAK Ranch Development Plan

In 2014 Maha (Canada) engaged RPS Knowledge Reservoir to complete a reservoir characterization and reserve study which concluded the best estimate OOIP volume at the LAK Ranch to be 62.0 million barrels of oil. RPS was later tasked with completing a STARS reservoir dynamic simulation model which included history matching recent production data. This work was finished at the beginning of August, 2015. During the course of this work, several important discoveries were made:

- First, it was determined that a discovery of a lower field viscosity allows for reservoir pressure to play a more significant role.
- Second, heat, although very important for the predicted high recovery rates, was determined to be less influential than maintaining reservoir pressure.
- Third, it was noted that very little steam actually penetrated the reservoir as it condenses very close to the injection wellbore – which allowed for a more traditional water flood to be considered.

The simulation model was refined to history match recent production and in turn to optimize future production. A 200 acre area was identified in a part of the field with a considerable production history, and future development wells were modelled along with current and future steam injectors within this area. A final ratio of 2 horizontal producers

per 1 horizontal injector was modelled which predicted that an ultimate recovery factor of 20.75 percent is achievable with this configuration.

Based on the history matched simulation model and the reservoir characterization completed by RPS Knowledge Reservoir, a Development Plan was formulated which included a total of 10 development phases. During 2014, Maha commenced the drilling of Phase 3 by drilling 3 horizontal production wells in proximity to 3 vertical water injection wells. Completion of phase 3 is planned for 2018, subject to commodity prices staying stable, and entails drilling of an additional 2 horizontal producer wells and 6 additional water injection wells. The remaining 7 phases of development will each consist of 6 horizontal producers and 12 vertical injectors. It is expected that phases 3 and 4 can be produced through existing infrastructure with additional facility capacity and expansion required in order to accommodate the development of phases 5 through 10. Full scale development of the proved and probable reserves associated with the LAK Ranch is estimated to require additional capital of USD 106.6 million. This additional capital refers to Phases 3 through 10 and is anticipated to be spent over a 5 – 6 year period. Most of the capital will be spent on development drilling which currently entails drilling a total of 90 production wells and 45 injection wells. Approximately USD 12.5 million of the USD 106.6 million is earmarked for facility expansion. The current LAK Ranch Development plan is, and continues to be, optimized based on the results from the current Phase 3 development and hence may be altered at any time to incorporate new information as it becomes known. The exact amount of additional capital that is required will therefore be dependant on the results of each progressive Phase and the future cost of the required services at the time.

Tartaruga – Brazil

The Company acquired a 75 percent working interest in the Tartaruga Block located in the Sergipe Alagoas Basin of Brazil through a series of corporate take-overs during December 2016 and January 2017.

Property Description

The Tartaruga oil field is situated within the Sergipe sedimentary basin, eastern Brazil. The Company is the 75 percent owner of the Tartaruga oil field with the remaining 25 percent interest held by the state oil company Petrobras. The Tartaruga oil field is located in the northern half of the 13,201 acre (53.4 km²) Tartaruga Block and produces 41 API oil from two deviated wells drilled into the early Cretaceous Penedo Formation. The Tartaruga oilfield has produced approximately 1,080,000 barrels of oil up and until December 31, 2017.

The light oil Tartaruga oil field is currently producing from the Penedo sandstone reservoir. Net reservoir pay has been estimated by Rincon Energy LLC, based in California, United States, an independent Geology and Geophysics consulting group, to be in excess of 80 m. The Penedo sandstone consists of 27 separate stacked sandstone reservoirs, all of which have been electrically logged and are believed to contain oil. To date only 2 of these 27 stacked reservoirs have been produced, (Penedo 1 and Penedo 6). The Company's 2017 independent reserve engineers Chapman Petroleum Engineering Ltd., estimates the proven and probable (2P) volumes of oil originally in place in the Penedo sandstone alone to be 71.6 million barrels. An estimate of 254 million barrels originally in place is given for proven, probable and possible volumes (3P).

A deeper, regionally producing sandstone, known as the Serraria, has also been mapped but the reservoir content is uncertain at this time. Should the Serraria contain oil, the OOIP previous third party estimates range between 6 million and 236 million barrels of oil originally in place, depending on structural closure and spill-point.



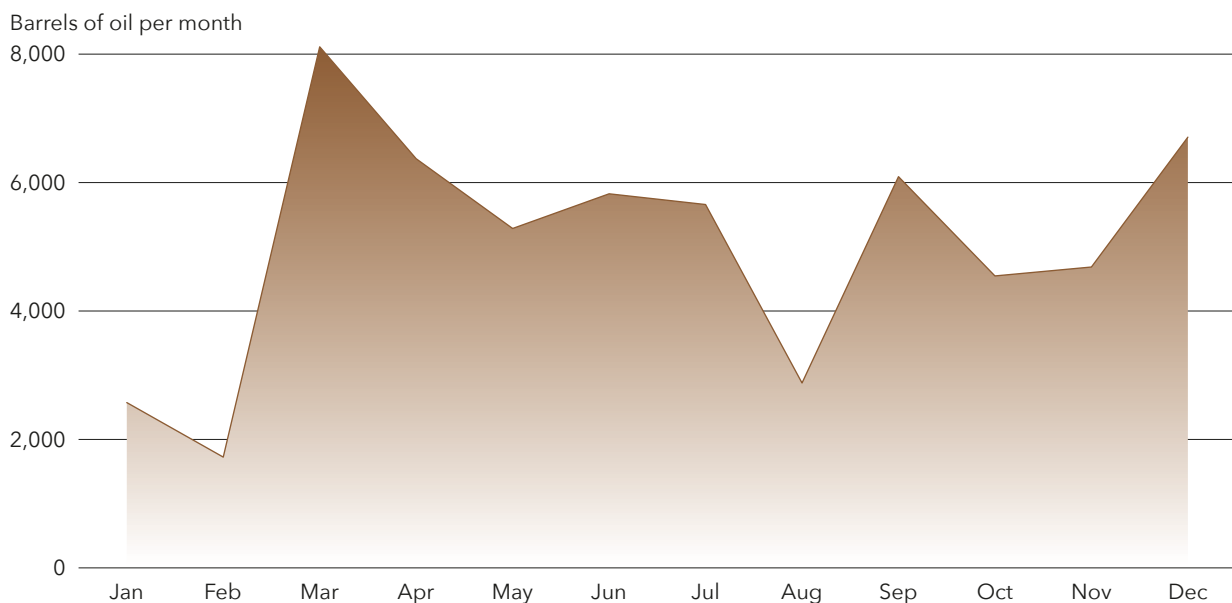
An adjacent structure to Tartaruga has produced oil from the "Morro de Chaves" formation, which lies above the Penedo formation. The "Morro de Chaves" has not been tested in the Tartaruga field and provides for further exploration potential on the field.

Fiscal Terms

The Tartaruga Block is subject to a 9.7 percent royalty payable to the Government of Brazil plus 1.0 percent payable to the landowners in the vicinity of the Tartaruga Block. An overriding royalty of 10 percent is payable to Petrobras.

The statutory tax rate applicable to corporate income is 34 percent. This is comprised of a basic 15 percent corporate income tax, plus 10 percent surtax and 9 percent social contribution on net profit tax. Corporate income tax is payable on the total upstream profits of a company.

Monthly production 2017 (bbls) from the Tartaruga Field





Tartaruga Block Development Plan

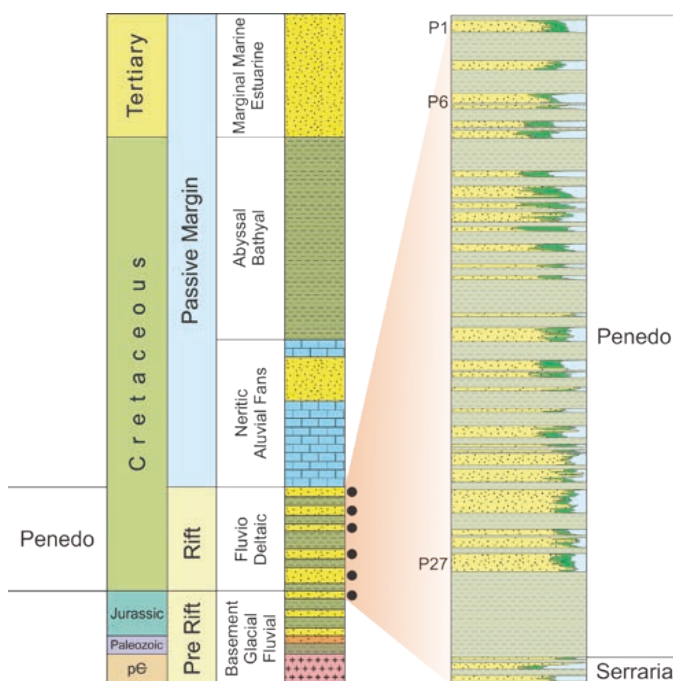
Maha's immediate plan for the Tartaruga Block is to increase production by resolving existing completion deficiencies and optimising pump performance. In particular, Maha re-entered the SES-107D well in January 2017, which was intermittently free flowing, cleaned it out and recompleted it using a jet pump. The current jet pump surface system now operates both wells. The re-entry and workover of the SES-107D well was completed in February 2017 and effectively doubled the production of the field from the pre-workover average 200 BOPD to 375 BOPD average post-workover.

Maha believes that the application of horizontal drilling and modern day completion practices could have significant application in this field with the opportunity to materially increase production and reserves. To that end, the Company is, as part of the previously announced 2018 Capital Budget, proceeding to re-enter and side-track one of the existing wells with a view to completing a horizontal well in the Penedo formation. The Company is currently in final negotiations for the rig and necessary services for the re-entry well. Timing of the re-entry will be dependant on availability of these but the expectation is the operation will commence and finish in Q3. While capital budgets are yet to be finalized the expectation is the re-entry well and the rest of Capital Plan will be funded from operating cash flows from Brazil. Re-entries and side-tracking is a very cost effective way to use old wellbores, minimize impact on the environment and to increase production using horizontal drilling technology.

Additional Exploration and Development Potential at Tartaruga

Penedo Sandstone

There are a total of 27 separate stacked sandstone reservoirs in the Penedo formation. To date only four have been tested of which two are now in production, Penedo 1 (P1) and Penedo 6 (P6). The reservoirs vary in thickness with the thickest being the Penedo-1 (26 m gross thickness). Total net pay measured in the 6-TTG well of all productive sands



is 80 m. There is believed to be significant additional opportunities for the development of oil and gas in the Penedo sandstone formation.

Serraria Sandstone

The Serraria sandstone is a regional oil producer, and potential target for future oil exploration. The 6-UPP well penetrated the Serraria sandstone on the Tartaruga Block. The sand was not tested, as it was deemed water wet. However, because the well targeted the Penedo sands, it is believed that the Serraria was not penetrated in a structurally optimal position, in fact seismic analysis suggests that the Serraria was penetrated outside the structural closure at this location. A future vertical well in a structurally optimal position would provide a better opportunity for the proper testing of the Serraria target.

Tie and Reconcavo – Brazil

On 1 July, 2017 Maha completed the acquisition of the Brazil business unit of Gran Tierra Energy Inc. As such Maha now owns and operate, through a wholly-owned subsidiary, the 100% working interests in six concession agreements located in the Reconcavo Basin of Brazil, including the oil producing Tie oil field.

Property Description

The six concession agreements are located in the middle of the prolific Reconcavo Basin, in the coastal state of Bahia in Brazil. The six concessions are in varying stages exploration and development. A total of 8 wells have been drilled and and 212 Km² of 3D seismic had been acquired by the previous Operator over the 41,606 total acres.



Country	License Name	Bid Round	Maha WI (%)	Type	Ares (acres)	Expiry	Work Program & Status
Brazil	Tie	9	100%	Producing	1,514	2035	Completed, expires 2035
Brazil	REC-T 155	9	100%	Exploration	4,276	11/18	PAD-1 completed, Suspended
Brazil	REC-T 129	9	100%	Exploration	7,241	11/18	PAD-1 completed, Suspended
Brazil	REC-T 142	9	100%	Exploration	6,856	11/18	PAD-1 completed, Suspended
Brazil	REC-T 224	9	100%	Exploration	7,192	8/18	Suspended, Drill 1 well
Brazil	REC-T 117	11	100%	Exploration	6,795	8/18	Suspended, Drill 2 wells
Brazil	REC-T 118	11	100%	Exploration	7,734	8/18	Suspended, Drill 3 wells



Block REC-T 155

Block 155 was awarded as part of the 9th Bid Round in Brazil on 27 November 2007. Two wells were drilled as part of the first part of the proposed evaluation program. A full coverage 3D seismic was also acquired during this time. The first well (ALV-2) discovered oil in the Agua Grande and Sergi formations, which became the 'Tie Oil Field'. Upon the approval of the Declaration of Commerciality on July 2012, the Tie field was carved out and converted to a Production License where the License Holder can produce the hydrocarbons until 2039 when the licence expires. The Tie Field carvout covers an area of 1,511 acres.

Additional work concluded on the remainder of Block 155 includes the drilling of GTE-8 and core analyses, geochemical studies and 3D seismic reprocessing. There are 3 stages to the proposed work program, of which the first one is fully completed. The remaining two phases include the commitment to drill one well per phase, however, moving to the next phase is optional to the Company.

The remainder of the Block is currently suspended pending the outcome of Brazil's moratorium of unconventional hydraulic fracturing. The Company is not required to post any financial guarantees on the exploration part of the Block.



Block REC-T 129

Block 129 was awarded as part of the 9th Bid Round in Brazil on 27 November 2007. Two wells were drilled as part of the first part of the proposed evaluation program. The first well (ALV-1) discovered oil in minor quantities and produced 200 BOPD on test. A full coverage 3D seismic was also acquired during this time.

Additional work concluded on Block 129 includes core analyses, geochemical studies and 3D seismic reprocessing. There are 3 stages to the proposed work program, of which the first one is fully completed, provided the Company abandons the two previously drilled wells. The remaining two phases include the commitment to drill one well per phase, however, moving to the next phase is optional to the Company.

The Block is currently suspended pending the outcome of Brazil's moratorium of unconventional hydraulic fracturing. The Company is not required to post any financial guarantees on this exploration Block. As the new operator the Company is conducting a full G&G review of its potential for future exploration and development.

Block REC-T 142

Block 142 was awarded as part of the 9th Bid Round in Brazil on 27 November 2007. Two wells were drilled as part of the first part of the proposed evaluation program. Both wells did not encounter any hydrocarbons of value. A full coverage 3D seismic was also acquired during this time.

Additional work concluded on Block 142 includes core analyses, geochemical studies and 3D seismic reprocessing. There are 3 stages to the proposed work program, of which the first one is fully completed, provided the Company recover the surface with the site used to drill the unconventional wells. The remaining two phases include

the commitment to drill one well per phase, however, moving to the next phase is optional to the Company.

The Block is currently suspended pending the outcome of Brazil's moratorium of unconventional hydraulic fracturing. The Company is not required to post any financial guarantees on this exploration Block. As the new operator, the Company is conducting a full G&G review of its potential for future exploration and development.

Block REC-T 224

Block 224 was awarded as part of the 9th Bid Round in Brazil on 27 November 2007. A full coverage 3D seismic was also acquired during this time and the first phase of the work program has been completed.

The Company is required to drill an exploration well during the second and final phase of the License.

The Block is currently suspended until the Company receives a final Environmental License from the Authorities to drill the exploration well. The timing to obtain the Environmental License appears to be related to Brazil's moratorium of unconventional hydraulic fracturing. The Company will have a better understanding on the timing once there is more clarity on the moratorium. Upon receipt of the Permit, the Company must drill an exploration well within one year.

The Company has posted a BRL 7.1 million Bond which is tied to the completion of the second phase of the work program. As the new operator, the Company is conducting a full G&G review of its potential for future exploration and development. In the event the Company does not complete the work commitments, the Company will forfeit the Bond. During the period of suspension the Bond will remain in place until some solution is found through negotiation with the ANP or otherwise.

Block REC-T 117

Block 117 was awarded as part of the 11th Bid Round in Brazil on 14 May 2013. A full coverage 3D seismic was also acquired during this time. Work commitments to complete the first phase includes the drilling of two exploration wells. The second work phase requires a single exploration well to be drilled, but the Company can elect to drop the Block upon completing the first phase.

The Block is currently suspended until the Company receives a final Environmental License from the Authorities to drill the exploration wells. The timing to obtain these Environmental Licence appears to be related to Brazil's moratorium of unconventional hydraulic fracturing. The Company will have a better understanding on the timing once there is more clarity on the moratorium.

The Company has posted a BRL 7.6 million Bond which is tied to the completion of the first phase of the work program. In the event the Company does not complete the work commitments, the Company will forfeit the Bond. During the period of suspension the Bond will remain in place until some solution is found through negotiation with the ANP or otherwise.

The Company can elect to reimburse the Government by cash payment in lieu of drilling the wells. As the new operator, the Company is conducting a full G&G review of its potential for future exploration and development.

Block REC-T 118

Block 118 was awarded as part of the 11th Bid Round in Brazil on 14 May 2013. A full coverage 3D seismic was also acquired during this time. Work commitments to complete the first phase includes the drilling of three exploration wells. The second work phase requires a single exploration well to be drilled, but the Company can elect to drop the Block upon completing the first phase.

The Block is currently suspended until the Company receives a final Environmental License from the Authorities to drill the exploration wells. The timing to obtain these Environmental Licence appears to be related to Brazil's moratorium of unconventional hydraulic fracturing. The Company will have a better understanding on the timing once there is more clarity on the moratorium.

The Company has posted a BRL 11.4 million Bond which is tied to the completion of the first phase of the work program. In the event the Company does not complete the work commitments, the Company will forfeit the Bond. During the period of suspension the Bond will remain in place until some solution is found through negotiation with the ANP or otherwise.

The Company can elect to reimburse the Government by cash payment in lieu of drilling the wells. As the new operator, the Company is conducting a full G&G review of its potential for future exploration and development.

Tie Field (155)

The Tie Field was discovered in 2009 whilst drilling the well ALV-2. The Agua Grande (net pay = 8 m) and the Sergi (net pay = 6m.) formations logged oil and the Sergi formation tested oil at 740 BOPD. The well was declared a dis-

covery and the Authorities granted an exploitation license that expires in 2039. Two appraisal and development wells were drilled in 2012 (GTE-3 and GTE-4) and the production facilities were completed in 2013. As at 31 December, 2017 the field has produced over 2 million barrels of 37 deg API light oil from both formations.

For the month of December, 2017, the average production from the Tie field was 1,480 BOEPD.

Period	Average BOPD	Average BOEPD
1H 2017 ³	1,250	1,346
2H 2017	1,325	1,456

Wells

Well	Agua Grande	Sergi	Production	Status
ALV-2	Yes	No	Water Injector	Injector
GTE-3	Yes	Yes	Shut In	Shut In Producer
GTE-4	Yes	Yes	1480 BOEPD	Producer
CD-01BA	Yes	Yes	No	Abandoned

Production Facilities

The production facilities at the Tie Field are sized to handle between 2,000 – 2,500 BOPD along with associated water and gas. The oil is treated through a two stage separation system before it is stored in temporary storage tanks and readied for sale through the field's offloading facility. All oil is transported by truck. The gas is separated and piped to a compression facility where the gas is sold by truck to a third party. Current capacity of these compression/offload facilities is 2.1 MMSCF/day of gas. The Tie field currently produces negligible amounts of water.

The ALV-2 discovery well, which was drilled on the flank of the field, was converted to a water injector during the second half of 2017. Pressure maintenance through water injection commenced in October of 2017 and is expected to aid in the ultimate recovery of oil in both formations. A dedicated water supply well is currently feeding the water injection process.

Support systems, such as SCADA, HSE and fire fighting equipment are also housed at the production facilities.

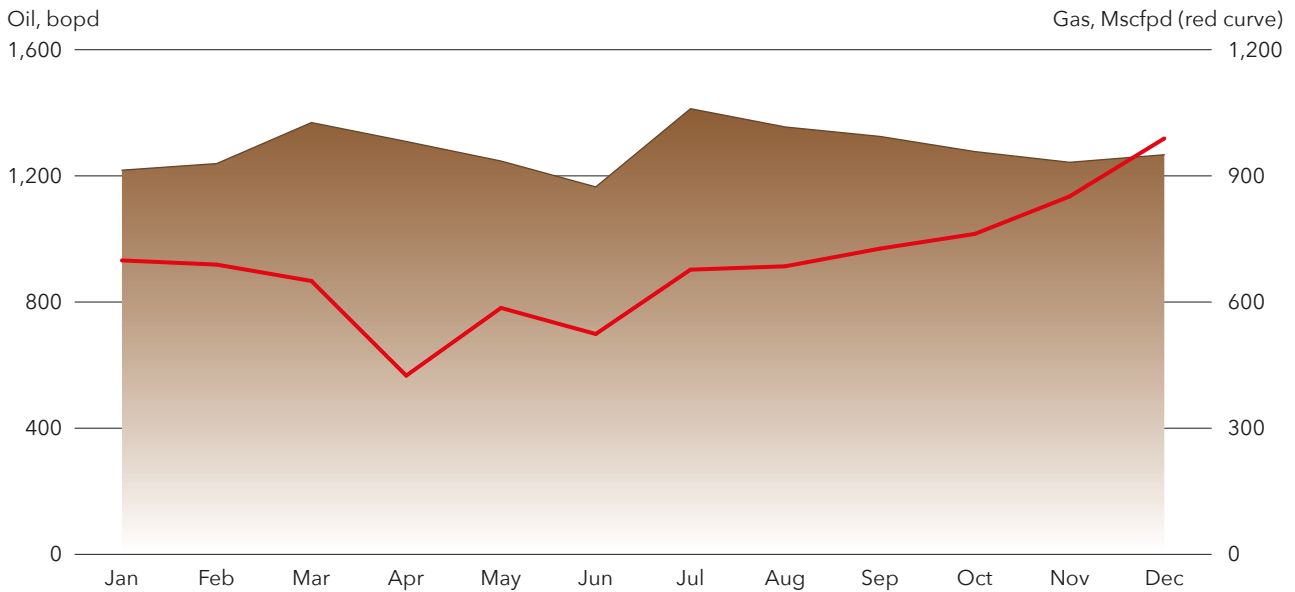
Fiscal Terms

The Tie Field is subject to a 10.0 percent royalty payable to the Government of Brazil plus 1.0 percent payable to the landowners in the vicinity of the Tie Field.

The statutory tax rate applicable to corporate income is 34 percent. However, the Company has secured until 2024 an extendable tax rate reduction by 18.75%, making the net income tax 15.25%. Corporate income tax is payable on the total upstream profits of a company.

³ Maha Energy took over production and Operatorship on 1 July, 2017

Tie Field 2017 production



Development Plan

Since taking over Operations in Brazil, the Company has commenced an aggressive plan to increase production by artificial lift, increased water re-injection and the drilling of additional wells. This Plan calls for a 5 phase development:

1. **Installation of Hydraulic Jet pumps on GTE-3 and GTE-4:** By installing a pump on GTE-3, valuable production can be accessed easily and rapidly. GTE-3 has to date produced 255,500 bbls of oil from the Sergi and Agua Grande formations, but water encroachment into the well has recently reduced production. A pump will resolve this issue.

Once GTE-4 flowing pressures decline sufficiently, the well will be recompleted and a pump will be installed to assist oil production. GTE-4 was drilled in a slightly more optimum position on the structure and continues to produce oil in good quantities with very little water. To date the GTE-4 well has produced approximately 1,267,000 barrels of oil.

Hydraulic jet pumps are ideally suited for this environment as they can handle a large Gas Oil Ratio (GOR) and are installed and maintained through lower cost well interventions when compared with alternatives.

2. **Drilling of the Attic Well:** GTE-3, GTE-4 and ALV-2 were all drilled downdip of the crest of the Tie Field structure. A well will be drilled to intersect the Agua Grande and the Sergi formations at the crest, thereby accessing previously untapped oil. It is believed that this well will encounter oil at close to original reservoir pressures, and therefore will initially free flow. Artificial lift will eventually be added to this well when required. An added bonus is that the Attic Well is also planned to penetrate the Boipeba formation which is situated below the Sergi

oil bearing formation in an attempt to explore the potentially hydrocarbon bearing Boipeba formation.

3. **Facility Expansion:** The current 2,500 BOPD facility will be upgraded to handle 5,000 BOPD, associated gas and water in parallel to phases 1 & 2. Gas will be exported via truck and utilized in electrical generators situated on the field. Water will be treated and re-injected.
4. **Re-Entry and sidetrack of CD-01BA well:** As production declines, an existing well west of the field may be re-entered, sidetracked and recompleted further updip on the Tie structure to maintain production. A sixth well might be drilled on the southern end of the structure, also in the future, to maintain production of the field.
5. Results contingent, drilling of a new well in the southern part of the field.

The total Capital anticipated to complete the above work is estimated at USD 20.8 million. The first three stages are anticipated to be completed within the next 12 months. Stages 4 & 5 will be undertaken as and when required to effectively drain the entire pool.

The current Tie Field Development plan is, and continues to be, optimized based on the results from the current work and hence may be altered at any time to incorporate new information as it comes to light. The current Tie Field Development Plan does not include any effect that an oil or gas discovery in the Boipeba formation may generate.

Source: IHS Energy Services

Industry Overview

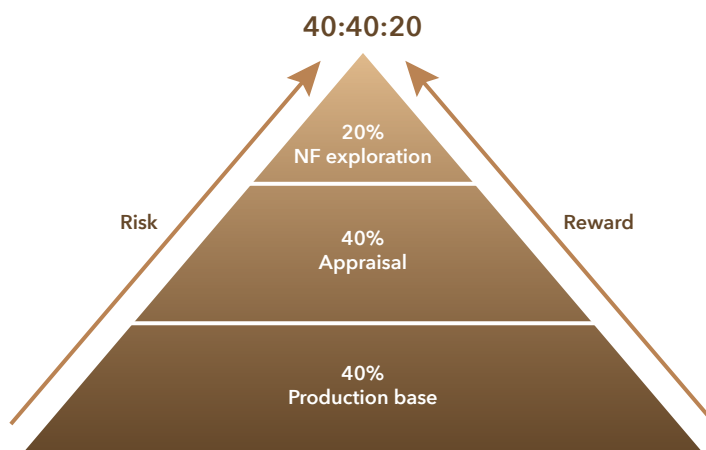
The Company is engaged in the exploration, development and production of oil and natural gas. Specifically, Maha Energy specializes in extracting incremental oil and gas from existing and previously discovered and produced oil and gas finds. Focus is placed on modern Enhanced Oil and gas Recovery (EOR) technologies through the implementation of custom tailored recovery solutions. The core expertise of the Management is in the field of Petroleum Engineering.

The Oil and Gas Business is made up into three segments; upstream, mid-stream and downstream. The downstream segment focuses on product manufacturing and distribution, for example, refineries and gasoline retail. The midstream segment deals with the storage and transpor-

tation of unrefined crude oil and natural gas. Maha Energy AB acts in the upstream sector, which consists of the prospecting, exploration, development and production of crude oil and natural gas.

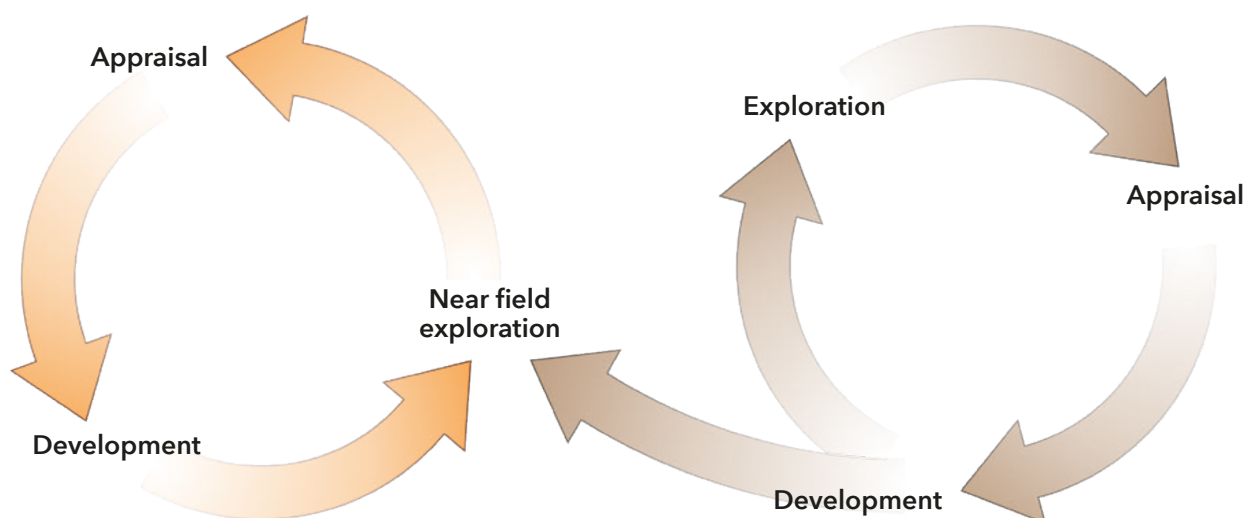
The upstream sector can be broken down into three further parts; Exploration, Appraisal & Development, and Production. The Exploration phase is by far the most risky, but is a necessary part for the business to grow organically – or through the ‘drill bit’. Appraisal and Development refers to the harvesting of the discovered oil and gas.

Maha Energy AB’s strategy is to maintain a healthy balance of all three sub segments in the upstream oil and gas sector, as shown in the Company’s 40:40:20 asset strategy pyramid.



The Upstream Development Cycle is based on using funds generated from Production Operations to explore for more oil and gas. It is the Company’s philosophy to limit exploration to approximately 20% of its asset portfolio and use only internally generated funds to fund exploration efforts. It is also the Company’s philosophy to limit

exploration to ‘near field exploration’. That is exploration of undrilled or untested formations that are adjacent or very near existing producing areas. That way the risk of potential structures and formations not containing hydrocarbons is reduced.



An introduction to Oil

Crude oil is a mineral, consisting of a mixture of hydrocarbons of natural origin and associated impurities, such as sulphur. It exists in the liquid phase under normal surface temperatures and pressure and its physical characteristics (density, viscosity, etc.) are highly variable.⁴

Oil exploration is expensive. Once oil has been discovered via an exploratory well, full-scale production requires many wells across the reservoir that facilitate the flow of oil to the surface. These wells also help to define the total recoverable oil in a reservoir, i.e. reserves. "Reserves" is an estimate of the amount of oil in a reservoir that can be extracted at an assumed cost.⁵

Oil can be classified as conventional and unconventional. Conventional oil is produced by a well drilled into a geologic formation in which the reservoir and fluid characteristics permit the oil to readily flow to the wellbore. Unconventional oil production is a term for oil and natural gas that is produced by means that do not meet the criteria for conventional production. What has qualified as "unconventional" at any particular time is a complex interactive function of resource characteristics, the available exploration and production technologies, the current economic environment, and the scale, frequency, and duration of production from the resource. Perceptions of these factors inevitably change over time and they often differ among users of the term.⁶

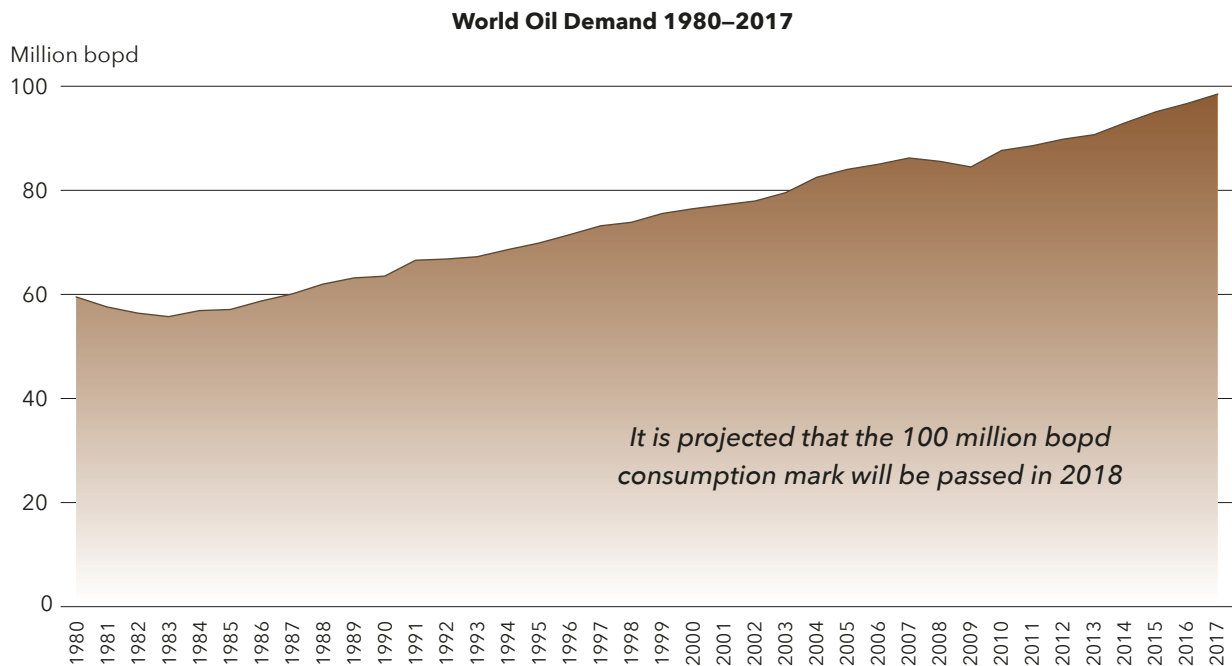
Competition

The petroleum industry is intensely competitive in all aspects including the acquisition of oil and gas interests,

the marketing of oil and natural gas, and acquiring or gaining access to necessary drilling and other equipment and supplies. Maha competes with numerous other companies in the search for and acquisition of such prospects and in attracting skilled personnel. Maha's competitors include oil companies which have greater financial resources, staff and facilities than those of the Company. Maha's ability to increase reserves in the future will depend on its ability to develop its present properties, to select and acquire suitable producing properties or prospects on which to conduct future exploration and to respond in a cost-effective manner to economic and competitive factors that affect the distribution and marketing of oil and natural gas. Oil and natural gas producers are also facing increased competition from alternative forms of energy, fuel and related products that could have an impact on the demand for oil and gas and could lead to reduction in oil prices which may have a negative impact on the Company's cash flow and profitability.

The Global Energy Market

Global energy consumption is driven by world population, economic growth and availability of resources. Overall consumption has grown consistently and seen a steady increase throughout modern economic history. Going forward, energy consumption is expected to increase for all forms of energy, primarily as a result of increased consumption in emerging economies as well as a growing global population and expanding economy.



4 www.iea.org/statistics/resources/balanceddefinitions/ – February 16, 2016

5 "Peaking of World Oil Production: impacts Mitigation & Risk Management", Robert L. Hirsch, February 2005

6 www.eia.gov/tools/glossary/index.cfm?id=U – February 16, 2016

Overview of the Oil Market

The Company's long term view of the oil and gas market is very positive, with the expectation that over time tightening supply and growing demand, especially from developing countries, will contribute to a strong and robust market. The following sections describes the Company's market in terms of development, size, supply & demand, and prospects for future growth.

Oil Consumption

Fossil fuel is the world's primary source of energy. Coal, oil and natural gas account for more than 81% of the world's energy source, and in 2017 global oil consumption was approximately 98.5 million barrels per day⁷ and by all accounts the world consumption will surpass 100 million barrels per day in 2018. Oil consumption has grown consistently over the past decades, and from 1980 to 2017, consumption increased by 65% on a global basis. Global growth on an annual basis has increased by an average of 1.38% since 1980. According to OPEC's latests estimate global oil consumption is expected to continue to increase going forward, growing by about 1.5 million barrels a day for 2018.⁸ Oil is used for a wide array of purposes including transportation, petrochemical processes for feedstock, power generation and agriculture. Currently, oil used for transportation in the form of, inter alia, gasoline, diesel and jet fuel is the main source of oil consumption globally, constituting 64.5% of global consumption in 2014.⁹ Transportation is expected to remain a key source of consumption growth going forward.

According to the EIA (www.eia.gov) the United States was the single largest consumer of petroleum in 2015, consuming 20.5% of the world's total petroleum. Other high consumers were : China–12.6%, Japan–4.3%, India–4.3%, and Russia–3.7%

Oil Production and Reserves

Oil is found in large quantities on most continents of the world. Oil production is active in all major populated continents and in 2017 the global production totalled an estimated 98.6 million barrels per day.⁷ From 2004 to 2014, production grew at an annual compounded rate of 1.0% per year, and production grew in all major regions of the world however with varying growth between nations. In the period, the United State was the largest growing producer increasing its oil production from 7.2 million barrels per day in 2004 to 11.6 million barrels per day in 2014.⁷ About 100 countries produce crude oil. In 2016, 48% of the world's total crude oil production came from five countries: Russia–13%, Saudi Arabia–13%, United States–11%, Iraq–6% and Iran–5%.¹²

In terms of reserves, nearly half of the total proved reserves in the world today are located in the Middle East, primarily Saudi Arabia, Iran, Iraq, Kuwait and the United Arab Emirates. Further and in 2016, 74 per cent of the worlds remaining proven reserves were controlled by the OPEC members.¹² 44 per cent of the world's oil production comes from OPEC controlled deposits.¹²

Other large reserve pools are located in unconventional resources in Canada (oil sands) and Venezuela (extra heavy oil), which will require significant investments and technology improvements in order to commercially develop.

Of the remaining oil reserves in the world, a large proportion is owned by state owned entities. In 2014, nearly 90 per cent of the world's oil reserves, including both conventional and unconventional oil, are controlled by national oil companies ("NOCs") or their host governments.¹³ Those NOC held reserves have by far the lowest average development and production costs. Remaining reserves are shared between major oil companies and independents. Many NOCs tend to focus on supplying their national markets,

Global Petroleum and Other Liquids ¹⁰	2016	2017	2018 ¹¹	2019 ¹¹
Supply & Consumption	Million barrels a day			
Non OPEC Production	57.97	58.67	61.18	62.37
OECD Consumption	46.74	47.20	47.59	47.99
Non OECD Consumption	50.12	51.30	52.62	53.94
Total World Consumption	96.86	98.50	100.21	101.93
Price Summary ¹⁰	2016	2017	2018 ¹¹	2019 ¹¹
	USD per barrel			
WTI Crude Oil	43.33	50.79	58.17	57.51
Brent Crude Oil	43.74	54.15	62.13	61.51

7 International Energy Agency, "World Energy Outlook 2017" <https://www.iea.org>

8 www.wsj.com – 12 April 2018 'What happened to the oil glut?'

9 www.eia.gov/energyexplained/index.cfm?page=oil_where

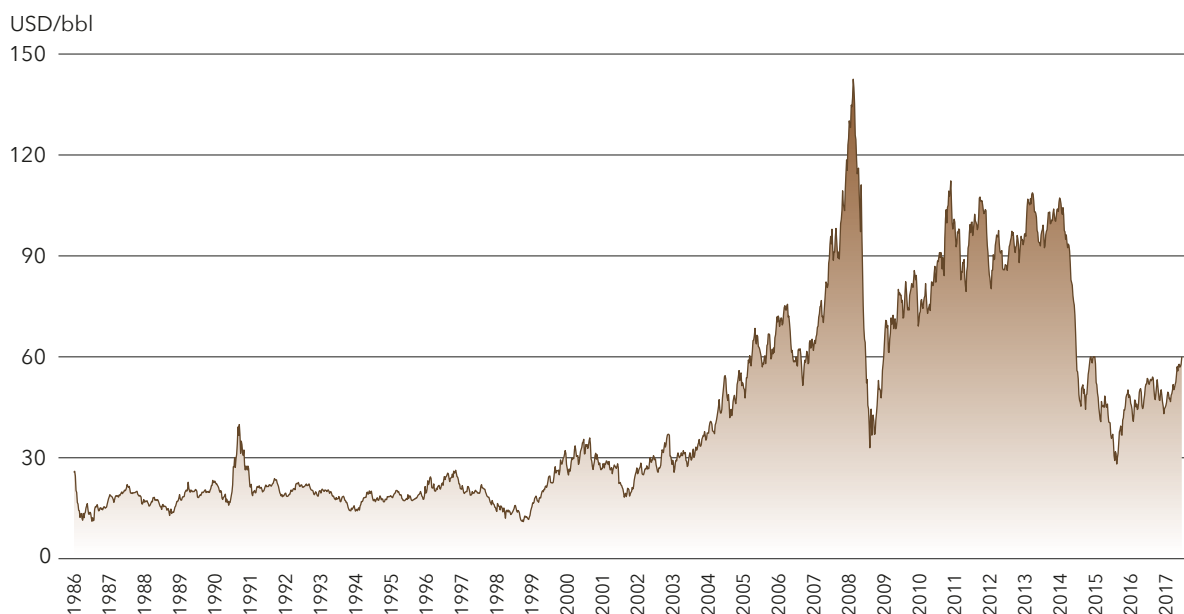
10 www.eia.gov. Short Term Energy Outlook 6 March, 2018

11 Forecasted.

12 IEA Oil Market Report dated 18 February, 2018

13 National Oil Companies and Value Creation – Silvara Tordo 2011

WTI oil prices 1986–2017



or are subject to political supervision thus impacting rate of production and flow of sales. On the other hand privately owned companies (including major oil companies, independents and certain NOCs) are geared towards shareholders' interests and market signals. Due to the strategic importance of oil as a key source of energy supply in the modern economy, as well as a large portion of the world's remaining reserves being controlled by politically influenced national entities and located in countries that are members of OPEC, future production and supply of oil may be influenced by factors outside the course of normal market functions. This could in the future, as has been demonstrated in the past, have material impact on the trade of oil between countries, as well as the price of oil.

The Oil Price

Oil is a commodity with a well-developed world market. The prices are determined on the world's leading commodities exchange particularly NYMEX in New York and the ICE in London which quote main oil price benchmarks: WTI at NYMEX (the USA benchmark) and Brent at ICE (the world benchmark).

Oil prices have historically experienced significant fluctuations. From early 2011 through August 2014, the Brent oil price largely traded within a USD 90 to USD 125 per barrel range and posted all time high annual average levels of around USD 110 per barrel.

In recent history and since 1986, the price of oil has been determined by market forces. Since 1986, at the commencement of modern market trading of oil, and until 1998, oil prices remained fairly constant at around USD 18/bbl, except for a short spike during the first Gulf War of 1991. For 12 months starting in the summer of 1998, oil prices declined by almost 50% due to weak world demand.

In 2000, coupled with a reduction in supply due to the 1998 oil shock, Chinese oil demand took off. During the years 2001 – 2008, oil prices climbed steadily from USD 18/barrel to over USD 148/barrel in July of 2008. The housing crisis of 2008 sent the oil price plummeting in fear of global economic slowdown. The 2008 oil crash was probably more an over reaction of the market than actual fundamental supply and demand drivers as in 2010 oil prices started to climb back to 2006/07 levels to peak out at roughly USD 110/barrel in the summer of 2014.

In September 2014, oil price declined drastically. This downturn, as it turns out, was unprecedented in modern history. Never, since oil trading began in 1986, has oil prices dropped as severe and remained so low for such a long time. The 2014 crash was the result of over supply, primarily due to the American shale oil entering the markets in 2009/10. US production grew from a mere 5 million barrels a day to over 9 million barrels a day in less than 4 years – an astonishing growth. Although the US consumes some 19 million barrels of oil per day, these 4 million barrels meant a 4 million barrel reduction in imports from Venezuela, Mexico and other countries. These 4 million barrels had to find a new home. And although the supply and demand markets were, and are, tight, the volumes placed on the market by the US shale producers were simply too much for the rest of the world to consume.

Oil prices continued to drop until the 12th of February, 2016 when WTI hit USD 26/bbl – a price not seen since November 1999 (notwithstanding the 2008 drop). Even though the industry was slow to recognize the severity of the downturn, what followed was a mass exodus of personnel and equipment from the oil fields around the world. The Baker Hughes Rig Count bottomed out at less than 500 rigs in North America, a number that had not been seen

since 1998. Prices remained depressed for all of 2015, 2016 and most of 2017. During the second half of 2017, the market started to firm up, and oil broke the USD 60/bbl mark consistently during the last months of 2017 and the beginning of 2018.

The reason for the prolonged dip in oil prices was simply too much supply. Producers, not being able to find a home for their oil, put the produced liquids in storage in anticipation of a quick price rebound. The price rebound never came. Hence the classical situation of selling into a falling market ensued which in turn put more pressure on the oil price. Realizing that the trend had to be reversed, OPEC together with Russia and a few other friendly countries decided to cut back on production in order to balance the markets and start to reduce the now pent up oil storage. Throughout most of 2016 and all of 2017, OPEC adhered to a production reduction of roughly 1.8 million barrels of oil per day, which finally started to show results towards the end of 2017.

Meanwhile, and even though there is presently a glut on the market, consumption continues to grow unabated, year on year. There are good reasons to believe that oil consumption will surpass 100 million barrels of oil per day in 2018. Consumption growth has been fairly steady at 1.3 – 1.5% per year since 1980 and there are no indications at the present to suggest a flattening or a decline in growth. Add

to that that the world's oil is in decline. On average global oil production declines at 5% per annum, meaning that the industry must replace 6% of oil production every year.

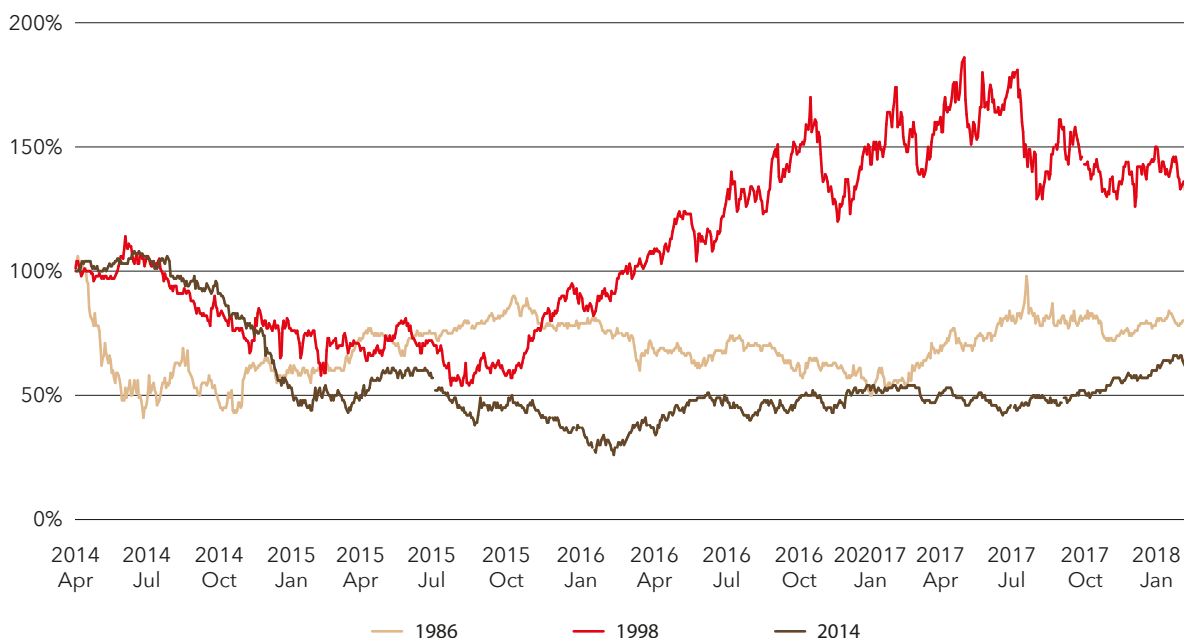
The 2014 downturn spurred a huge reaction in the industry which manifested it-self in capital and operational reductions. Development schemes were shelved, exploration wells were dropped and seismic acquisitions were cut from the oil companies budgets. The downturn of 2014 created a ripple on future supply of crude oil. As demand continue to grow with time, there is a danger that the recent deep cuts in capital budgets, the industry will struggle to keep up with the future demand. And the cycle repeats itself.

The oil price is highly dependent on the current and expected future supply and demand of oil, and is as such influenced by global macroeconomic conditions and may experience material fluctuations on the basis of economic indicators, material economic events and geopolitical events. Historically, oil prices have also been heavily influenced by organizational and national policies, most significantly the implementation of OPEC and subsequent production policies announced by the organization.

The figure on the previous page shows the historical development in the price of crude oil from 1986 to 2017.

The below figure shows the three latest price downturns as a percentage oil drop to the peak oil price.

Oil price drops as percentage 2014–2017



Board of Directors and Management

Board of Directors

The Company has its registered office in Stockholm, Sweden. Pursuant to the Company's articles of association, the board of directors shall consist of not less than three (3) and not more than seven (7) ordinary members, without any deputy members. Currently, the Company's board of directors consists of four (4) ordinary members, appointed until the end of the next annual shareholders' meeting. The com-

position of the board of directors in the Company changed after the Company's Annual General Meeting (AGM) held in Stockholm on 15 June, 2017. Mr. Ronald Panchuk resigned his post as a Board Member, and Mr. Harald Pousette accepted the position as a non executive Board Member at the same time. Mr. Panchuk continues to work in the capacity of Secretary and Chief Corporate Officer.



Harald Pousette

Wayne Thomson

Anders Ehrenblad

Jonas Lindvall

Jonas Lindvall

Mr. Lindvall is a seasoned senior executive with 26 years of international experience in the upstream oil and gas industry across Europe, North America, Africa and Asia. Mr. Lindvall started his career with Lundin Oil during the early days of E&P growth. After six years at Shell and Talisman, Mr. Lindvall joined, and helped in securing the success, of Tethys Oil AB. Mr. Lindvall holds a B.Sc. in Petroleum Engineering and a Masters Degree in Energy Business from the University of Tulsa.

Wayne Thomson

Mr. Thomson holds a Bachelor of Science in Engineering from the University of Manitoba, is a member of APEGA, and has participated in Executive Management training at the University of Chicago and at Wharton School of the University of Pennsylvania. Mr. Thomson is a current director of Cenovus Energy; Chairman and President of Enviro Valve Inc., and Chairman of Inventys Inc. Mr. Thomson has over 35 years experience in the oil and gas industry in Canada, North Sea, New Zealand, Eastern Europe and the Middle East.

Anders Ehrenblad

Mr. Ehrenblad holds a Masters of Science in Business Administration from University of Uppsala, Sweden. Mr. Ehrenblad works in investment, financial and management consulting and has broad experience from various private companies including Investment Manager and Partner of Graviton AB, Board Member of RF Coverage AB and Deputy Board Member of Xpert Eleven AB, Graviton AB and AB PiaCare.

Harald Pousette

Mr. Pousette holds a Bachelor of Arts (Economics) from the University of Uppsala, Sweden. Mr. Pousette is currently the Chief Executive Officer of Kvalitena Industrier AB, CFO of Kvalitena AB, Chairman of Bil- och Traktorservice i Stigtomta AB, Jitech AB, Box Bygg AB and a Board member of Scandi Standard AB, Stig Svenssons Motorverkstad AB and Fendea AB. Mr. Pousette worked with Gota Bank with the Foreign Exchange and Fixed Income Trade Department; Nordiska Fondkommission as a sales trader and portfolio manager; Dresdner Kleinwort Wasserstein as vice president; The Collins Group as Managing Director.

Senior Management

Jonas Lindvall – Managing Director

(see information under “Board of Directors”)

Ron Panchuk – Chief Corporate Officer and Corporate Secretary in Maha (Canada)

An experienced international oil and gas executive with law, commercial and business development skills having over 30 years’ experience in over 40 countries. Ron was a former partner/counsel in prominent regional and international law firms including Burstall Winger and Blake Cassels & Graydon. He worked in the Middle East region extensively for over 20 years including 8 years as General Counsel with the Government of Dubai and 5 years as VP of a small E&P company. Ron obtained his LLB from University of Manitoba 1982.

Andres Modarelli – Chief Financial Officer

Mr. Modarelli holds Bachelor of Commerce and Bachelor of Business Administration degrees from the Pontifical Catholic University of Argentina and holds Chartered Professional Accountant designations (CPA) in Canada and Argentina. He has over 17 years experience in finance and accounting, including international Oil and Gas experience in South America.

Robert Richardson – Chief Operating Officer

Mr. Richardson has a Bachelor of Science Engineering from the University of Alberta, a Masters Degree in Energy Business and an Engineering Science technology Diploma from SAIT. His diversified experience includes conventional oil & gas, secondary, tertiary & thermal recovery, shale oil and gas, acquisitions, CHOPS and renewable energy. He has over 25 years of diversified energy experience with an extensive background in management and engineering.

Jamie McKeown – VP Exploration and Production

Mr McKeown gained his B.Sc in Geology from the Victoria University of Wellington, New Zealand in 1986 and has been working continuously in the oil and gas industry since. Primarily involved with the technical elements of exploration and development, Mr. McKeown spent many years with Lundin in Africa, the Middle East and Asia. Later assignments include work with Tethys Oil in Oman and Apache Energy in Australia.

The Maha Energy Share

On July 29, 2016, Maha Energy AB's class A shares (trading symbol Maha A) and share purchase warrants (trading symbol Maha A TO 1) commenced trading on the NASDAQ First North Stockholm stock exchange. Concurrent with the listing on the First North stock exchange, the Company completed a financing (the "Offering") at 19 SEK per unit whereby each unit consisted of 4 Class A shares and 1 share purchase warrant. The Company raised SEK 108.0 million SEK (USD 12.6 million as at final closing date, August 5, 2016 USD/SEK exchange rate 8.56) in cash proceeds and issued 6,204,963 units (24,819,852 A-Shares and 6,204,963 share purchase warrants) including 513,010 units that were issued to the Guarantor group as payment of 9% fees owed under the guarantee agreements.

Share Data

As at December 31, 2017 the Company had 95,155,646 shares outstanding of which 85,972,025 were Class A shares and 9,183,621 were class B shares. In addition, there were an additional 1,698,000 convertible class C2 shares. In the event that the existing Maha (Canada) stock options and warrants are exercised these convertible class C2 shares will be redeemed and exchanged for Maha (Sweden) Class A shares.

Group Structure

Maha Energy AB is the parent company of a group which also includes the Company's subsidiary Maha Energy Inc. (incorporation number 2017256518), a company incorporated pursuant to the laws of Alberta, Canada, and Maha (Canada)'s wholly-owned subsidiary Maha Energy U.S. (incorporation number 2013-000637593), a company incorporated pursuant to the laws of the State of

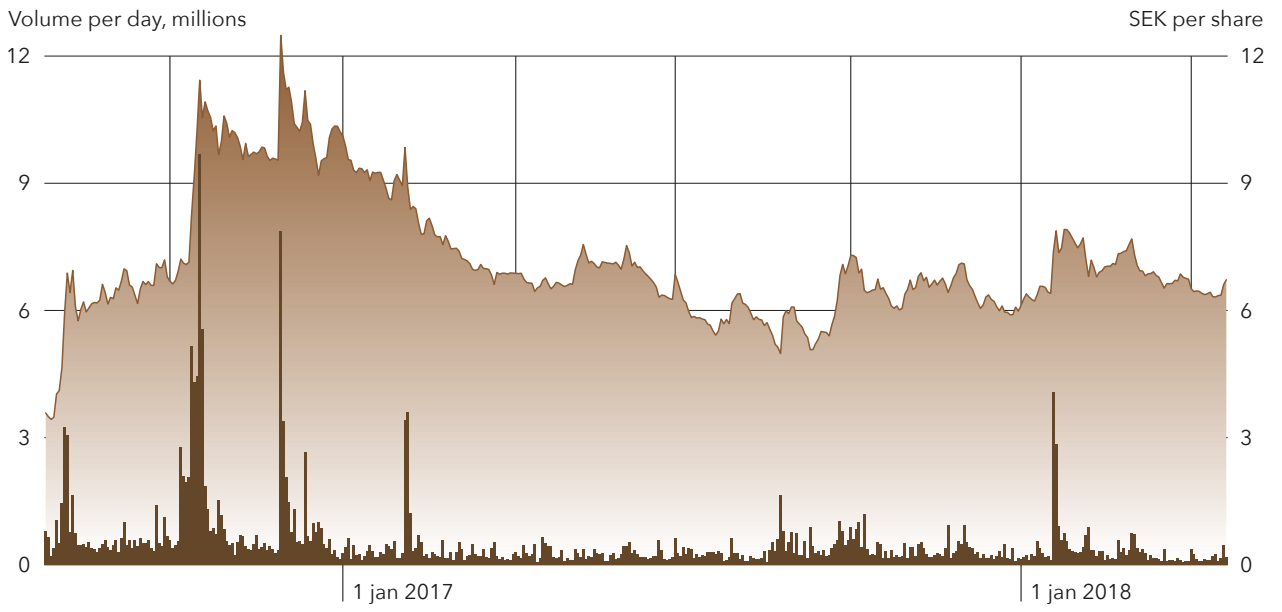
Wyoming, United States of America (which owns 99% of LAK Ranch in the USA), Maha Energy I (Brazil) AB (incorporation number 559058-0907), a Swedish private limited liability company, Maha Energy II (Brazil) AB (incorporation number 559058-0899), a Swedish private limited liability company, Maha Energy Finance (Luxembourg) S.A.R.L (incorporation number – B163089) a company incorporated pursuant to the laws of Luxembourg and Maha Energy Finance's wholly-owned subsidiaries Maha Energy Brazco (Luxembourg) S.A.R.L (incorporation number – B176818) a company incorporated pursuant to the laws of Luxembourg. Maha Energy Finance (Luxembourg) S.A.R.L owns 98.18% and Maha Energy Brazco (Luxembourg) owns 1.82% of the issued and outstanding shares of Maha Energy Brasil Ltda. (incorporation number – incorporation number 11.230.625/0001-66) a Brazil limitada (which owns 100% of the Tie Field, and Blocks 117, 118, 129, 142, 155 and 224 in Brazil).

Maha Energy I (Brazil) AB and Maha Energy II (Brazil) AB owns all of the issued and outstanding shares of Petro Vista Energy Petróleo do Brasil Ltda. (incorporation number 08.091.093/0001-19 – which owns 37.5% of the Tartaruga Field in Brazil) and UP Petróleo Brasil Ltda. (incorporation number 02.859.489/0001-87 – which owns 37.5 % of the Tartaruga Field in Brazil). Maha Energy Inc was earlier acquired by the Company upon completion of a corporate restructuring in May 2016 (the "Roll Up") whereby the shareholders of Maha (Canada) elected to either acquire A-Shares in Maha (Sweden) or Exchangeable Maha (Canada) Shares, Maha (Canada) became the subsidiary of Maha (Sweden). Most Canadian shareholders of Maha (Canada) elected to acquire Exchangeable Maha (Canada) shares for tax reasons.

Share Ownership

Name	Number of Shares	Outstanding Shares
Kvalitena AB	23,034,120	24.2%
UBS Switzerland AG / Client Accounts	4,808,496	5.1%
Jonas Lindvall (Maha CEO and Managing Director)	4,711,610	5.0%
SIX SIS AG, W8IMY	3,780,000	4.0%
Forsakringsaktiebolaget, Avanza Pension	3,640,754	3.8%
Ron Panchuk (Maha Vice President and CCO)	2,763,342	2.9%
Talal Al Subhi	2,394,738	2.5%
Danica Pension Forsakrings AB	1,710,000	1.8%
Phantome de Genolier AB	1,209,548	1.3%
Nordnet Pensions Försäkrings AB	1,114,481	1.2%
Total, ten largest shareholders	49,156,089	51.7%
Remaining shareholders (approximately 6,000)	45,999,557	48.3%
Total number of Maha A-Shares and B-Shares	95,155,646	100%

Share Price Development since inception



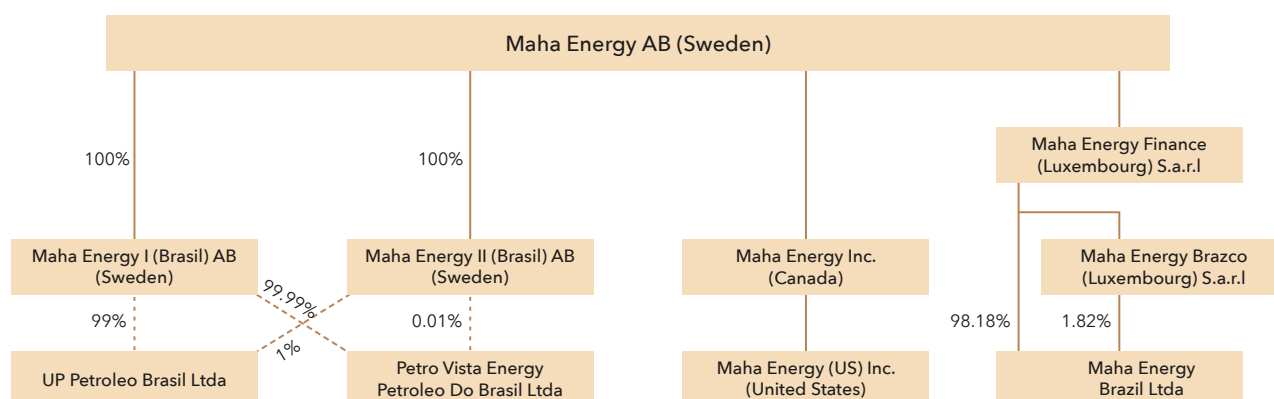
Administration Report

The Board of Directors and the Managing Director of Maha Energy AB (publ) ("The Company" or "Maha") with Company Registration Number 559018-9543, hereby report the Company's second Annual Report covering the period 1 January 2017 until 31 December, 2017, and the associated consolidated Financial Report for the year 1 January, 2017 until 31 December, 2017. This report is a review of Maha Energy AB results and management's analysis of its financial performance for the year ended December 31, 2017. The consolidated financial statements included

in this Annual Report have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the European Union (EU). Significant accounting policies used are set out in Note 2 to the financial statements. All amounts are expressed in United States Dollars (USD), except in the Parent Company Annual Report where all amounts are expressed in Swedish Kronor (SEK), unless otherwise indicated.

Corporate Structure

The Maha group of companies (the "Group") is organized as follows:



Note: The Company structure shows all the subsidiaries of the Group as of 31 December, 2017.

Parent Company Maha Energy AB owns 100% of the shares of its subsidiaries, which are engaged in the core oil and gas business. For more information see Parent Company section.

Roll up

In 2015, the Group consisted of Maha Energy Inc. ("Maha (Canada)"), which was incorporated on January 23, 2013 pursuant to the Alberta Business Corporations Act and its wholly-owned subsidiary Maha Energy (US) Inc.

In May 2016, the Group undertook a corporate restructuring (the "Roll Up") whereby the shareholders of Maha (Canada) acquired shares in Maha or Exchangeable Maha (Canada) Shares (as defined in Note 13 "Share Capital"). Upon completion of the Roll up, Maha (Canada) became a wholly-owned subsidiary of Maha.

The consolidated financial statements reflect the activity of the Group for the years ended December 31, 2017 and 2016.

Significant events

Tartaruga (Brazil) Acquisition

The Company acquired a 75.0% working interest in the Tartaruga development block, located in the Sergipe Alagoas Basin of Brazil through the acquisition of Brazilian subsidiaries of two vendors. The agreements were entered into in 2016, but were not completed until January 2017.

Total consideration is as follows:

Purchase of UPP	USD 3,254,825
Purchase of PVE	USD 2,685,012
Total	USD 5,939,837

Funds were paid by way of deposits of USD 586,000, forgivable loans of USD 815,500 and funds paid into escrow in December 2016 of USD 4,188,337. There is an unpaid hold-back of USD 350,000 pending the approval by the Brazilian Government and the Agencia Nacional do Petroleo, Gas Natural e Biocombustiveis of Brazil ("ANP") of the purchase of a 7.5% working interest in the Tartaruga field that was to have been consolidated into UPP prior to closing. The approval is considered routine. The escrowed funds were released in January 2017.

On closing in January 2017, the Company became the operator and holds a 75% working interest in the Tartaruga Block. The Company has treated the acquisition as being effective January 1, 2017 and has included its operations in its financial statements from that date.

Gran Tierra Acquisition

In February 2017, Maha entered into an agreement to acquire the Brazil business unit of Gran Tierra Energy Inc. ("Tie Field Acquisition") (NYSE MKT:GTE) (TSX:GTE) through the purchase of all of the shares and outstanding intercompany debt of Gran Tierra Finance (Luxembourg) S.Á.R.L.,

including assumed liabilities involved with the going-concern operations, for a cash consideration of USD 35 million, subject to closing adjustments (the "Acquisition"). Upon closing, Maha will own and operate, through a wholly-owned subsidiary, the 100% working interests in six concession agreements located in the Reconcavo Basin of Brazil. Closing of the Acquisition was subject to receiving the approval of the ANP, completion of a financing by Maha, and other closing conditions standard for similar transactions.

In January 2017 Maha provided Gran Tierra a cash deposit ("Initial Deposit") of USD 3.5 million which was non-refundable in certain circumstances, including if the Company had not deposited into escrow the remaining cash consideration of USD 31.5 million on or before June 1, 2017 or has not provided a further cash deposit ("Second Deposit") of USD 1.5 million by such date.

On July 1, 2017, Maha completed the corporate Acquisition. Following this transaction, Maha owns and operates, through a wholly-owned subsidiary, the 100% Working Interests in six concession agreements located in the Reconcavo Basin of Brazil. One of the concessions includes the oil producing Tie Field consisting of two (2) dually completed wells (GTE-3 and GTE-4) and one water injection well (ALV-2). The 38 deg API oil production is from two, separate, sandstone units called the Agua Grande and Sergi formations.

Sale of Canadian Assets

At December 31, 2016, the Company owned a 50% working interest in the Manitou property and a 30% working interest in the Marwayne property which were acquired from Palliser Oil and Gas Corp. in July 2014. Both these assets (the "Canadian Assets") are located in Canada.

In February 2017, Maha entered into an agreement to sell its interest in the Canadian Assets to the new owner, Petrocapita Oil and Gas L.P. ("Petrocapita"), for CAD 1,650,000. The consideration is payable in two parts: (a) cash payments totaling CAD 750,000 to be paid over 9 months commencing March 15, 2017 and (b) the balance by Convertible Debenture granted by Petrocapita Income Trust, the parent of Petrocapita, maturing December 1, 2023.

As a result of the successful purchase of the operator by Petrocapita and the subsequent agreement to purchase Maha's interest, the Company's estimate of the value of the Canadian Assets increased to the value of the cash consideration of USD 562,022 (CAD 750,000) by reversing previously recorded impairment charges. Effective January 1, 2017, Maha sold its interest in the Canadian Assets to Petrocapita for a total consideration of CAD 1,650,000. The consideration is payable in two parts: (a) cash payments totaling CAD 750,000 to be paid over 9 months commencing March 15, 2017 and (b) the balance by Convertible Debenture granted by Petrocapita Income Trust, the parent of Petrocapita, maturing December 1, 2023. Interest accrues at an annual rate of 6% on the total consideration amount. In September 2017, the payment schedule was

revised whereby Petrocapita's principal payments will be paid over a period of 17 months instead of 9 months.

Since the Canadian Assets represented all of the Company's producing assets as of December 31, 2016 the operating results of the Canadian Assets during the 2016 have been reclassified as discontinued operations.

SEK 92 million Directed Share Issue

In March 2017, the Company, secured a Directed Share Issue of 12,919,326 Maha A shares at a share price of SEK 7.10 for gross proceeds of TSEK 91,727 and share issue cost of TSEK 6,276.

The following parties committed to subscribe in the Directed Share Issue: Kvalitena AB (publ), Invium Partners AB, Pervasive Capital AB, Nerthus Investments Ltd., Erik Penser Bank AB, Litcap AB and City Capital Partners AB.

SEK 300 million Secured Bond

Maha issued on 29 May 2017 a senior secured bond loan of SEK 300,000,000, within a total framework amount of SEK 500,000,000, on the Swedish bond market together with 13,350,000 warrants for Class A shares of Maha, whereby each Warrant has a strike price of SEK 7.45 and a warrant period of four years, issued on 5 June 2017.

SEK 92 million Rights Share Issue

On 30 May, 2017 Maha completed a rights share issue for total proceeds of SEK 91,727,214 before issuing costs. A total of 3,255,861 A-shares, representing approximately 25 percent of the offered A-shares, were subscribed for with first priority preferential right and subscriptions for second priority preferential rights, and without preferential rights, of 247,827 A-shares, were received. The remaining 9,415,638 A-shares in the Rights Issue were allotted to the guarantee consortium pro rata in relation to their respective undertakings. Thus, the rights issue was fully subscribed. Through the rights issue, Maha received proceeds amounting to approximately SEK 91,727,215 before transaction related costs of approximately SEK 15,349,991. Included in transaction costs is a guarantee commitment payment of SEK 3.6 million to a related party.

Through the rights issue Maha's share capital increased by SEK 142,112.586 from SEK 926,577.52 to SEK 1,068,690.106 and the number of A-shares increased with 12,919,326 A-Shares from 71,464,647 A-shares to a total of 84,383,973 A-shares. (In addition to the A-shares listed on Nasdaq First North, there were 10,771,673 B-Shares and 1,998,000 C2-shares in the Company together representing a share capital in the amount of SEK 140,466.403).

Financial Results Review

The Company recorded a loss from the continuing operations of TUSD 2,795 representing USD – 0.03 per share for the year ended December 31, 2017 as compared to a loss of TUSD 2,451 representing USD – 0.03 per share for the comparative period of 2016. The Company reports operating result of income of TUSD 649 for year ended 2017

as compared to operating result of loss of TUSD 2,451 for the comparative period of 2016. Operating result for the Company in 2017 is higher than the prior year due to the acquisition of Tartaruga and Tie Field assets in 2017.

Production

	2016	2015
Delivered Oil (Barrels) ¹⁴	310,479	16,838
Delivered Gas (MMSCF)	144,602	–
Delivered Oil & Gas (BOE) ¹⁵	334,579	16,838
Daily Volume (BOEPD)	917	46

Production volumes are working interest volumes before royalties. Average production volumes increased significantly for the year-ended December 31, 2017 as compared to the year-ended December 31, 2016, due to the acquired assets in Tie Field and the Tartaruga Block.

Revenue

	2017	2016
Oil & Gas revenue (TUSD)	14,604	–
Sales volumes (BOE)	325,320	–
Oil realized price (USD/Bbl)	47.94	–
Gas realized price (USD/MSCF)	1.22	–
Equivalent Oil realized price (USD/BOE) ¹⁶	44.89	–
Reference Price – Brent (USD/bbl)	54.74	–

Total revenue was TUSD 14,604 for the year-ended December 31, 2017 and nil for the year-ended 2016. The significant revenue increase was due to the Tie Field Acquisition in the third quarter and the Tartaruga Acquisition during the first quarter of 2017.

During the fourth quarter of 2017, the Company entered into commodity contracts to mitigate commodity price risk for the first six months of 2018.

LAK Ranch production volumes are excluded from sold volumes as this field is still in pre-production stage. LAK Ranch production was 10,177 barrels for the year-ended December 31, 2017 (5,725 barrels for the year-ended December 31, 2016)

During 2016 all of the Company's revenue came from the Canadian Assets. As the assets were sold effective January 1, 2017, the Company has no revenue from those assets in 2017. Additionally, the Company's revenues and expenses from the Canadian Assets for the year-ended 2016 have been reclassified as discontinued operations and removed from continuing operations.

Royalties

	2017	2016
Royalties (TUSD)	2,217	–
Royalties as a % of revenue	15.2%	–
Per unit (USD/boe)	6.81	–

Total royalty expense was TUSD 2,217 for the year-ended December 31, 2017. Royalty expense increase is consistent with the higher revenue due to the Tie Field Acquisition in the third quarter and the Tartaruga Acquisition during the first quarter of 2017.

Production and operating costs

(TUSD, unless otherwise noted)	2017	2016
Production and operating costs	3,069	–
Transportation costs	623	–
Total Production and operating costs	3,692	–
Per unit (USD/boe)	11.35	–

Production costs for the year-ended December 31 2017 amounted to TUSD 3,692 as compared to nil for the year-ended 2016. As the Canadian assets were sold effective January 1, 2017, the Company has no revenue from those assets in 2017 and as a result 2017 operating costs have been reclassified as discontinued operations and removed from continuing operations.

Netback

	2017	2016
Operating Netback (TUSD)	8,695	–
Netback (USD/boe)	26.73	–

Netback is calculated as revenue less royalties, production and operating costs.

General and Administration expenses ("G&A")

	2017	2016
G&A (TUSD)	5,257	2,267
G&A (USD/boe)	16.16	–

G&A expenses were higher during the year mainly due to additional personnel and administrative costs associated with the expanded operations in Brazil in 2017 as well as increased costs associated with the ongoing reporting and filing requirements of a public company. G&A for the full year 2017, also include additional costs related to the acquisitions and related fundraising activities. G&A for the full year 2016 include certain costs related to preparing for the Initial Public Offering ("IPO").

¹⁴ Includes LAK Ranch delivered oil during the period and production from the Canadian Assets for the period ending 2016.

¹⁵ BOE is Barrels of Oil Equivalent and takes into account gas delivered and sold. 1 bbl = 6,000 SCF of gas.

¹⁶ Oil sold from the Tie field is subject to a discount of USD 8.48/bbl for quality, processing and storage fees. Oil sold from the Tartaruga field is subject to a discount of USD 1.07/bbl for similar reasons.

Incremental costs directly attributable to the acquisitions, such as legal and other professional fees, of approximately TUSD 361, have been presented as Transaction costs in the statement of operations and comprehensive loss for the year-ended December 31, 2017.

Depletion, depreciation and amortization ("DD&A")

	2017	2016
DD&A expense (TUSD)	2,091	57
DD&A expense (USD/boe)	6.43	-

The depletion rate is calculated on proved and probable oil and natural gas reserves, taking into account the future development costs to produce the reserves. Depletion expense is computed on a unit-of-production basis. The depletion rate will fluctuate on each re-measurement period based on the amount and type of capital spending and the amount of reserves added.

Depletion expense was TUSD 2,091 (2016 – TUSD 57) at an average rate of USD 6.43 per boe for the year-ended December 2017. The higher depletion expense is consistent with the production increase from the Tie Field Acquisition in the third quarter and the Tartaruga Block Acquisition during the first quarter of 2017, as well as a larger capital asset base being depleted as a result of the acquisitions.

Net financial items

Net financial items amounted to \$3.2 million for the year-ended 2017 and \$14,000 for the comparable period of 2016. The main reason for the increase is interest expense of \$2.5 million on the Senior Secured Bonds issued on May 29, 2017. Accretion of the discount rate on the decommissioning liabilities provision amounted to \$75,000 for the year-ended 2017. Accretion of the bond payable discount amounted to \$607,000 for the year-ended 2017. Included in Finance costs are foreign currency exchange losses related to the financing costs and foreign currency risk management contracts.

Share data

As at December 31, 2017 the Company had 95,155,646 shares outstanding of which 85,972,025 were class A shares and 9,183,621 were class B shares. In addition, there were 1,698,000 convertible class C2 shares, after giving effect to the forfeiture of 300,000 options for which the corresponding C2 shares have not been formally cancelled. In the event that the existing Maha (Canada) stock options and warrants are exercised these convertible class C2 shares will be redeemed and exchanged for class A shares.

In relation to completing the Tie Field Acquisition:

- During the first quarter of 2017 the Company completed a Directed Share Issue of 12,919,326 class A shares at a share price of SEK 7.10 for gross proceeds of TSEK 91,727 (approximately USD 10.5 million).
- During the second quarter of 2017, Maha completed a guaranteed rights issue and issued 12,919,326 class A

shares at a share price of SEK 7.10. Through the rights issue, Maha received gross proceeds amounting to TSEK 91,727 (approximately USD 10.3 million) before transaction related costs that include a guarantee provision paid in cash.

- During the second quarter of 2017, the Company issued senior secured bonds ("Bonds") and warrants as part of a fully subscribed financing totaling SEK 300 million under a framework amount of SEK 500 million. The Bonds have: a term of four years; a fixed interest rate coupon of 12% per annum, paid semi-annually, and were issued with a total of 13,350,000 detachable warrants for Class A shares of the Company ("Warrant(s)"). Each Warrant has a strike price of SEK 7.45 and an exercise period of four twelve months.

Liquidity and capital resources

As at December 31, 2017, the Company had current assets of \$25.2 million comprised primarily of cash and cash equivalents, accounts receivable and prepaid expenses and deposits. The Company had current liabilities of \$7.7 million resulting in net working capital of \$17.5 million (December 31, 2016 – \$6.7 million).

Financial Risks

The Company is in the oil exploration and development business and is exposed to a number of risks and uncertainties inherent to the oil industry. This activity is capital intensive at all stages and subject to fluctuations in oil prices, market sentiment, currencies, inflation and other risks. The Company has cash in hand and expects to generate cash flow from operations to fund its development and operating activities. Material increases or decreases in the Company's liquidity may be substantially determined by the success or failure of its development activities, as well as its continued ability to raise capital or debt. For additional information on financial risks identified by the Company, please refer to note 15 to the Financial Statements.

Legal matters

Following the Tie Field Acquisition effective July 1, 2017 the Company inherited, through the acquisition of Gran Tierra Energy Brazil Ltda., a number of disclosed pre-existing legal matters concerning labor, regulatory and operations, each of which are considered routine, non-material and consistent with doing business in Brazil. Provisions for lawsuits have, in consultation with the Company's local legal counsel, been recorded under accrued liabilities and provisions.

Corporate Responsibility

Health, Safety and the Environmental

At Maha, Health, Safety and the Environment is a key component of its management and systems. Maha Energy strives to provide a safe and healthy work environment for all employees, contractors and suppliers. This means the safety of life, limb, environment and property always comes first. The Company actively monitors all operational sites and proactively encourages everyone to be mindful

of all our HSE Values. This is achieved through education, enforcement and reporting. All sites provide transparent monthly HSE reports.

Everyone working or visiting our sites have the right to stop work at any time to prevent potential HSE incidents occurring. Our HSE Values set the tone for how we approach each other and the environment.

For additional information on environmental, decommissioning and abandonment obligations in relation to oil and gas leases, please refer to note 10 to the Financial Statements.

Corporate Governance and Sustainability

Part of contributing to society and being a good global citizen must entail doing 'what is right', in addition to adhering to laws and regulations. One of the ways we ensure sustainability is to maximize recovery from existing energy sources and in order to do so effectively it is important to minimize scope changes. If we can prevent costly and impactful changes in development plans, we contribute to sustainability. Another way to contribute to a sustainable planet, is to ensure all resources are used. We therefore recycle produced water at our LAK Ranch facility which not only reduces having to find water from another source, but also reduces waste water treatment requirements. In Brazil, we are reducing the release of natural gas by using the waste gas from oil production to generate electricity.

Maha does not tolerate any form of corrupt practices and have in place Corporate Governance Policies that clearly define how we must do business. The best way to prevent corruption is through transparency – transparency is one of our core values. The Company has established Codes of Business Conduct and Anti- Corruption policies in place for all its employees, contractors and workers.

More information on Corporate Governance can be found in Maha's Corporate Governance Report.

Seasonal Effects

Maha Energy has no significant seasonal variations.

Parent Company

Business activities for Maha Energy AB focuses on: a) management and stewardship of all Group affiliates, subsidiaries and foreign operations; b) management of publicly listed Swedish entity; c) fundraising as required for acquisitions and Group business growth; and d) business development. The Parent Company has no employees. This year's activities focused on the corporate acquisitions by the Group of the Brazilian operations of Grand Tierra Energy Inc. in Bahia, Brazil and the Tartaruga Field in Sergipe, Brazil (the "Acquisitions") and the funding of the Acquisitions through a Directed Share Issue, a Rights Offering and a Bond financing.

Proposed Distribution of Earnings

The Board of Directors proposes no dividends to be paid for the year. Furthermore, the board of Directors proposes that the unrestricted equity of the Parent Company of SEK 445,494,000, including the net result for the year of SEK (23,417,000) be brought forward as follows:

Dividend	–
Carried forward	445,494,000
Total (SEK)	445,494,000

Corporate Governance Report

This report will outline and report on the corporate governance practices and systems of the Company through which owners, directly or indirectly, control a company. The shares are listed on Nasdaq First North (MAHA-A) and the Maha Secured Bonds 2017-2021 are listed on Nasdaq OMX (MAHA 101), both in Stockholm. As the Company is not formally required to follow the Swedish Code of Corporate Governance (the "Code"), this 2017 Corporate Governance Report is submitted in accordance with the Swedish Annual Accounts Act. It explains how Maha has conducted its corporate governance activities during 2017. The Company is not aware of any deviations from Annual Accounts Act, Nasdaq Stockholm's rule book for issuers, recommendations from the Swedish Securities Council, decisions from Disciplinary Committee at Nasdaq Stockholm or statements from the Swedish Securities Council.

Regulatory Framework

The Company observes good corporate governance practices in accordance with the laws and regulations of Swedish legislation, and the Company's own Articles of Association and policies. The Company issues Annual Consolidated Financial Statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and Swedish Annual Accounts Act.

The external regulations and laws governing the Company include:

- Swedish Companies Act
- Accounting legislation (e.g. Swedish accounting act, Swedish Annual Accounts Act and IFRS)
- Nasdaq Stockholm's rule book for issuers

The Company's internal corporate governance instruments include:

- Articles of Association
- Instructions and Rules of Procedure for Financial Reporting, the Managing Director and the Board of Directors as approved by the Board of Directors (the "Board")
- Maha Group policies such as Anti-corruption Policy, HSE Policy, Insider Policy, Code of Business Conduct and Ethics etc.
- Board Committee Terms of Reference, Mandates and Policies

The Company regularly seeks advice from its legal counsel, Setterwalls Advokatbyrå AB (Stockholm), and Certified Advisor FNCA Sweden AB (Stockholm) on corporate governance matters.

Shareholders

The Company's shares (MAHA-A) are traded on Nasdaq First North and the Company's Secured Bonds 2017-2021 (MAHA 101) are traded on Nasdaq OMX. At year-end 2017 the share capital amounted to TSEK 446,562, represented by 95,155,646 shares, of which 85,972,025 were Class A shares and 9,183,621 were class B shares. In addition, there were an additional 1,698,000 convertible class

C2 shares. The class A and B shares have one (1) vote per share whereas the class C2 shares have two-tenths (2/10) votes per share. Kvalitena AB is the only shareholder with a holding in excess of 10 percent of shares and votes, with a holding of approximately 23 million shares representing a 24.2 percentage of shares and votes. For further information on share, share capital and shareholders (see section The Maha Share).

Annual General Meeting

The Annual General Meeting ("AGM") must be held within six months of the close of the fiscal year. The Company calls the meeting through announcements in Swedish Official Gazette, Svenska Dagbladet and its website. All shareholders who are listed in the share registry on the record date, and who have notified the Company of their participation in due time, are entitled to participate in the AGM. Shareholders of Class A, B and C2 shares are entitled to exercise their respective voting rights in accordance with the description above (Shareholders). Under the Articles of Association and Swedish law, the AGM must address those matters listed below marked with "***". The 2017 AGM (in compliance with the Articles of Association and Swedish laws) was held in Stockholm on 16 June 2017. Six shareholders were represented at the AGM, representing 12.68 percent of the votes and share capital in the Company. The submissions and resolutions passed by the 2017 AGM included the following:

- Submission of the annual report and the auditor's report and the consolidated financial statements and the auditor's report on the group*;
- Approval of administrative matters concerning the AGM*;
- Resolution in respect of adoption of the profit and loss statement and the balance sheet and the consolidated profit and loss statement and the consolidated balance sheet*;
- Resolution in respect of allocation of the Company's profit or loss according to the adopted balance sheet*;
- Resolution in respect of the members of the Board and the Managing Director's discharge from liability*;
- Determination of the number of members of the Board and the number of auditors and, where applicable, deputy auditors;
- Determination of the fees payable to the members of the Board and the auditors*;
- Election of members of the Board, auditors and, where applicable, deputy auditors*;
- Resolution regarding principles for the appointment of and instructions regarding a Nomination Committee (see below)*;
- Resolution regarding changes to the Articles of Association regarding location of the AGMs;
- Resolution regarding an incentive programme and issuance of warrants (LTIP) (see below);
- Resolution regarding authorisation for the Board to increase the share capital by up to 10%. The board of directors was authorized to resolve on issuance of new

shares, warrants and/or convertible debentures during the period until the next annual general meeting and at one or more occasions.

Nomination Committee and its Function

In accordance with the Nomination Committee process approved by the 2017 AGM, the Nomination Committee for the 2018 AGM consists of members appointed by three of the largest shareholders of the Company based on shareholdings as at 30 September 2017 and the Chairman of the Board. The names of the members of the Nomination Committee were announced and posted on the Company's website on 3 November 2017.

The Nomination Committee for the AGM 2017 consists of:

- Harald Pousette, appointed by Kvalitena AB
- Håkan Ehrenblad, appointed by Nerthus Investments Ltd.
- John Patrik Lindvall, appointed by Jonas Lindvall
- Wayne Thomson, Chairman of the Company's Board

The Nomination Committee for the 2018 AGM is currently completing its mandate. The Nomination Committee Report, including the final proposals to the 2018 AGM, will be published on the Company's website together with the Notice of the AGM when the Notice is given.

The Nomination Committee's purpose is to produce proposals for certain matters including, amongst others, the following (which will be presented to the 2018 AGM for consideration):

- AGM chairman
- Board Members
- Chairman of the Board
- Board fees and remuneration for committee work allocated to each member
- Auditors and auditor's fees

The work of the Nomination Committee includes evaluation of the Board's work, competence and composition, as well as the independence of the members. The Nomination Committee will also consider criteria such as the background and experience of the Board, and evaluate the work completed by it in formulating its recommendations.

The Board and its Function

Board of Directors

Pursuant to the Company's Articles of Association, the Board shall consist of not less than three (3) and not more than seven (7) ordinary members, without any deputy members. There are no specific stipulations in the Company's Articles of Association on how the board members should be assigned or dismissed. Currently, the Company's Board consists of four (4) ordinary members, appointed until the end of the next annual shareholders' meeting. The composition of the Board in the Company changed after the Company's 2017 Annual General Meeting (AGM). Mr. Ronald Panchuk resigned his position as a Board Member, and Mr. Harald Pousette accepted the position as a non-executive Board Member at the same time. Mr. Panchuk continues to work in

the capacity of Secretary and Chief Corporate Officer. The current Board is as follows Mr. Wayne Thomson, Chairman, Mr. Anders Ehrenblad, Mr. Jonas Lindvall and Mr. Harald Pousette (see bios in section The Board of Directors and Management).

During 2017, the Board convened regularly. All members of the Board participated in each Board meeting.

Rules of Procedure

The Board's work is governed by the approved Rules of Procedure. The Board supervises the work of the Managing Director by monitoring the Company's operations. The Board ensures that the Company's organisation, administration and controls are properly managed. The Board adopts strategies and goals and provides review and approval of larger investments, acquisitions and disposals of business activities or assets. The Board also appoints the Managing Director and determines the Managing Director's salary and other compensation. The Chairman of the Board supervises the Board and is responsible for it functioning well. The Chairman, among other things, is regularly updated on the Company's operations, meets with the Managing Director and is responsible to ensure information and documentation is provided by the Company to ensure high quality discussions and proper consideration of matters.

Board Committees

In order to increase the efficiency of its work and enable a more detailed analysis of certain matters, the Board has formed committees: Audit Committee; Compensation, Corporate Governance and Disclosure Committee; and Reserves/HSE Committee. Committee members are appointed by the Board within the Board up to the next AGM. The Committee's duties and authorities are governed by those Mandates, Policies and Terms of Reference described below.

Audit Committee

The Board established an Audit Committee just after the 2017 AGM for the period up to and including the 2018 AGM, consisting of Wayne Thomson as Chairman, Harald Pousette and Anders Ehrenblad. The previous Audit Committee (up to the 2017 AGM) was the same except Mr. Panchuk was a member instead of Mr. Pousette.

This Committee operates under the Company's approved Audit Committee Terms of Reference and Instructions of Financial Reporting. The Audit Committee convened regularly and its work focused on supervising the Company's financial reporting and assessing the efficiency of the Company's financial reporting process and internal controls, with a view to providing recommendations to the Board for its decision-making processes regarding such matters. The Chairman of the Audit Committee also liaises with: (a) the Group's statutory auditor as part of the annual audit process and reviews the audit fees, the auditor's independence and impartiality; and (b) the Company's CFO. The Audit committee reports to the Board with recommendations on matters in its mandate and in particular

the Q1 – Q4 Financial Statements and Management Report, the Year End Financials and the Annual Report.

Compensation, Corporate Governance and Disclosure Committee

The Board established a Compensation, Corporate Governance and Disclosure Committee just after the 2017 AGM for the period up to and including the 2018 AGM, consisting of Harald Pousette as Chairman, Anders Ehrenblad and Wayne Thomson.

This Committee convened in conjunction with the Board meetings and was consulted regularly. This Committee is governed by the Compensation/Corporate Governance Committee Terms of Reference, the Disclosure Committee Mandate and Internal Disclosure Procedure. The Committee's work focused on establishing remuneration guidelines to management, to monitor and evaluate variable remuneration and to construct and propose incentive programs to the AGM or Board as applicable. This Committee makes recommendations to the Board.

As and when Corporate Governance and/or public disclosure issues arise under the Company's Policies this Committee assists the Board. Prior to the 2017 AGM this Committee was Wayne Thomson, Chairman and Anders Ehrenblad.

Reserves/HSE Committee

The Board established a Reserves/HSE Committee shortly after the 2017 AGM for the period up to and including the 2018 AGM, consisting of Wayne Thomson, Chairman and Jonas Lindvall. This Committee convened regularly in 2017. This Committee is governed by the reserves and HSE Committee Terms of Reference and the Health, Safety and Environmental Policy Document. The work has mainly focused on following up on evaluation of and recommendation on appointment of independent qualified reserve auditor, oversight of the reserves audit process and review of operations and HSE management systems as required. This Committee made recommendations to the Board, normally in conjunction with the Board meeting and particularly in respect of the Company's Reserve Report.

Prior to the 2017 AGM the Reserves/HSE Committee consisted of Wayne Thomson, Chairman and Jonas Lindvall.

External Auditors

At the 2017 Annual General Meeting for the period until the conclusion of the next Annual General Meeting the authorized accounting firm Deloitte AB was elected as Maha's auditor. The Auditor in charge is Fredrik Jonsson.

Internal Controls

While the Board (with assistance from the Audit Committee), in accordance with the Swedish Companies Act, has the ultimate responsibility for the internal controls over the Company's financial reporting; front line responsibility for such is with the Managing Director and CFO under the approved Instructions for Financial Reporting and the Instructions to Managing Director. Typical of listed companies in the oil and gas sector, Maha maintains a system of internal controls for its financial reporting that is designed to minimize risks and ensure a high level of reliability and compliance with applicable accounting principles. The Company's CFO and Managing Director continually work on improving the financial reporting process through evaluating the risk of errors in the financial reporting and related control activities. Control activities include close monitoring and approval by the Company's executive team and in line with the authorization guidelines of invoices, payables, contracts, legal commitments and financial activities in relation to the oil and gas operations of the Company in Wyoming and Brazil. With the 2017 acquisition of the Tie Field and Tartaruga Field in Brazil the Company's executive team has been regularly in Brazil providing oversight and rationalizing of financial reporting, procurement and internal control processes to ensure best practices are employed. The purpose of these activities is to ensure and monitor that control activities are in place for the areas of identified risks related to financial reporting activities. The Audit Committee, the CFO, and the Managing Director follow up on the compliance and effectiveness of the Company's internal controls to ensure the quality of internal processes is appropriate.

Remuneration for Board Members and Senior Management

For additional information on Board members and senior management compensation please refer to note 23 to the Financial Statements.

Financial Statements

Consolidated Statement of Operations and Comprehensive Loss

For the Financial Year Ended 31 December

(Expressed in Thousands of US dollars)	Note	2017	2016
Revenue			
Oil sales		14,604	–
Royalties		(2,217)	–
		12,387	–
Expenses			
Production and operating		(3,692)	–
General and administration	6	(5,257)	(2,267)
Stock-based compensation		(35)	(143)
Depletion, depreciation and amortization	9	(2,091)	(57)
Financial Instruments	15	(190)	–
Foreign currency exchange gain (loss)		(112)	85
		(11,377)	(2,382)
Operating result		1,010	(2,382)
Net finance costs	5	(3,188)	(14)
Transaction costs		(361)	(55)
Result before tax		(2,539)	(2,451)
Income tax	7	(256)	–
Net result from continuing operations		(2,795)	(2,451)
Discontinued operations – Canadian assets	12		
Loss on disposition		(54)	–
Income from discontinued operations		–	576
Result for the period		(2,849)	(1,875)
Currency translation differences		(621)	(738)
Comprehensive result for the period		(3,470)	(2,613)
Earnings per share basic and diluted:			
From continuing operations		(0.03)	(0.04)
From discontinued operations		–	0.01
		(0.03)	(0.03)
Weighted average number of shares		86,648,281	54,164,133

Consolidated Statement of Financial Position

For the Financial Year Ended 31 December

(Expressed in Thousands of US dollars)	Note	2017	2016
Assets			
<i>Non-Current assets</i>			
Deposits on acquisition	3	–	5,590
Exploration and evaluation assets	8	17,789	17,174
Property, plant and equipment	3,9	47,278	2,313
Performance bonds and others		176	151
		65,243	25,228
<i>Current assets</i>			
Financial Instruments	15	141	–
Inventory		314	–
Prepaid expenses and deposits		753	233
Accounts receivable	15	2,229	115
Restricted cash		3,037	–
Cash and cash equivalents	16	18,729	6,758
		25,203	7,106
Total Assets		90,446	32,334
Shareholders' Equity and Liabilities			
Shareholders' Equity		48,201	31,136
Non-Current liabilities			
Bond payable	14	32,678	–
Decommissioning provision	10	1,849	829
		34,527	829
Current liabilities			
Accounts payable	11	3,502	369
Accrued liabilities and provisions	11	4,216	–
		7,718	369
Total liabilities		42,245	1,198
Total liabilities and shareholders' equity		90,446	32,334

Consolidated Statement of Cash Flows

For the Financial Year Ended 31 December

(Expressed in Thousands of US dollars)	Note	2017	2016
Cash flow from operations			
Net result from continuing operations		(2,795)	(2,451)
Add backs:			
Stock based compensation		35	143
Depletion, depreciation and amortization	9	2,091	57
Accretion of decommissioning provision	10	75	14
Accretion of bond payable	14	607	–
Interest expense	5	2,493	–
Financial Instruments	15	186	–
Unrealized foreign exchange amounts		(142)	(610)
Interest paid		(2,153)	–
Interest received		110	–
Cash tax paid		(245)	–
Changes in non-cash working capital	17	(1,556)	(171)
Cash funded from discontinued operations	12	–	21
Cash flow from operations		(1,294)	(2,997)
Investing activities			
Corporate acquisition – Tartaruga	3	(290)	(5,590)
Corporate acquisition – Tie Field	3	(33,087)	–
Proceeds on sale of Canadian assets	12	229	–
Additions to developed and producing (D&P) assets		(2,113)	(67)
Additions of exploration and evaluation (E&E) assets		(615)	(892)
Restricted cash		(3,037)	–
Purchase of performance bonds		(25)	11
Cash flow from investment activities		(38,938)	(6,538)
Financing activity activities			
Issue of shares, net of share issue costs	13	18,266	11,775
Issue of bonds, net of financing costs	14	32,625	–
Exercise of stock options		–	45
Cash flow from financing activities		50,891	11,820
Foreign exchange on cash and cash equivalent		1,312	(120)
Change in cash and cash equivalents		11,971	2,165
Cash and cash equivalents, beginning of period		6,758	4,593
Cash and cash equivalents, end of period		18,729	6,758

Consolidated Statement of Changes in Equity

For the Financial Year Ended 31 December

(Expressed in Thousands of US dollars)	Share Capital	Contributed Surplus	Other Reserves	Retained Earnings	Total Shareholders' Equity
Balance at January 1, 2016	26,786	1,905	–	(6,905)	21,786
Comprehensive income					
Result for the period	–	–	–	(1,875)	(1,875)
Currency translation difference	–	–	(738)	–	(738)
Total comprehensive income	–	–	(738)	(1,875)	(2,613)
Transactions with owners					
Roll up of Maha Energy Inc.	(26,717)	26,717	–	–	–
Issue of shares	53	13,668	–	–	13,721
Share issue cost	–	(1,946)	–	–	(1,946)
Reduction of capital	(35)	35	–	–	–
Exercise of stock options	–	45	–	–	45
Stock based compensation	–	143	–	–	143
Total transactions with owners	(26,699)	38,662	–	–	11,963
Balance at December 31, 2016	87	40,567	(738)	(8,780)	31,136
Comprehensive income (loss)					
Result for the period	–	–	–	(2,850)	(2,850)
Currency translation difference	–	–	(621)	–	(621)
Total comprehensive income (loss)	–	–	(621)	(2,850)	(3,471)
Transactions with owners					
Share issuance	32	20,644	–	–	20,676
Share issue cost	–	(2,680)	–	–	(2,680)
Fair market value of warrants issued	–	2,211	–	–	2,211
Reduction of capital	(2)	2	–	–	–
Stock based compensation	–	37	–	–	37
Exercise of warrants	–	3	–	–	3
Exercise of stock options	–	289	–	–	289
Total transactions with owners	30	20,506	–	–	20,536
Balance at December 31, 2017	117	61,073	(1,359)	(11,630)	48,201

Parent Company Income Statement

For the Financial Year Ended 31 December

(Expressed in thousands of Swedish Krona)	Note	2017	2016
Revenue		–	–
Expenses			
General and administrative	6	(7,070)	(1,412)
Stock-based compensation		(416)	–
Financial instruments		(1,621)	–
Foreign currency exchange loss		(3,951)	(222)
Operating result		(13,058)	(1,634)
Net finance costs			
Net finance costs	5	(8,513)	–
Transaction costs		(1,846)	–
Result before tax		(23,417)	(1,634)
Income tax			
Income tax		–	–
Result for the period		(23,417)	(1,634)

Parent Company Statement of Financial Position

For the Financial Year Ended 31 December

(Expressed in thousands of Swedish Krona)	Note	2017	2016
Assets			
Non-current assets			
Investment in subsidiaries	20	183,640	183,640
Loans to subsidiaries	21	408,226	60,480
		591,886	244,120
Current assets			
Loans to subsidiaries	21	22,407	
Financial Instruments		620	
Accounts receivable and other	15	230	3
Cash and cash equivalents		103,294	43,840
		126,551	43,843
Total Assets		718,417	287,963
Shareholders' Equity and Liabilities			
Shareholders' Equity		446,562	287,397
Non-current liabilities			
Bond Payable	14	267,423	–
Current liabilities			
Accounts payable and accrued liabilities	11	4,432	566
Total liabilities		271,855	566
Total liabilities and shareholders' equity		718,417	287,963

Parent Company Statement of Changes in Equity

For the Financial Year Ended 31 December

(Expressed in thousands of Swedish Krona)	Restricted equity		Unrestricted equity		Total Equity
	Share capital	Contributed surplus	Retained Earnings		
Balance at January 1, 2016	50	–	–		50
Transactions under common control	541	182,998	–		183,539
Share issuance	453	122,427	–		122,880
Share issue costs	–	(17,438)	–		(17,438)
Reduction in capital	(240)	240	–		–
Result for the twelve months	–	–	(1,634)		(1,634)
Balance at December 31, 2016	804	288,227	(1,634)		287,397
Share issuance	284	183,111	–		183,395
Share issue costs	–	(23,708)	–		(23,708)
FMV of warrants issued	–	19,610	–		19,610
Reduction in capital	(20)	20	–		–
Stock based compensation	–	416	–		416
Exercise of warrants and stock options	–	2,869	–		2,869
Result for the period	–	–	(23,417)		(23,417)
Balance at December 31, 2017	1,068	470,545	(25,051)		446,562

Parent Company Cash Flow Statement

For the Financial Year Ended 31 December

(Expressed in thousands of Swedish Krona)	Note	2017	2016
Cash flow from operations			
Result for the period		(23,417)	(1,634)
Add backs:			
Accretion of bond liability	14	5,036	–
Stock based compensation		416	–
Interest expense	5	21,300	–
Interest Income		(17,823)	–
Interest paid		(18,000)	–
Interest received		–	–
Changes in non-cash working capital		269	563
		(32,219)	(1,071)
Cash flow from investing			
Investment in subsidiaries	20	–	(100)
Loans to subsidiaries	21	(352,330)	(60,480)
		(352,330)	(60,580)
Cash flow from financing			
Issue of shares, net of share issue costs		161,166	105,442
Issue of bond, net of financing costs	14	282,837	–
		444,003	105,442
Increase in cash during the year		59,454	43,790
Cash, beginning of period		43,840	50
Cash, end of year		103,294	43,840

Notes to the Financial Statements

For the Financial Year Ended 31 December

For the years ended December 31, 2017 and 2016. (Tabular amounts are in US Dollars, except in the Parent Company Financial Statements where the amounts are in Swedish Krona (SEK), unless otherwise stated).

1. Corporate Information

Maha Energy AB ("Maha (Sweden)" or "the Company") Organization Number 559018-9543 and its subsidiaries (together "Maha" or "the Company") are engaged in the acquisition, exploration and development of oil and gas properties.

The Company has operations in Brazil and the United States. The Company sold its Canadian producing assets effective January 1, 2017. The results from the Canadian Assets' sale are reported as discontinued operations. The head office is located at Biblioteksgatan 1, 4th floor, 111 46 Stockholm, Sweden. The Company's subsidiary, Maha Energy Inc., maintains its technical office at Suite 1140, 10201 Southport Road SW, Calgary, Alberta, Canada T2W 4X9. The Company has an office in Rio de Janeiro, Brazil and operations offices in Newcastle, Wyoming, USA and Salvador, Brazil.

Maha (Sweden) was incorporated on June 16, 2015 under the Swedish Companies Act and was registered by the Swedish Companies Registration Office on July 1, 2015. Maha Energy Inc. ("Maha (Canada)"), was incorporated on January 23, 2013 pursuant to the Alberta Business Corporations Act. Maha (Canada) began its operations on February 1, 2013.

Roll up

In May 2016, Maha (Sweden) undertook a corporate restructuring (the "Roll Up") whereby the shareholders of Maha (Canada) elected to either acquire class A Shares in Maha (Sweden) or Exchangeable Maha (Canada) Shares (see note 13 "Share capital"). Upon completion of the Roll up, Maha (Canada) became a wholly-owned subsidiary of Maha (Sweden).

As a result of the Roll Up, Maha (Sweden) became the legal parent company of Maha (Canada). The Roll Up transaction did not meet the definition of a business combination in accordance with IFRS 3; Business Combinations ("IFRS 3"), consequently these financial statements are issued under the legal parent, Maha Energy AB, but are deemed to be a continuation of the legal subsidiary, Maha Energy Inc. The capital structure reflects the number of shares and the stated share capital of Maha Energy AB.

2. Accounting Policies

Basis of preparation

The annual report of Maha have been prepared in accordance with prevailing International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations adopted by the EU Commission and the Swedish Annual Accounts Act (1995:1554). In addition RFR 1 "Supplementary Rules for Company's" has been applied as issued by the Swedish Financial Reporting Board. The Parent Company applies the same accounting policies as the Group.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed under the heading "Critical accounting estimates and judgement".

These Consolidated Financial Statements are stated in thousands of US dollars, unless otherwise noted, and have been prepared on a historical cost basis, except for certain financial instruments which are stated at fair value.

Changes in Accounting Standards

There were no new accounting standards adopted by the Company for the year ended December 31, 2017. The Company has assessed the impact on the Company's consolidated financial statements for the standards with an effective date of 1 January 2018 as follows:

- IFRS 15; "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard replaces IAS 11 and IAS 18 and is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. Maha has assessed the impact of this standard and has concluded that the standard will not cause any change in timing, nor have any material effects on the Company's financial statements.
- IFRS 9; "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard will replace IAS 39 and is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. Maha has assessed the impact of this standard and has concluded that the standard will not have significant impact on the financial statements.
- IFRS 16; "Leases" was issued in January 2016 and replaces IAS 17. The standard introduces a single lessee accounting model for leases with required recognition of assets and liabilities for most leases. The standard is effective for fiscal year beginning on or after January 1, 2019 with early adoption permitted if the Company applies IFRS 15. Interpretation of this standard is currently in progress.

Going Concern

The Company prepared these Financial Statements on a going concern basis, which contemplates the realization of assets and liabilities in the normal course of business as they become due.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquirer's net assets. Inter-company transactions, balances and unrealized gains on transactions between Company companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Maha has joint operations in Brazil at Tartaruga field (see note 3). Maha recognizes its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. The Company conducts oil- and gas operations as a joint operation that does not have a separate legal entity status through licenses which are held jointly with other companies. The Company's financial statements reflect the Company's share of production, capital costs, operational costs, current assets and liabilities in the joint operations.

Foreign currencies

Items included in the financial statements of each of the Company's entities are measured using the currency of

the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in US dollars (USD) which is the currency the Company has elected to use as the presentation currency. The functional currency of the parent company, Maha Energy AB, is the Swedish Krona (SEK). The SEK is also the presentation currency of Maha Energy AB in the parent company statements. Management has determined that the functional currencies of the Company's subsidiaries are as follows:

Subsidiary	Functional Currency
Maha Energy Inc.	USD
Maha Energy (USA) Inc.	USD
Maha Energy 1 (Brazil) AB	SEK
Maha Energy 2 (Brazil) AB	SEK
UP Petroleo Brasil Ltda	BRL
Petro Vista Energy Petroleo do Brasil Ltda	BRL
Maha Energy Brasil Ltda	BRL
Maha Energy Finance (Luxembourg) S.A.R.L	BRL
Maha Energy Brazco (Luxembourg) S.A.R.L	BRL

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date and foreign exchange currency differences are recognized in the income statement. Transactions in foreign currencies are translated at exchange rates prevailing at the transaction date. Exchange differences are included in financial income/expenses in the Statement of Operations. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the balance sheet rate of exchange.

Presentation currency

The balance sheets and income statements of foreign Company companies are translated for consolidation purposes using the current rate method. All assets and liabilities of the subsidiary companies are translated at the balance sheet date rates of exchange, whereas the income statements are translated at average rates of exchange for the year, except for transactions where it is more relevant to use the rate of the day of the transaction. The translation differences which arise are recorded directly in the foreign currency translation reserve within other comprehensive income. Upon disposal of a foreign operation the translation differences relating to that operation will be transferred from equity to the income statement and included in the result on sale. Translation differences arising from net investments in subsidiaries, used for financing exploration activities, are recorded directly in other comprehensive income. For the preparation of the financial statements for the reporting period, the following exchange rates have been used.

Currency	December 31, 2017		December 31, 2016	
	Average	Period end	Average	Period end
SEK / USD	8.5447	8.1836	8.5543	9.1075
BRL / USD	3.1992	3.3080	–	3.2552

Segment reporting

Operating segments are based on geographic perspective due to the unique nature of each country's operations, commercial terms or fiscal environment and reported in a manner consistent with the internal reporting provided to the Executive Management. Information for segments is only disclosed when applicable.

Classification of assets and liabilities

Non-current assets, long-term liabilities and provisions consist for the most part solely of amounts that are expected to be recovered or paid more than year-ended after the balance sheet date. Current assets and current liabilities consist solely of amounts that are expected to be recovered or paid within year-ended after the balance sheet date.

Oil and gas properties

Oil and gas properties are initially recorded at historical cost, where it is probable that they will generate future economic benefits. All costs for acquiring concessions, licenses or interests in production sharing contracts and for the survey, drilling and development of such interests are capitalized on a field area cost center basis. This includes capitalization of decommissioning and restoration costs associated with provisions for asset retirement (see note 10). Oil and gas properties are subsequently carried at cost less accumulated depreciation, depletion and amortization (including any impairment). Gains and losses on disposals are determined by comparing the proceeds with the carrying amounts of assets sold and are recognized in income. Routine maintenance and repair costs for producing assets are expensed to the income statement when they occur. Proceeds from the sale or farm-out of oil and gas concessions in the exploration stage are off set against the related capitalized costs of each cost center with any excess of net proceeds over all costs capitalized included in the income statement. In the event of a sale in the exploration stage any deficit is included in the income statement. Oil and gas properties are categorized as either producing or non-producing.

Depreciation, depletion and amortization

Producing oil and gas properties are depleted on a unit-of-production basis over the proved and probable reserves of the field concerned, except in the case of assets whose useful lives differ from the lifetime of the field, in which case the straight-line method is applied. In accordance with the unit of production method, net capitalized costs to reporting date, together with anticipated future capital costs for the development of the proved and probable reserves determined at the balance sheet date price levels, are depleted based on the year's production in relation to estimated total proved and probable reserves

of oil and gas. Depletion of a field area is charged to the income statement once commercial production commences, under Depletion, depreciation and amortization. Proved reserves are those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and governmental regulations. Proved reserves can be categorized as developed or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimates. Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

Exploration and evaluation assets

Pre-license costs are recognized as an expense when incurred. Exploration and evaluation ("E&E") costs, including the costs of acquiring licenses, exploratory drilling and completion costs, and directly attributable general and administrative costs are initially capitalized as either tangible or intangible E&E assets according to the nature of the asset acquired. These costs are accumulated in cost centers by field or exploration area pending determination of technical feasibility and commercial viability. Ongoing carrying costs including the costs of non-producing lease rentals are capitalized to E&E assets. Proceeds received from the sale of E&E assets are recorded as a reduction to the carrying value of the asset.

The technical feasibility and commercial viability of extracting a resource is considered to be determinable when proved reserves are determined to exist and these reserves can be commercially produced. A review of each exploration license or area is carried out, at least annually, to assess whether proved reserves have been discovered. Upon determination of proved reserves which can be commercially produced, E&E assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to property and equipment.

Impairment

Non-financial assets, including exploration and evaluation assets, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

These factors are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the estimated recoverable amount is calculated. For the purpose of impairment testing, assets are companied together into cash-generating units ("CGU"). The recoverable amount of an asset or CGU

is the greater of its value in use and its fair value less costs of disposal ("FVLCOB").

In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Value in use is generally computed by reference to the present value of future cash flows expected to be derived from production of proved and probable reserves.

E&E assets are allocated to the related CGU's to assess for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets.

An impairment loss is recognized in earnings if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Impairment losses previously recognized are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depletion and depreciation, if no impairment loss had been recognized.

Other tangible assets

Other tangible assets are stated at cost less accumulated depreciation. Depreciation is based on cost and is calculated on a straight line basis over the estimated economic life of 3 to 5 years for office equipment and other assets. Additional costs to existing assets are included in the assets' net book value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, including offsetting bank overdrafts, short-term deposits, money market funds and commercial paper that have a maturity of three months or less at the date of acquisition.

Equity

Share capital consists of the registered share capital for the Parent Company. Share issue costs associated with the issuance of new equity are treated as a direct reduction of proceeds. Excess contribution in relation to the issuance of shares is accounted for in the item contributed surplus. The currency translation reserve contains unrealized translation differences due to the conversion of the functional currencies into the presentation currency. Retained earnings contain the accumulated results attributable to the shareholders of the Parent Company.

Share-based compensation

The Company has granted options and warrants to purchase common stock to directors, officers, employees,

consultants and certain service providers under Maha (Canada)'s stock option plan and Warrants Incentive Program. Share-based payments are measured at the fair value of the instruments issued and amortized over the vesting periods. The amount recognized as a stock-based payment expense during a reporting period is adjusted to reflect the number of awards expected to vest. The offset to this recorded cost is to contribute surplus.

The fair value of stock options and warrants is measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instrument (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on short-term government bonds). A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

Earnings per share

Basic loss per share is computed by dividing the net income or loss applicable to common stock of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted using the treasury method.

Provisions

A provision is reported when the Company has a legal or constructive obligation as a consequence of an event and when it is more likely than not that an outflow of resources is required to settle the obligation and a reliable estimate can be made of the amount. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance costs. On fields where the Group is required to contribute to site restoration costs, a provision is recorded to recognize the future commitment. An asset is created, as part of the oil and gas property, to represent the discounted value of the anticipated site restoration liability and depleted over the life of the field on a unit of production basis. The corresponding accounting entry to the creation of the asset recognizes the discounted value of the future liability. The discount applied to the anticipated site restoration liability is subsequently released over the life of the field and is charged to financial expenses. Changes in decommissioning costs and reserves are treated prospectively and consistent with the treatment applied upon initial recognition.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized costs using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period where appropriate.

Income taxes

Income tax expense is comprised of current and deferred income taxes. Income tax expense is recognized in profit and loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are recognized to reflect the expected deferred tax consequences arising from temporary differences between the carrying value and the tax bases of the assets and liabilities. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. Deferred income tax assets are recognized to the extent that it is more likely than not that the asset will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available-for-sale, loans and receivables, or at fair value through profit or loss ("FVTPL"). All financial liabilities are initially recorded at fair value and classified as either FVTPL or other financial liabilities.

Maha's financial instruments comprise of cash and cash equivalents, accounts receivable, performance bonds, accounts payable, accrued liabilities, bonds liability and derivative instruments and deposits on acquisitions. At initial recognition management has classified financial assets and liabilities as follows:

- **Cash and cash equivalents** – Cash and cash equivalents are classified as FVTPL. Realized and unrealized gains and losses on financial assets carried at FVTPL are recognized in net income in the periods such gains and losses arise. Transaction costs related to these financial assets are included in net income when incurred.
- **Loans and receivables** – Loans and receivables and other financial assets are carried at amortized cost using the effective interest method, less any impairment losses. Translation differences are reported in the income statement except for the translation differences

arising from long-term loans to subsidiaries used for financing exploration activities and for which no fixed terms of repayment exist, which are recorded directly in other comprehensive income. Performance bonds, deposits on acquisitions and accounts receivable are classified as loans and receivables.

- **Impairment of financial assets** – At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. A financial asset or Company of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the Company of financial assets.
- **Derivative instruments** – Derivative instruments are initially recognized at fair value on the date of derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. The Company's derivative instruments have not been designated as hedges therefore changed in fair value are recognized immediately in the income statement.
- **Other financial liabilities** – Financial liabilities classified as other financial liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. The Company has classified its accounts payable and accrued liabilities and bonds as other financial liabilities.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Trade payable amounts are unsecured and are usually paid within 30 days of recognition.

Revenues

Revenues associated with the production and sale of crude oil and natural gas owned by the Company are recognized when title to the product passes to the purchaser, the amount can be measured reliably, the risks and rewards of ownership of the product have been transferred to the purchaser, and the Company no longer retains control over the product sold.

Proceeds from sale of crude oil and natural gas prior to the commencement of commercial production are offset against capitalized costs for Company operations that are at the pre-production stage (note 8).

Parent Company's accounting policies

The Parent Company prepares its annual accounts in accordance with the Annual Accounts Act (1995:1554)

and the Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities. Under RFR 2, the Parent Company, in preparing the annual financial statements for the legal entity, applies all EU-approved IFRSs and statements insofar as this is possible within the framework of the Annual Accounts Act and with respect to the connection between accounting and taxation. The recommendations specify which exceptions and additions are to be made from and to IFRS. The differences between the accounting policies of the Group and the Parent Company are stated below.

The accounting policies for the Parent Company stated below have been consistently applied in all periods presented in the financial statements of the Parent Company. The accounting policies are unchanged compared with the preceding year.

Shares and participations

Shares and participations in Group companies are recognized at cost, including transaction costs, and subject to impairment testing each year. Dividends are recognized in profit or loss.

Shareholders' contributions

Unconditional shareholders' contributions are recognized directly in shareholders' equity at the recipient and capitalized in shares and participations at the giver, to the extent that impairment is not required.

Critical accounting estimates and judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

Estimates in oil and gas reserves

Estimates of oil and gas reserves are used in the calculations for impairment tests and accounting for depletion, decommissioning provisions and business acquisitions. Standard recognized evaluation techniques are used to estimate the proved and probable reserves. These techniques take into account the future level of development required to produce the reserves. An independent reserves auditor reviews these estimates. Changes in estimates of oil and gas reserves, resulting in different future production profiles, will affect the discounted cash flows used in impair-

ment testing, the anticipated date of site decommissioning and restoration and the depletion charges in accordance with the unit of production method. Changes in estimates in oil and gas reserves could for example result from additional drilling, observation of long-term reservoir performance or changes in economic factors such as oil price and inflation rates. Information about the carrying amounts of the oil and gas properties and the amounts charged to income, including depletion, exploration costs, and impairment costs is presented in note 9.

Impairment Indicators and Discount Rate

For purposes of impairment testing, PPE are aggregated into CGUs, based on separately identifiable and largely independent cash inflows. The determination of the Company's CGUs is subject to judgment.

The recoverable amount of CGUs and individual assets have been determined based on the higher of the value-in-use calculations and fair values less costs of disposal ("FVLCD"). These calculations require the use of estimates and assumptions, including the discount rate. It is possible that the commodity price assumptions may change, which may impact the estimated life of the field and economical reserves recoverable and may require an adjustment to the carrying value of developed and producing assets. The Company monitors internal and external indicators of impairment relating to its assets and records adjustments, if necessary, at each reporting period date.

Decommissioning provisions

These provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur and are reviewed regularly by management.

Estimates are reviewed every reporting period and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market conditions at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

Expenditures on exploration and evaluation assets

The application of the Company's accounting policy for expenditures on exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount cap-

itized is written off in profit or loss in the period the new information becomes available.

The timing of when a project achieves technical feasibility and commercial viability involves judgement as it is determined based on a number of factors that can only be confirmed after a period of production history. In addition, new and evolving technologies may impact this assessment. The Company continues to monitor its project currently under development.

Business Combinations

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of exploration and evaluation assets and developed and producing assets acquired generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill purchase price allocation. Future net earnings can be affected as a result of changes in future depletion and depreciation, asset impairment, decommissioning provisions or goodwill impairment.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate being the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters. The Company has not recognized deferred tax assets relating to tax losses carried forward. Timing of utilization of the tax losses depends on the ability of the Company to generate taxable profits. The estimation of this timing is based on a number of factors including judgements of future commodity pricing and profitability. The Company is uncertain about its ability to generate future taxable profits.

Fair value of financial instrument

Where the fair value of financial assets and liabilities cannot be derived directly from publicly quoted market prices, other valuation techniques such as discounted cash flow models, transactions multiples and the Black and Scholes model are employed. The key judgements include future cash flows, credit risks, volatility and changes in assumptions about these factors can have an impact on the reported fair value of the financial instruments.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield. The assumptions used for estimating fair value for share-based payment transactions are disclosed in note 13.

Contingencies

The Company accrues a potential loss if the Company believe a loss is probable and can be reasonably estimated, based on information that is available at the time. The determination of whether a loss is probable from litigation and whether an outflow of resources is likely requires judgement.

3. Corporate Acquisition

Gran Tierra Acquisition – Brazil Operations

On July 1, 2017, Maha acquired the Brazilian business unit of Gran Tierra Energy Inc. ("Tie Field Acquisition") through the purchase of all of the shares and outstanding intercompany debt of Gran Tierra Finance (Luxembourg) S.Á.R.L., including assumed liabilities involved with the going-concern operations for the total cash consideration of \$36.5 million (including acquired working capital) and the assumption of approximately \$11 million in Government Guarantees and Letters of Credit.

The Acquisition was accounted for as a business combination in accordance with IFRS 3, Business Combinations, using the acquisition method of accounting whereby all of the assets acquired and liabilities assumed were recorded at fair value. The purchase price is preliminary and is subject to adjustments. The allocation of the total consideration is based on estimates of fair value and such estimates may be adjusted in future periods up to one year from the date of acquisition.

The following table summarizes the net assets acquired:

(TUSD)	
Cash Consideration	36,520
Cash	3,432
Accounts receivable	598
Inventory and materials	63
Prepaid and others	195
Property, plant and equipment	38,465
Accounts payable and accrued liabilities	(5,071)
Taxes payable	(184)
Asset retirement obligations	(978)
Net assets acquired	36,520

The fair value of property, plant and equipment has been estimated with reference to an independently prepared reserves evaluation for the acquired properties. The fair value of decommissioning obligations was initially estimated using a credit-adjusted risk-free rate of 10.5%. In addition, Maha acquired operating losses of approximately \$60 million and other tax basis of approximately \$75 million. No deferred tax liabilities were recorded on the acquisition as the tax attributes were in excess of the purchase price. Deferred tax assets have not been recorded on the business combination given uncertainties that future taxable profit will be available to offset acquired tax attributes.

These year-end Financial Statements include the results of operations from the Tie Field Acquisition for the period following the closing of the transaction on July 1, 2017. Oil and natural gas revenue of \$11.6 and a net income of \$2.4 million are included in the statement of operations and comprehensive income and loss for the Tie Field Acquisition properties since the closing date of July 1, 2017.

If the acquisition had occurred on January 1, 2017, the incremental oil and natural gas revenue and loss recognized for the period ended December 31, 2017 and the pro forma results would have been as follows:

(TUSD)	As Stated	GTE – Brazil Operations (January 1 – June 30, 2017)	Pro Forma ¹⁷
Oil and natural gas revenue	14,604	9,925	24,529
Result from continuing operations	(2,795)	2,974	179

Tartaruga Block Acquisition

In January 2017, Maha completed the purchase of a legal and beneficial interest in an operated 75% working interest in the Tartaruga development block, located in the Sergipe Alagoas Basin of Brazil (the "Tartaruga Acquisition"). The purchase was completed through the acquisition of the shares of UP Petroleo Brasil Ltda ("UPP") and Petro Vista Energy Petroleo Do Brasil Ltda ("PVE").

The total purchase price of TUSD 5,940 includes loans and deposits paid in 2016 of TUSD 5,590 and an additional deposit of TUSD 350 paid during the first quarter of 2017 of which TUSD 100 is being held in escrow pending approval by the Brazilian Government and the Agencia Nacional do Petroleo, Gas Natural e Biocombustiveis of Brazil ("ANP") of the transfer of a 7.5% working interest in the Tartaruga field that was to have been consolidated into UPP prior to closing. The approval has been granted and the transfer has been completed during the first quarter of 2018.

As the Company completed the acquisition and received the risks and rewards of ownership at the beginning of the reporting period, Maha has recorded the purchase as at January 1, 2017 and has included the results of its operations from that date in the result of the period.

The acquisition has been accounted for as a business combination using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value. The purchase price allocation is based on management's best estimate of the fair values of the assets and liabilities acquired.

(TUSD)	
Cash Consideration	5,940
Cash	60
Accounts receivable	220
Inventory	198
Other assets	17
Property, plant and equipment	7,368
Accounts payable and other liabilities	(1,723)
Decommissioning provision	(200)
Net assets acquired	5,940

For the year-ended December 31, 2017 Maha recorded oil and gas sales of TUSD 2,996 and a loss of TUSD 247 related to this acquisition.

¹⁷ This pro forma information is not necessarily indicative of results of operations that would have resulted had the acquisition been effected on the dates indicated.

4. Segment Information

The Company operates in Canada, Sweden, Brazil and the United States of America. Operating segments are based on a geographic perspective and reported in a manner consistent with the internal reporting provided to the execu-

tive management. The following tables present the operating result for each segment from continuing operations. Revenue and income relate to external (non-intra group) transactions.

(TUSD)	Canada	US	Brazil	Sweden	Total
December 31, 2017					
Revenue	–	–	14,604	–	14,604
Royalties	–	–	2,217	–	2,217
Production and operating	–	–	3,692	–	3,692
General and administration	2,232	410	1,787	828	5,257
Stock-based compensation	(14)	–	–	49	35
Depletion, depreciation and amortization	7	57	2,027	–	2,091
Financial Instruments	–	–	–	190	190
Foreign currency exchange loss (gain)	115	–	(3)	–	112
Operating results	(2,340)	(467)	4,884	(1,067)	1,010
Non-current assets	18	19,328	45,897	–	65,243
Total assets	541	19,934	56,356	13,615	90,446

(TUSD)	Canada	US	Brazil	Sweden	Total
December 31, 2016					
Revenue	–	–	–	–	–
Royalties	–	–	–	–	–
Production and operating	–	–	–	–	–
General and administration	1,968	134	–	165	2,267
Stock-based compensation	143	–	–	–	143
Depletion, depreciation and amortization	–	57	–	–	57
Financial Instruments	–	–	–	–	–
Foreign currency exchange loss (gain)	(23)	–	–	(62)	(85)
Operating results	(2,088)	(191)	–	(103)	(2,382)
Non-current assets	832	18,745	–	5,651	25,228
Total assets	2,788	19,025	–	10,521	32,334

Brazil is Maha's only oil producing geographic area from which revenue is recorded at 31 December 2017. Revenue, operating expenses and depletion therefore only relate to Brazil.

5. Net Finance Costs

	TUSD		Parent TSEK	
	2017	2016	2017	2016
Accretion of bond payable (note 14)	607	–	5,036	–
Accretion of decommissioning provision	75	14	–	–
Interest on bond payable	2,493	–	21,300	–
Foreign currency exchange losses	11	–	–	–
Risk management contracts	(4)	–	–	–
Interest income and other	6	–	(17,823)	–
	3,188	14	8,513	–

6. Administrative Expenses

	TUSD		Parent TSEK	
	2017	2016	2017	2016
Personnel costs	3,000	1,533	2,656	–
Rent & office costs	688	129	436	123
Insurance	646	25	–	–
Listing costs	89	23	763	198
Costs of external services	1,506	412	2,816	966
Other costs	197	145	399	125
Allocated to Capital and Operating expenses	(869)	–	–	–
	5,257	2,267	7,070	1,412

7. Income Taxes

The elements of income tax expense recorded in the financial statements are as follows:

	TUSD		Parent TSEK	
	2017	2016	2017	2016
Current	256	–	–	–
Deferred	–	–	–	–
Total	256	–	–	–

Current taxes are in respect of the Company's operations in Brazil. The following table reconciles income taxes calculated at statutory rates with the recorded income tax expense.

	TUSD		Parent TSEK	
	2017	2016	2017	2016
Net Loss	(2,539)	(1,875)	(23,417)	(1,634)
Applicable tax rate	22%	22%	22%	22%
Expected tax recovery	(559)	(413)	(5,152)	(359)
Effect of different tax rates	(662)	(95)	–	–
Non-deductible stock based compensation	7	39	92	–
Non-deductible interest	81	–	674	–
Unrecognized deferred tax assets	1,389	469	4,386	359
Income tax expenses	256	–	–	–

The applicable tax rate reflects the statutory tax rate of the company's head office in Sweden.

Deferred income tax assets are recognized to the extent that it is more likely than not that the asset will be realized. The company has not recognized any deferred tax assets at December 31, 2017 or at December 31, 2016.

The Company has tax loss carry forwards totaling 106 million at December 31, 2017. Additional information about the tax loss carryforwards by country is as follows:

(TUSD)	Loss Carry Forward	Expiry
Sweden	7,182	Indefinite
Brazil	65,637	Indefinite
Canada	6,446	Beginning in 2033
United States	11,990	Beginning in 2033
Luxembourg	15,282	Beginning in 2034
	106,537	

The losses in Brazil and Luxembourg relate to corporate acquisition completed during 2017 (note 3). Loss carry-forwards in Brazil are limited to a maximum of 30% of taxable income in the year that they are applied. The statutory tax rate in Brazil is 34%; however, the company's Tie Field assets are eligible for enhanced tax credits resulting in a tax rate of 15.25%.

During 2016 Maha undertook a corporate restructuring resulting in the relocation of its head office from Calgary, Canada to Stockholm, Sweden. As a result, the applicable tax rate reflects the statutory tax rate in Sweden.

8. Exploration and Evaluation Assets (E&E)

(TUSD)	
Balance, January 1, 2016	16,315
Expenditures in the period	1,015
Incidental income from sale of crude oil	(156)
Balance, December 31, 2016	17,174
Expenditures in the period	954
Incidental income from sale of crude oil	(339)
Balance, December 31, 2017	17,789

As at December 31, 2017, the LAK Ranch Project had not established both technical feasibility and commercial viability and therefore remains classified as an E&E asset. Expenditures, net of revenues, for the LAK Ranch Project have been capitalized as E&E.

9. Property, Plant and Equipment (PP&E)

(TUSD)	Oil and gas properties	Equipment and Other	Total
Cost			
Balance at January 1, 2016	2,935	1,596	4,531
Additions	–	67	67
Balance at December 31, 2016	2,935	1,663	4,598
Sale of Canadian assets	(2,976)	–	(2,976)
Tartaruga Acquisition	7,142	226	7,368
Tie Field Acquisition	38,194	271	38,465
Additions	2,077	64	2,141
Currency translation adjustment	(136)	(73)	(209)
Balance at December 31, 2017	47,236	2,151	49,387
Accumulated depletion and depreciation			
Balance at January 1, 2016	(2,673)	(113)	(2,786)
Depletion, depreciation and amortization	–	(61)	(61)
Reversal of prior period impairment	562	–	562
Balance at December 31, 2016	(2,111)	(174)	(2,285)
Sale of Canadian assets	2,111	–	2,111
Depletion, depreciation and amortization	(1,867)	(136)	(2,003)
Currency translation adjustment	60	8	68
Balance at December 31, 2017	(1,807)	(302)	(2,109)
Carrying amount			
December 31, 2016	824	1,489	2,313
December 31, 2017	45,429	1,849	47,278

Impairment testing

The Company performs impairment tests when events and/or circumstances indicate that the carrying value of a CGU may exceed the recoverable amount or if an impairment in a prior period should be reversed. The Company uses its best efforts to estimate production profiles, general cost and development environment. To calculate future

free cash flows, the forward oil price as traded in the market as per December 31, 2017 was used. There has been no impairment of assets during 2017. During 2016, the Company reversed the prior year's impairment by TUSD 562 for the Canadian assets that has not been disclosed as Discontinued operations (see note 12).

10. Decommissioning Provision

The decommissioning provision were estimated based on the net ownership interest of wells and facilities, management's estimate of costs to abandon and reclaim those wells and facilities, and the potential future timing of the costs to be incurred.

The following table presents the reconciliation of the opening and closing decommissioning provision:

(TUSD)	
Balance at January 1, 2016	835
Change in estimates	(32)
Accretion expense	18
Foreign exchange movement	8
Balance at December 31, 2016	829
Liability on assets acquired through acquisition	1,179
Liability on Canadian assets sold	(265)
Change in estimate	40
Accretion expense	75
Foreign exchange movement	(9)
Balance at December 31, 2017	1,849

11. Accounts Payable and Accrued Liabilities

	TUSD		Parent TSEK	
	2017	2016	2017	2016
Trade payable	2,970	369	1,132	566
Accrued liabilities	3,498	–	–	–
Interest payable	403	–	3,300	–
Taxes payable	847	–	–	–
	7,718	369	4,432	566

12. Discontinued Operations

In February 2017, Maha sold its interest in the Manitou and Marwayne properties (the "Canadian Assets") for a total of CAD\$1,650,000. The consideration is payable in two parts: (a) cash payments totaling CAD\$750,000 to be paid over 9 months commencing March 15, 2017 and (b) the balance by convertible Debenture granted by the purchaser, maturing December 1, 2023 (the "Debenture"). Under the Debenture arrangement, the Trust pays annual interest on the outstanding balance at 6% and Maha may convert the outstanding balance at any time after December 31, 2017 to publicly traded Trust Units based on the 20 day volume weighted average trading price of the Unit at the time of conversion. The outstanding balance will be secured by a registered charge on the Canadian Assets. Based on the uncertainty of realizing any value from the Debenture, the Company has assigned it a fair value of USD Nil.

Total undiscounted cash flows, escalated at 7.5% for inflation, required to settle the Company's decommissioning provision are estimated to be \$7.4 million and have been discounted using an average risk free rate of 9%, which represents an estimated Brazil long term government treasury bonds for a period of 23 years, the approximate weighted-average remaining years to abandonment. During 2016, the Company's decommission provision was for LAK Ranch project. The total estimated undiscounted amount of cash flow required to settle the decommission provision was approximately TUSD 1,250, which will be incurred over the remaining life of the assets with the majority to be incurred between 2027 and 2038.

In September, 2017, the payment schedule was revised whereby PetroCapita's principal payments will be paid over a period of 17 months instead of 9 months. As at December 31, 2017 the Company has received TUSD 229 cash payment. The results of the discontinued operations are as follows:

(TUSD)	2017	2016
Revenue	–	227
Impairment reversal	–	562
Expenses and other	–	(213)
Income from discontinued operations	–	576
Loss on disposition	54	–
Result from discontinued operations	(54)	576

13. Share Capital

Shares outstanding	Number of Shares by Class				Total
	A	B	C1	C2	
Balance at January 1, 2016	50,000	–	–	–	50,000
May 20, 2016					
Cancellation incorporation shares	(50,000)	–	–	–	(50,000)
Roll up	29,478,036	13,609,394	1,844,527	2,748,000	47,679,957
Initial Public Offering	24,819,852	–	–	–	24,819,852
Final closing of Roll up	171,500	–	–	–	171,500
Conversion of convertible B shares	1,468,599	(1,468,599)	–	–	–
Issuance of shares	484,212	–	–	–	484,212
Retraction of convertible C1 shares	–	–	(1,844,527)	–	(1,844,527)
Exercise of Maha (Canada) options	100,000	–	–	(100,000)	–
Balance at December 31, 2016	56,522,199	12,140,795	–	2,648,000	71,310,994
Conversion of convertible B shares	2,957,174	(2,957,174)	–	–	–
Exercise of Maha (Canada) options	650,000	–	–	(650,000)	–
Exercise of warrants	4,000	–	–	–	4,000
Forfeiture of options	–	–	–	(300,000)	(300,000)
Issuance of shares	25,838,652	–	–	–	25,838,652
Balance at December 31, 2017	85,972,025	9,183,621	–	1,698,000	96,853,646

During the first quarter of 2017 the Company completed a Directed Share Issue of 12,919,326 class A shares at a share price of SEK 7.10 for gross proceeds of SEK 91,727 thousand or approximately USD 10.5 million.

During the second quarter of 2017, the Company issued 12,919,326 class A shares at a share price of SEK 7.10 under a guaranteed rights issue. Through the rights issue, Maha received gross proceeds amounting to SEK 91,727 thousand before share issue costs including a guarantee provision to be paid in cash. At December 31, 2017 proceeds of approximately USD 20 thousand are outstanding and are included in accounts receivable.

Maha AB share purchase warrants outstanding

As part of the IPO Financing, the Company issued common share purchase warrants, each convertible into one class A share of Maha Energy AB, upon payment of the exercise price. The warrants have an exercise price of SEK 6.40 (USD 0.78) and expire on January 15, 2018. Subsequent to December 31, 2017 a total of 2,074,717 of these warrants were exercised prior to their expiration on January 15, 2018 (see note 23).

As part of the Bonds financing (note 14), the Company issued 13,350,000 common share purchase warrants, each convertible into one Class A share of Maha Energy AB, upon payment of the exercise price. The warrants have an exercise price of SEK 7.45 (USD 0.91) and expire on May 29, 2021.

The following warrants are outstanding at December 31, 2017:

	Number of Warrants #	Exercise Price USD
Balance, January 1, 2016	–	–
Issued	6,204,963	0.78
Balance, December 31, 2016	6,204,963	0.78
Exercised	(4,000)	0.78
Issued	13,350,000	0.91
Balance, December 31, 2017	19,550,963	0.87

Maha Energy Inc. stock options

The Company issued 4,592,527 Convertible C-Shares (Class C1 and C2) to AMHA Swedish Exchange Co AB ("Swedish Exchange Co"), a company created under the laws of Sweden to hold the Convertible B-Shares and the Convertible C-Shares. The Convertible C-Shares have been issued to facilitate delivery of shares under Maha Energy Inc.'s existing stock-based incentive plan and delivery of shares for the exercise of outstanding warrants issued by Maha Energy Inc. during 2014. The intention is that the option and warrant holders shall become shareholders in Maha Energy AB instead of Maha Energy Inc. and in order to facilitate such exchange the Company issued the Convertible C-Shares. Upon the acquisition of Maha Energy Inc. common shares by the option and warrant holders, such shares are exchangeable for Convertible C-Shares in the Company. The Convertible C-Shares will thereafter be converted to a Maha Energy AB A-Shares.

Maha (Canada) has a stock option plan which allows for the grant of stock options, at exercise prices equal to or

close to market price, in a total amount of up to 10% of the number of common shares issued. All of the options have a four to five year term.

Expiration date	Number of options	Vested	Exercise price	Remaining life
	#	#	USD	Years
March 31, 2018	898,000	898,000	0.45	0.25
December 31, 2018	400,000	400,000	0.75	1.00
December 31, 2018	350,000	350,000	1.25	1.00
December 31, 2020	50,000	16,667	1.25	3.00
Total outstanding	1,698,000	1,664,667	0.71	0.66

The following stock options are outstanding at December 31, 2017:

	Number of Warrants	Exercise Price
	#	USD
Balance, January 1, 2016	2,698,000	0.69
Granted	50,000	1.25
Exercised	(100,000)	0.45
Balance, December 31, 2016	2,648,000	0.70
Exercised	(650,000)	0.45
Forfeited	(300,000)	1.25
Balance, December 31, 2017	1,698,000	0.71

The cost for the stock options is included as part of stock base compensation expenses. Subsequent to the year-end 898,000 of these options outstanding were exercised by the Company's management for which 640,000 Maha Class-A shares were issued.

Warrant Incentive Program

During the fourth quarter 2017, Warrants were issued to certain executives of Maha following its approval at the Annual General Meeting held on 16 June 2017. The number of issued warrants during the fourth quarter 2017 was 750,000 and the number of warrants allocated during the fourth quarter 2017 were 500,000. Issued but not allocated warrants are held by the the Canadian subsidiary Maha Energy Inc.

No warrants were vested, expired or exercised during the fourth quarter and year-ended December 31, 2017.

Warrants outstanding	Exercise Period	Subscription price (SEK)	Number of Warrants				
			1 Jan 2017	Issued 2017	31 Dec 2017	Allocated	Unallocated
2017 incentive program	1 June 2020 – 31 December 2020	7.00	–	750,000	750,000	500,000	250,000

Each warrant shall entitle the warrant holder to subscribe for one new Share in the Company at the subscription price per share. The cost is calculated in accordance with the Black & Scholes formula where the main inputs are the factors in the above table and the expected volatility. The cost for the incentive program is included as part of stock base compensation expenses.

Proposed Distribution of Earnings

The Board of Directors proposes no dividends to be paid for the year. Furthermore, the board of Directors proposes that the unrestricted equity of the Parent Company of SEK 445,494,000, including the net result for the year of SEK (23,417,000) be brought forward as follows:

Dividend	–
Carried forward	445,494,000
Total (SEK)	445,494,000

14. Bond Payable

On May 29, 2017 the Company issued 3,000 senior secured bonds (the "Bonds"), with a par value of SEK 100,000 per bond and 13,350 warrants to acquire Class A shares of Maha (the "Warrants") were issued for gross proceeds of SEK 300 million (TUSD 34,505). The net proceeds from the bond issue were primarily used for the purpose of completing the acquisition of Gran Tierra Energy Inc.'s Brazilian business. The Tie Field Acquisition closed on July 1, 2017 (note 3).

The Bonds bear interest at a rate of 12% per annum (SEK 36 million) calculated using a 360-day twelve months, are payable semi-annually and mature on May 29, 2021. The Company may redeem all of the Bonds prior to maturity or repurchase any Bonds.

Each warrant is exercisable into one Class A share of Maha at a price of SEK 7.45 per Warrant and expires on the maturity date of the Bond (see note 13).

The fair value allocated to the Bonds of SEK 279 million (TUSD 32,090) was determined using the effective rate method by which future payments of interest and principal have been discounted using a rate of interest that would be reflective of a similar financing without a warrant issue (14.5%). The Company also recorded issue costs of TSEK 16,613 (TUSD 1,881) against the initial value of the Bond.

The fair value allocated to the Warrants of SEK 21 million (TUSD 2,415) was determined to the difference between the gross proceeds and the fair value of the debt. The value of the Warrants is recorded in contributed surplus. Issue costs of TUSD 158 were recognized against the initial value of the Warrants.

The initial value of the Bond will accrete up to its principal amount over the term of the Bonds. For the period ended December 31, 2017 Maha recognized TUSD 2,493 of interest and TUSD 607 of accretion related to the Bonds.

	TUSD	TSEK
Principal amount of Bonds	34,505	300,000
Value allocated to Warrants	(2,415)	(21,000)
Fair value of Bonds at date of issue	32,090	279,000
Issue costs	(1,881)	(16,613)
Net Bond at date of issue	30,209	262,387
Accretion of bond liability	607	5,036
Effect of currency translation	1,862	–
Balance at December 31, 2017	32,678	267,423

The Bonds have the following maintenance covenants at each quarter end:

- Net Interest Bearing Debt to EBITDA is not greater than 3.00 (Leverage test);
- Interest Coverage Ratio exceeds 2.25; and
- Cash and cash equivalents exceeds USD \$5 million

The first test date for the Leverage test and Minimum Cash test shall be as at March 31, 2018 and the first test date for the Interest Coverage Ratio will be June 30, 2018.

The terms of the Bonds contain provisions which limit the Company's ability to make certain payments and distributions, incur additional indebtedness, make certain disposals of or provide security over its assets and engage in mergers or demergers.

15. Financial Instruments and Risk Management

The fair values of cash and cash equivalents, restricted cash, accounts receivables and accounts payable and accrued liabilities and deposits on acquisitions approximate their carrying amount due to the short-term maturity of these financial instruments. For financial instruments measured at fair value in the balance sheet, the following fair value measurement hierarchy is used:

- Level 1: based on quoted prices in active markets;
- Level 2: based on inputs other than quoted prices as within level 1, that are either directly or indirectly observable;
- Level 3: based on inputs which are not based on observable market data.

Based on this hierarchy, financial instruments measured at fair value can be detailed as follows:

(TUSD)	Level 1	Level 2	Level 3
December 31, 2017			
Derivative instruments			
– current	–	141	–
Bond Liability	–	34,162	–

December 31, 2017	Level 1	Level 2	Level 3
Derivative instruments			
– current	–	–	–
Bond Liability	–	–	–

There were no transfers between the levels.

The outstanding derivative instruments can be specified as follows:

Year Ended December 31 (TUSD)	2017	2016
Brent crude oil sales price derivatives	76	–
Foreign currency option	65	–
	141	–

Risks Associated with Financial Assets and Liabilities

The Company thoroughly examines the various risks to which it is exposed, and assesses the impact and likelihood of those risks. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management.

The types of risk exposures and the objectives and policies for managing these risks exposures is described below:

a) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. All of the Company's oil sales are denominated in Brazilian Reals (BRL) based on a USD oil price and all operational, administrative and capital activities related to the Brazil properties are transacted primarily in BRL. In Sweden the Company's expenditures and bond liability are in Swedish Krona (SEK). To minimize foreign currency risk, the Company's cash balances are held primarily in SEK within Sweden and USD within Canada. In Canada, USD funds are converted to CAD on an as-needed basis. Management funds Brazil projects with the cash generated in Brazil to minimize the foreign currency risk.

The following table summarizes the effect that a change in these currencies against the US Dollar would have on operating profit through the conversion of the income statement of the Company's subsidiaries from functional currency to the presentation US Dollar for the year-ended December 31, 2017.

Operating result in the financial statements (TUSD) 2017

Effect of 10% USD strengthening

Decrease in result from continuing operations	10
Increase in accumulated other comprehensive loss	3,368

Effect of 10% USD weakening

Increase in result from continuing operations	178
Increase in accumulated other comprehensive loss	2,804

On November 22, 2017, the Company purchased currency options to hedge SEK denominated interest payments during 2018 on its Bonds as follows:

Expiry	Type	Strike Price	Amount (TSEK)	Premium (USD)
22 May 2018	Buy USDPUT:SEKCALL	SEK 7.8	18,000	18,000
20 Nov 2018	Buy USDPUT:SEKCALL	SEK 7.8	18,000	43,500

For the year-ended December 31, 2017, the Company recorded an unrealized gain of \$4,000 on the foreign exchange contracts (December 31, 2016 – nil).

b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents are primarily held at large Canadian, Brazilian and Swedish financial institutions in non-interest-bearing accounts.

The Company's accounts receivable are composed of:

	2017		2016	
	TUSD	Parent TSEK	TUSD	Parent TSEK
Oil and gas sales (Brazil)	1,167	–	–	–
Sale of Canadian assets	425	–	–	–
Tax credits and other receivables	637	230	115	3
	2,229	230	115	3

The majority of the Company's oil and gas sales receivables are with the Brazilian national oil company and a small independent refinery called DAX oil. Under the credit agreement with Dax Oil oil sales are prepaid and are considered to be relatively low risk.

The remaining receivable amount for the sale of the Canadian Assets are from a Canadian oil and gas trust, Petrocapita. In September, 2017, the payment schedule was revised whereby principal payments will be paid over a period of 17 months instead of 9 months. Principal payments are up to date and the Company is currently in discussions with Petrocapita on a satisfactory payment plan for interest due. The Company considers the risk for not collecting these payments to be relatively low.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. By operating in several countries, the Company is exposed to currency fluctuations. Income is and will also most likely be denominated in foreign currencies, BRL in particular. Furthermore, the Company has since inception been equity and debt financed through share and bond issues, and also financed by asset divestment. Additional capital could be needed to finance the Company's future operations and/or for acquisition of additional licences. The main risk is that this need could occur during less favourable market conditions. The Company continuously ensures that sufficient cash balances are maintained in order to cover day to day operations. Management relies on cash forecasting to assess the Company's cash position based on expected future cash flows. Accounts payable relating to oil and gas interests, and current interest on the bonds are due within the current operating period. The Bonds have interest payable of SEK 18 million semi-annually on May 29 and November 29 until the maturity date of May 29, 2021. In addition, principal payment is also due on the maturity date of the Bonds. The Company may redeem all of the Bonds prior to maturity or repurchase any Bonds (see note 14).

The Company has current assets of \$25.2 million as at December 31, 2017 which is considered sufficient to settle the current liabilities of \$7.7 million as at December 31, 2017.

d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is minimal. The Company has fixed interest on bond payable (note 14) therefore is not exposed to interest rate risk.

e) Price risk

Price of oil and gas are affected by the normal economic drivers of supply and demand as well as the financial investors and market uncertainty. Factors that influence these include operational decisions, natural disasters, economic conditions, political instability or conflicts or actions by major oil exporting countries. The Company is exposed to price risk with respect to commodity prices.

During the fourth quarter the Company entered into the following commodity contracts in order to manage its exposure to fluctuations in commodity prices:

Brent crude oil sales price derivatives	Volumes (Barrels)	Pricing (USD/Bbl)	Term of contract
ICE Brent APO Put	23,250	58.00	January 2018
ICE Brent APO Put	21,000	58.00	February 2018
ICE Brent APO Put	23,250	58.00	March 2018
ICE Brent APO Put	22,500	58.00	April 2018
ICE Brent APO Put	23,250	58.00	May 2018
ICE Brent APO Put	22,500	58.00	June 2018

For the year-ended December 31, 2017, the Company incurred an unrealized loss of \$193,000 on the commodity risk management contracts (December 31, 2016 – nil).

16. Management of Capital

The Company manages its capital to support the Company's strategic growth objectives and maintain financial capacity and flexibility for the purpose of funding the Company's exploration and development activities. The Company considers its capital structure to include working capital and shareholders' equity. At December 31, 2017, the Company's net working capital surplus was USD \$17.5 million (December 31, 2016 – USD \$6.7), which includes USD \$18.7 million (December 31, 2016 – USD \$6.7 million) of cash and USD \$3.0 million (December 31, 2016 – nil) of restricted cash. The current restricted cash relates to cash posted in Brazil to guarantee letters of credit for certain work commitments and support of abandonment guarantees. The Company does not have any other restricted cash balances as at December 31, 2017 or 2016.

The Company may adjust its capital structure by issuing new equity or debt and making adjustments to its capital expenditure program, as allowed pursuant to contracted work commitments. The Company considers its capital

structure at this time to include shareholders' equity of USD \$48.2 million (December 31, 2016 – USD \$31.1 million). The Company does not have any externally imposed material capital requirements to which it is subject except for the bond covenants. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

17. Changes in Non-cash Working Capital

(TUSD)	2017	2016
Change in:		
Accounts receivable	(911)	(11)
Inventory	(52)	–
Prepaid expenses and deposits	(656)	(178)
Accounts payable and accrued liabilities	(63)	18
	(1,556)	(171)

18. Pledged Assets

As at December 31, 2017, pledged assets are mainly a continuing security for the Senior Secured Bonds where Maha has entered into a pledge agreement. The pledge relates to the shares in its subsidiaries: Maha Energy 1 (Brazil) AB, Maha Energy 2 (Brazil) AB, Maha Energy Inc. and Maha Energy Finance (Luxembourg) S.A.R.L. The pledged assets for the parent company as at December 31, 2017 amounted to SEK 184.6 million representing the carrying value of the pledge over the shares of subsidiaries (note 20). The combined net asset value for the Group of the subsidiaries whose shares are pledged amounted to USD 89.2 million.

The Company also has a charge over a bank account in Brazil to guarantee certain financial instruments in relation to its work commitments (note 19).

19. Commitments and Contingencies

The Company currently has 7 concession agreements with the National Agency of Petroleum, Natural Gas and Biofuels in Brazil (ANP). While certain of these concession agreements have outstanding work commitments a number of these are either suspended pending environmental licensing or under force majeure. The Company currently has credit instruments in place of approximately \$7.9 million to guarantee the majority of these work commitments and approximately \$2.2 million to guarantee certain of the abandonment liabilities. A \$3 million term deposit guarantees certain of these financial instruments.

These commitments are in the normal course of the Company's exploration business and the Company's plans to fund these, if necessary, with existing cash balances, cash flow from operations and available financing sources.

20. Shares in Subsidiaries – Parent Company

Subsidiary	Registration number	Registered office	Share (%)	2017 (SEK)	2016 (SEK)
Maha Energy Inc.	2017256518	Calgary, Alberta, Canada	100	183,539,886	183,539,886
Maha Energy I (Brazil) AB	559058-0907	Stockholm, Sweden	100	50,000	50,000
Maha Energy II (Brazil) AB	559058-0899	Stockholm, Sweden	100	50,000	50,000
Maha Energy Finance (Luxembourg) S.A.R.L	B163089	Grand Duchy, Luxembourg	100	1	–
				183,639,887	183,639,886

Participation in Subsidiaries (TSEK)	2017	2016
Opening value	183,640	183,540
Acquisition	–	–
Disposition	–	–
Paid shareholders' contribution	–	100
		183,640
		183,640

The Gran Tierra assets acquisition via the holding company Maha Energy Finance (Luxembourg) S.A.R.L. was completed through a combination of purchase of two loans

receivables and shares. The seller and Maha Energy AB allocated a value of SEK 1 to the shares and SEK 317 million to the two loans receivable.

21. Loans to subsidiaries – Parent Company

Subsidiary (TSEK)	2017	2016
Maha Energy Inc.	32,059	8,443
Maha Energy I (Brazil) AB	62,329	51,517
Maha Energy II (Brazil) AB	630	520
Maha Energy Finance (Luxembourg) S.A.R.L	334,353	–
Maha Energy Brazco (Brazco) S.A.R.L	230	–
Maha Energy Brasil Ltda.	1,032	–
		430,633
		60,480

Loans to subsidiaries (TSEK)	2017	2016
Opening value	60,480	–
New lending to subsidiaries	53,463	60,480
Loan receivable acquired from GTE	316,690	–
		430,633
		60,480
Loans to subsidiaries – current	22,407	–
Loans to subsidiaries – long term	408,226	60,480

22. Average number of employees

	Canada	United States	Brazil	Company
Employees (2017)	7	4	25	36
(of which men)	5	4	19	28
Employees (2016)	5	5	–	10
(of which men)	4	5	–	9

Board members, with the exception of Jonas Lindvall, are not included in table. There are no women members of the Board or part of the Executive Management team.

23. Related Parties and Remuneration for Board Members, Senior Management and Other Employees

Kvalitena AB has an ownership in terms of voting rights of 24.3% and holds one seat at the board of directors. As such, Kvalitena can exercise significant influence over the Company and is deemed to be a related party in accordance with IAS 24. During the year, Kvalitena has obtained guarantee payments of SEK 3.6 million in connection with the guaranteed share issuances in February respective June 2017.

The table below presents a summary concerning remuneration paid to the Board and Senior management for the financial year 2017 (including any contingent or deferred compensation), as well as benefits in kind.

All amounts below are expressed in SEK. Salaries have been converted to SEK using a rate of SEK 1/USD 0.1222.

Board Members

Name	Board Fee	Variable Remuneration	Option Based Award	Pension Expense	Other Remuneration	Total
Jonas Lindvall	0 ¹⁸	–	–	–	–	–
Wayne Thomson	256,630	–	–	–	–	256,630
Anders Ehrenblad	192,473 ¹⁹	–	–	–	–	128,315
Harald Pousette	64,158	–	–	–	–	128,315
Total	513,260	–	–	–	–	513,260

Senior Management

Name	Salary	Variable Remuneration	Option Based Award	Pension Expense	Other Remuneration	Total
Jonas Lindvall	2,455,080	–	–	–	49,102 ²⁰	2,504,182
Ronald Panchuk	2,250,490	–	–	–	49,102 ²⁰	2,299,592
Andres Modarelli	571,503 ²¹	–	208,249	–	–	571,503
Robert Richardson	619,409 ²²	–	208,249	–	–	619,409
Total	5,896,482	–	416,498	–	98,204	5,994,686

Salaries, Benefits and Social Security Costs

(TUSD)	2017		2016	
	Salaries and other compensation	Social security costs	Salaries and other compensation	Social security costs
Parent Company in Sweden				
Board members	63	20	815	–
Employees	2,701	495	1,100	46
Subsidiaries				
Sweden	63	20	815	–
Canada	979	20	1,023	15
USA	350	41	77	32
Luxembourg	3	–	–	–
Brazil	1,369	434	–	–
Total	2,764	515	1,915	47

18 See following table.

19 Car allowance.

20 Includes fees for activity related to the other Group company.

21 Mr. Andres Modarelli started his employment with Maha in July of 2017.

22 Mr. Robert Richardson started his employment with Maha in August of 2017.

Under the terms of the Employment Contracts, in the event of termination without cause or a change of control event, the CEO and the other executive officers would be entitled to compensation between 3 – 12 months base salary plus benefits and any earned but unpaid bonuses. A change of control event is defined as: (i) the acquisition of 30 percent or more of existing shares concurrent with a majority of the board of directors being changed, (ii) the sale of all or substantially all the assets of the Company or (iii) a resolution of the board of directors to liquidate the assets or wind up the Company. The Company has not set aside or accrued amount to provide pension, retirement or similar benefits upon termination of employment or assignment.

Incentive Programs

As of the date of this Annual Report, Maha (Canada) had 1,698,000 stock options outstanding under its legacy stock-based incentive plan and 750,000 Warrants under the Long Term Incentive Plan approved at the 2017 AGM as follows:

Long Term Incentive Plan

During the fourth quarter 2017, 500,000 Warrants were issued to certain executives of Maha following its approval at the AGM. Issued but not allocated warrants are held by the subsidiary Maha Energy Inc. No warrants were vested, expired or exercised during the year-ended December 31, 2017. Terms of the issued Warrants are as follows:

Warrants outstanding	Exercise Period	Subscription price (SEK)	Number of Warrants				
			1 Jan 2017	Issued 2017	31 Dec 2017	Allocated	Unallocated
2017 incentive program	1 June 2020 – 31 December 2020	7.00	–	750,000	750,000	500,000	250,000

Terms and conditions for the issue of warrants

- The Company shall issue not more than 750,000 warrants. Each warrant entitles to subscription of one (1) new Share, each with a quotient value of SEK 0.011.
- The warrants may, with deviation from the shareholders' preferential rights, only be subscribed for by Maha Energy Inc (the "Subsidiary"), a subsidiary of the Company, after which the Subsidiary is to transfer the warrants to the Participants in accordance with the resolution adopted by the general meeting and instructions from the board of directors of the Company.
- Subscription of warrants shall be made by the Subsidiary on a subscription list following the general meeting's issue resolution. The board of directors of the Company shall be entitled to prolong the subscription period.
- The warrants shall be issued without consideration (i.e. free of charge) to the Subsidiary.
- Each warrant entitles the warrant holder to subscribe for one new share in the Company at a subscription price per share corresponding to 100 percent of the volume weighted average last closing price for the Company's share on Nasdaq First North during the period from and including 12 June 2017 until and including 15 June 2017. The subscription price thus calculated shall be rounded

off to the nearest whole SEK 0.10, whereupon SEK 0.5 shall be rounded upwards. The subscription price may never be below the quotient value of the shares.

The complete terms and conditions of the Warrants under the Long Term Incentive Plan are available on the Company's website – www.mahaenergy.ca.

Option Plan

Maha (Canada) uses the fair value method of accounting for stock options granted to directors, officers, consultants and employees whereby the fair value of all stock options granted is recorded as a charge to operations.

The stock option plan allowed Maha (Canada) to grant stock options in Class A shares of Maha Energy AB, at exercise prices equal to or close to market price at the time of grant. All of the options had, at grant, a four to five year term. All options granted in 2013 and 2014 have been vested. The options granted in 2016 vest as follows: one-third of the options vest one year after the grant date; one-third vest two years after the grant date; and one-third vest three years after the grant date. Options granted in March 2014 have either been exercised or expired.

Grant Date	Expiration Date	No. of Options Granted	No. of Options Vested	Exercise Price (USD)
March 31, 2014	March 31, 2018	898,000	898,000	0.45
January 1, 2015	December 31, 2018	400,000	400,000	0.75
December 31, 2014	December 31, 2018	350,000	350,000	1.25
January 1, 2016	December 31, 2020	50,000	33,334	1.25
Total		1,698,000	1,681,334	

24. Auditor's Fees

	TUSD		Parent TSEK	
	2017	2016	2017	2016
Deloitte				
Audit assignment	251	69	460	360
Audit activities other than audit assignment	66	86	293	507
Tax consultancy	169	231	131	–
Other services	14	–	19	–
Other auditors				
Audit assignment	43	–	–	–
	543	386	903	867

Audit assignments refers to the examination of the annual accounts, the accounting records and the administration of the Board and CEO, other tasks incumbent on the company's auditor to perform as well as advice or other assistance resulting from observations made during an audit or the conduct of such other duties. Audit activities other than the audit assignment, pertain to quality assurance services,

including assistance regarding observations made during such a review, which is carried out in accordance with ordinances, the Articles of Association, By-laws or agreements, and which result in a report that is also intended for others than the client. Advice on tax questions is reported separately. Everything else comprises other services.

25. Subsequent Events

A total of 2,074,717 of Maha-A TO warrants were exercised prior to their expiration on January 15, 2018 at the pre-determined strike price of SEK 6.40 per share representing approximately one third of all of the A warrants outstanding. Accordingly, 2,074,717 A Warrants were cancelled

and the same number of new shares of class A issued. The remainder of the Maha A TO 1 Warrants expired on January 15, 2018. The total proceeds from this transaction was SEK 13.3 million before issuance costs.

Reconciliation of Alternative Performance Measures:

Operating Netback

Operating netback is calculated on a per-boe basis and is defined as revenue (excluding processing income) less royalties, transportation costs and operating expenses, as shown below:

(TUSD)	2017	2016
Revenue	14,604	–
Royalties	(2,217)	–
Operating Expenses	(3,069)	–
Transportation costs	(623)	–
Operating netback	8,695	–

EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) is used as a measure of the financial performance of the Company and is calculated as shown below:

(TUSD)	2017	2016
Operating results	1,010	(2,382)
Depletion, depreciation and amortization	2,091	57
Foreign currency exchange loss / (gain)	112	(85)
EBITDA	3,213	(2,410)

Assurance

The board of directors and the managing director declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Company's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's

financial position and results of operations. The statutory Administration Report of the Company and the Parent Company provides a fair review of the development of the Company's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Company.

Stockholm,
April 30, 2018

Wayne Thomson,
Chairman of the Board

Anders Ehrenblad,
Director

Harald Pousette,
Director

Karl Jonas Lindvall,
Managing Director

Our audit report was submitted on April 30, 2018

Deloitte AB

Fredrik Jonsson
Authorized public accountant

Auditor's Report

This auditor's report is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.

To the general meeting of the shareholders of Maha Energy AB

corporate identity number 559018-9543

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Maha Energy AB (publ) for the financial year 2017-01-01 – 2017-12-31 except for the corporate governance report on pages 32–34. The annual accounts and consolidated accounts of the company are included on pages 27–64 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 32–34.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's Board of Directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Business combinations

During 2017, the Company acquired oil and gas properties in Brazil through the acquisition of 100% of the common shares of the entities that held the rights for total consideration of US\$42.5 million. These transactions were accounted for as a business combination under IFRS. For further information, please refer to note 3 in the annual report.

Given the nature of the transactions, there is a risk on whether or not the acquisitions were properly accounted for as business combinations. In addition, consistent with IFRS, assets acquired and liabilities assumed on business combinations are measured at fair value and as a result, there are significant management judgements and estimates when determining the fair value of assets acquired and liabilities assumed.

Our audit included but was not limited to the following procedures:

- We have reviewed the terms of the purchase agreements and corroborated with IFRS 3 that the transactions were properly classified as business combinations.
 - We have reviewed the reasonableness of the valuation in relation to the consideration paid.
- We have reviewed the reasonableness of the fair value of the assets acquired and liabilities assumed, especially for those related to oil and gas properties.
- We have also involved internal valuation experts to assess the reasonableness of the discount rate used to determine the present value of future cash flows.
 - We have reviewed relevant disclosure notes to the financial statements.

Revenue recognition

Sales amount to US\$14.6 million as of 2017 and are generated from the Tartaruga and Tie fields in Brazil (acquired in 2017). Revenue from the sale of oil and gas is recognized when title to the product passes to the purchaser, the amount can be measured reliably, the risks and rewards of ownership of the product have been transferred to the purchaser, and the Company no longer retains control over the product sold.

We focus on this area due to the presumption of a fraud risk involving improper revenue recognition in accordance with assurance standards.

The Maha group disclosures regarding revenue recognition are included in note 2 and 4 on page 43–49 and 51 in the annual report, which provide details of the accounting principles for revenue recognition and the segment information.

Our audit procedures included, but were not limited to:

- We obtained an understanding of the revenue process within the group in order to verify that the criteria of IAS 18 are met. We have also tested the design and implementation of relevant controls in those processes.
- We have focused our testing on whether or not the revenue recognition criteria have been met and whether revenues are accurately determined and recorded in the correct period. Our tests included tracking sales to delivery slips and reviewing volume reconciliations with customers to determine if the oil or gas was delivered prior to the recognition of the sale.
- We have reviewed significant marketing contracts for sales terms (i.e. transfer of title and pricing terms).

Impairment of oil and gas properties

Oil and gas properties represent the majority of the assets in the balance sheet in the group and are comprised of Property, plant and equipment (US\$47.3 million) and Exploration and evaluation assets (US\$17.8 million) as of 31 December 2017. For further information, accounting principles and critical estimates are disclosed in note 2, and December 31, 2017 amounts are disclosed in note 8 and 9 in the annual report.

Oil and gas properties are assessed for impairment indicators at period end and whether or not an indication exists, the Company would be required to calculate the fair value of oil and gas properties and compare to the carrying amount. Calculating the fair value of oil and gas properties involves significant management judgment as well as estimates such as the determination of future cash flows and the discount rate.

Our audit procedures included, but were not limited to:

- We evaluated the design of relevant key internal controls to identify indicators of impairment.
- We obtained management's assessment of impairment indicators for oil and gas properties as of December 31, 2017 and corroborated their assumptions that no impairment indicator existed.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–26. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we

also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Maha Energy AB (publ) for the financial year 2017-01-01 – 2017-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for

our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 32–34 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Swedish Annual Accounts Act.

Deloitte AB, was appointed auditor of Maha Energy AB by the general meeting of the shareholders on the 2017-06-16 and has been the company's auditor since 2016-04-22.

Stockholm, April 30. 2018
Deloitte AB

Fredrik Jonsson
Authorized Public Accountant



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