MAHA ENERGY AB

Second Quarter and Half Year Report 2016

Letter to shareholders

Dear Friends and Fellow Shareholders of Maha Energy AB,

On July 29, 2016, I rang the opening bell at Nasdaq First North Sweden in Stockholm, accompanied by co-workers, fellow directors and my daughter, marking a significant milestone for Maha. While the road to Maha's listing was at times bumpy, our gritty and high spirited team persevered! There are many people to thank including all our dedicated employees, directors, officers and external advisers however special mention goes to Stockholm Corporate Finance who has shared our vision since the beginning and provided unwavering support.

I also need to thank all our shareholders, old and new, for your support. Our shareholders have remained supportive through a fragile oil market and technical challenges in Wyoming. Our new shareholders have provided us, in the IPO, with the capital to exploit the properties in Wyoming and Brazil.

The definitive sale and purchase agreements to acquire a 75% working interest in the onshore Tartaruga Field were executed at the bottom of the oil cycle. The Tartaruga field currently produces approximately 230 bopd but has tremendous upside potential that has us excited. The current production is from only 1 of 27 different stacked reservoir sand packages of which only a few have been tested. The acquisition remains subject to Governmental approvals for which have been applied.. We have commenced technical work required in order to begin operations as soon as possible after approvals are received. These operations are considered relatively low risk workovers and should significantly boost production.

We have re-commenced production at LAK Ranch that has been shut in since April. The field was shut in April due to low oil prices and required facility modifications. During the shut-down, existing infrastructure along with new equipment was reconfigured to recycle and heat water, rather than create steam. The warm water (warm water flood) will be injected into the reservoir to increase pressure which was determined, by our extensive reservoir core and field studies, to be far more critical than injecting steam. The equipment and flowlines are now in place to handle the water produced from the existing wells and those contemplated in the Phase 3 development of LAK Ranch. As a result of stabilizing oil prices and the capital spent to modify the field facilities, which will significantly lower operating costs which should have a positive impact on cash flows.

In Canada, you will recall the operator Palliser went into receivership in February 2015; as such Maha's interests in Manitou and Marwayne have suffered due to lack of capital and attention. The assets of Palliser have recently been purchased from the receiver by a Canadian investor. Our discussions with the new operator give us hope that near-term workovers will increase production to the levels of 2014. In the meantime, the Canadian operations remain cash-flow positive.

As reminder, the current combined proved and probable (2P) reserves of the Wyoming and Brazil properties are 14.7 million barrels, with a net present value (NPV 10%) of USD 201 million (see Maha Energy AB prospectus, dated May 31, 2016 page 45-English translation). In the next months, upon Brazil Government approval, we will intensify our work of converting these opportunities into potential cash flow and growth for our shareholders.

Sincerely,

Jonas Lindvall

Managing Director and CEO

Description of business

This half year report is a review of Maha Energy AB (the "Company" or "Maha (Sweden)") results and management's analysis of its financial performance for the 6 month period ended June 30, 2016. It is dated August 29, 2016 and should be read in conjunction with the unaudited consolidated interim financial statements ("Interim Financial Statements") of the Company for the six months ended June 30, 2016. The Interim Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the EU. All amounts are expressed in United States Dollars unless otherwise indicated.

Overview

Maha Energy AB is an independent, Swedish based, international upstream oil and gas company whose business activities include exploration, development and production of crude oil, natural gas liquids and natural gas.

The head office is located at Biblioteksgatan 1, 4th floor, 111 46 Stockholm, Sweden. The Company maintains a technical office at Suite 1140, 10201 Southport Road SW Calgary, Alberta, Canada T2W4X9. The Company has an operations office in Newcastle, Wyoming, United States of America.

Maha Energy AB 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.

The Company's main asset as at June 30, 2016 is the LAK Ranch heavy oil field, located on the eastern edge of the multi-billion barrel Powder River Basin in Wyoming, USA. As at June 30, 2016, the Company held a 99% working interest and operates the field.

The Company also owns 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.

During the first six months of 2016, the Company entered into definitive purchase and sale agreements with two companies to acquire a 75% operated interest in an onshore production block located in the Sergipe Alagoas Basis in Brazil. The acquisitions remain subject to regulatory approvals by the Brazilian Government and the Brazilian National Oil Agency which is expected to occur during the second half of 2016.

Strategy

The Company business activities include exploration, development and production of crude oil. The Company's core expertise is in primary, secondary and enhanced oil and gas recovery technologies and as such its business strategy is to target and develop underperforming hydrocarbon assets. Whilst currently the primary focus is the enhanced recovery of oil, other conventional and unconventional resource developments are being and will be considered as they arise. By focusing on assets with proven hydrocarbon presence and applying modern and tailored solutions to recover the hydrocarbons in place, the Company's primary risk is not uncertainty in reservoir content but fluid extraction.

The board of directors of the Company may, in its discretion, approve asset or corporate acquisitions or investments that do not conform to the guidelines discussed above based upon the board of directors' consideration of the qualitative and quantitative aspects of the subject properties, including risk profile, technical upside, resource potential, reserve life and asset quality.

Listing on Nasdaq First North Stockholm

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 (US$ 12.6 million as at final closing date, August 5, 2016 US/SEK exchange rate 8.56) in cash proceeds and issued 6,198,074 units (24,792,296 A-Shares and 6,198,074 share purchase warrants) including 515,378 units that were issued to the guarantor group as payment of 9% fees owed under the guarantee agreements.

The Company intends to use the proceeds from the Offering along with the existing working capital to:

- fund the acquisitions in Brazil;
- fund drilling and workover operations in Brazil;
- start the initial phase 3 development at the Company's LAK asset in Wyoming;
- fund general and administrative expenses.

Share data

As at June 30, 2016 the Company had 43,087,430 shares outstanding of which 29,478,036 were class A shares, 13,609,394 were class B shares. In addition, Maha (Sweden) issued 4,592,527 convertible class C shares (C1 and C2). In the event that the existing Maha (Canada) stock options and warrants are exercised these convertible class C shares will be redeemed and exchanged for Maha (Sweden) Class A shares. In the event that the Maha (Canada) stock options and warrants are not exercised, the convertible class C shares will be redeemed and cancelled.

Subsequent to June 30, 2016, Maha (Sweden) closed the Offering. As at August 29, 2016, Maha (Sweden) has 67,879,726 class A and B shares outstanding (54,270,332 class A-shares and 13,609,394 class B shares) and 6,198,074 Maha (Sweden) share purchase warrants. In addition Maha (Sweden) has 4,592,527 convertible class C shares (C1 and C2) as described above and in Note 10.

Brazil Acquisitions

On March 10, 2016, the Company entered into a definitive purchase and sale agreement with a private, Texas based company, which has a 37.5% working interest in the Tartaruga development block, located in the Sergipe Alagoas Basin of Brazil and is the designated operator of the block. The acquisition is subject to the approval of the Brazilian Government and the Brazilian National Oil Agency ("ANP"). The Company has paid a refundable deposit in the amount of US$ 500,000.

On January 18, 2016, the Company entered into a definitive purchase and sale agreement with Petro Vista Energy Corp whereby the Company will acquire an additional non-operated 37.5% working interest in the Tartaruga development block. The acquisition price of CAD $2.5 million will be paid in equal installments with the first payment upon successful approval of the transaction by the Brazilian Government and ANP and the second payment by December 2016. Maha has also entered into a loan agreement with Petro Vista Energy Corp whereby funds were provided for Petro Vista to resolve outstanding joint interest billings for up to $815,500. $750,000 of the loan will form part of the acquisition purchase price in the event of closing while the remaining amount will be deducted from the first installment.

Upon closing of the two acquisitions, the Company would be the operator and hold a 75% working interest in the Tartaruga Block. Management has commenced the approval process and believes that the process could be completed during the second half of 2016.

Results of operations

Operations

Canadian Assets

For the six months ended June 30, 2016, the Company generated revenue of $103,085 on an average sales volume of 36 boepd compared with $413,685 of revenue during the six months ended June 2015 from an average of 65 boepd. Lower production volumes were a result of lower field activity as the operator was in receivership.

The crude oil produced from the Manitou and Marwayne areas is 12° API. The Canadian Assets produced a total of 6,119 barrels net to Maha in the first six months of 2016. The average price received was CAD $26.15.

Operating costs associated with the Canadian Assets were $65,435 for the six months ended June 30, 2016 compared with $202,188 for the comparable period ended June 30, 2015. Lower operating costs in 2016 were due to lower field activity and reduced workover costs.

In July 2016, the operator of the Canadian Assets, which had been in receivership since February 2015, was purchased by a Canadian Company. The new operator has indicated that field activity will increase during the second half of 2016 as they seek to increase production from existing wells by way of workovers.

LAK Ranch

As at June 30, 2016, the LAK Ranch asset is considered to be in the pre-production stage and is currently undergoing delineation and pre-development work. As such, operating costs net of revenues since the commencement of operations have been capitalized as part of the exploration and evaluation costs.

The LAK field was shut in starting April 2016 and remained shut in as of June 30, 2016, primarily due to low oil prices and the requirement for reservoir pressure maintenance. During the shut-in period, the Company commenced the capital investment to allow for produced water recycling, which is critical for handling of produced water and re-injection of water for pressure maintenance. The project was completed in August and production from a limited number of wells was re-established by the end of August 2016.

Technical work completed during 2015 has now 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. The field development plan was evaluated by the Company's independent reserve auditors, and the Company reserves for LAK Field at the end of November 2015 were 12.9 million barrels of oil ((Proven and Probable (2P)).

General and administrative

During the six months ended June 30, 2016, general and administrative ("G&A") costs were $682,090 compared to $681,916 for the same period June 30, 2015.

Transaction costs

During the six months ended June 30, 2016, the Company incurred $435,972 in transaction costs which primarily related to:

- $350,673 marketing and non-direct costs associated with the Offering and the listing on Nasdaq First North Stockholm;
- $86,298 in legal and transaction costs associated with the Brazil acquisitions

Stock-based compensation

Stock based compensation expense for the six months ended June 30, 2016 was $87,384 similar to $65,120 for the comparable period June 30, 2015.

Liquidity and capital resources

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 currently has insufficient cash flow from production, and relies primarily on equity to fund its development and administrative 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.

Financial instruments and risks

As at June 30, 2016, the Company's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable.

The Company classifies its cash and cash equivalents as fair value through profit or loss, its accounts receivable as loans and receivables, and its accounts payable as other financial liabilities. IFRS 7 Financial Instruments – Disclosures establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value.

The Company thoroughly examines the various financial instrument risks to which it is exposed, and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by management. There have not been any significant changes from the Offering documents on how these risks are reviewed and monitored by management. The types of financial instrument risk exposures and the objectives and policies for managing these risks exposures is described below:

(a) Currency risk

As at June 30, 2016, the Company's expenditures are predominantly in US$, Canadian and Swedish Kronor's, and any future equity raised is expected to be in Swedish Kronor. Future project exploration and development expenditures are expected to be paid primarily in US$ A significant change in the relative currency exchange rates between the Canadian, Swedish Kronor and the US$ could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. As such, the Company is subject to risk due to fluctuations in the exchange rates for the US$, Canadian and Swedish Kronor.

(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 held at large Canadian and Swedish financial institutions in non-interest bearing accounts.

The Company has made loans and deposits as part of the PVE and TDC Acquisitions. These loans and deposits are secured by shares by the Brazilians subsidiaries of the vendors. In the event the PVE and TDC Acquisitions are not approved the loans and deposits will be at risk to the extent the shares offered as security are unenforceable.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through its management of capital as outlined in note 12 to the Interim Financial Statements. Accounts payable relating to oil and gas interests and other accounts payable and accrued liabilities are due within the current operating period.

The Company has a positive working capital of US$ 2,378,196 as at June 30, 2016. As the Company's LAK Project is in the pre-production phase of development no assurance can be given that the budgeted production levels necessary for positive cash flow will be achieved. Operating activities and expenditures may increase or decrease, depending on the rate of success during the pre-production phase.

(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.

(e) Price risk

The Company is exposed to price risk with respect to commodity prices.

Legal matters

None outstanding.

Seasonal effects

Maha Energy has no significant seasonal variations.

Maha Energy AB

Condensed Consolidated Interim Statement of Financial Position

As at (Unaudited - Expressed in U.S. dollars)		**June 30 2016**		**December 31 2015**
Assets				
Current assets				
Cash	$	1,494,506	$	4,592,780
Accounts receivable		40,906		103,622
Deposit & Loan (Note 5)		1,315,500		-
Deferred financing costs (Note 10)		381,318		-
Prepaid expenses and other		101,242		53,615
		3,333,472		**4,750,017**
Non-current assets				
Exploration and evaluation assets (Note 6)		16,858,349		16,314,650
Property and equipment (Note 7)		1,720,307		1,745,058
Performance bonds and other (Note 8)		162,949		161,595
	$	**22,075,077**	**$**	**22,971,330**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	573,958	$	350,461
Non-current liability				
Decommissioning provision (Note 9)		860,699		834,685
		1,434,657		**1,185,146**
Shareholders' equity		**20,640,420**		**21,786,184**
	$	**22,075,077**	**$**	**22,971,330**

Maha Energy AB

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(unaudited Expressed in U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Oil sales	$ 41,060	$ 255,773	$ 103,085	$ 413,685
Less: royalties	4,646	46,164	5,605	63,991
Total Oil revenues	36,414	209,609	97,480	349,694
Expenses				
Production and operating	11,050	120,930	65,435	202,188
General and administration	336,207	358,560	682,090	681,916
Transaction costs	269,337	-	435,972	-
Stock-based compensation (Note 10)	43,692	53,210	87,384	65,120
Depletion depreciation and accretion (Note 9)	19,127	126,309	39,523	232,959
Foreign currency translation loss/(gain)	8,181	(14,840)	20,224	(9,582)
	687,594	644,169	1,330,628	1,172,601
Comprehensive loss for the period	$ (651,180)	$ (434,560)	$(1,233,148)	$ (822,907)
Basic and diluted loss per common share	(0.02)	(0.01)	(0.03)	(0.02)
Weighted average number of common shares outstanding	43,087,430	43,061,434	43,087,430	43,037,816

Maha Energy AB

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited Expressed in U.S. dollars)

	January 1 , 2016 to June 30, 2016	January 1, 2015 to December 31, 2015	January 1, 2015 to June 30, 2015
Shareholders' equity	**$**	**$**	**$**
Balance, beginning of period	21,786,184	25,481,914	25,481,914
Warrants exercised	-	36,684	35,784
Stock-based compensation	87,384	171,866	65,120
Net (loss) for the period	(1,233,148)	(3,904,280)	(822,907)
Shareholders' equity end of period	20,640,420	21,786,184	24,759,911

Maha Energy AB

Condensed Consolidated Interim Statement of Cash Flows

(Unaudited Expressed in U.S. dollars)

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Net loss for the period	**$(651,180)**	**$(434,560)**	**$(1,233,148)**	**$(822,907)**
Operating activities				
Add backs:				
Stock based compensation	43,692	53,210	87,384	65,120
Depletion and depreciation and accretion	19,127	126,309	39,523	232,959
Unrealized foreign exchange (gain)/loss	(657)	(17,056)	16,742	(16,956)
Changes in non-cash working capital (note 14)	1,529,128	80,638	238,586	(244,344)
	940,110	**(191,459)**	**(850,913)**	**(786,128)**
Investing activities				
Brazil deposits & loans	(1,315,500)	-	(1,315,500)	-
Purchase of developed and producing assets (note 7)	-	(47,368)	(5,500)	(181,711)
Purchase of exploration and evaluation assets (note 6)	(220,030)	(1,187,970)	(543,689)	(1,553,631)
Purchase of performance bonds (note 8)	(1,354)	(65)	(1,354)	(198)
Changes in non-cash working capital (note 14)	-	289,567	-	(967,026)
	(1,536,884)	**(945,836)**	**(1,866,043)**	**(2,702,566)**
Financing activity activities				
Common stock and warrants issued for cash	-	28,046	-	35,783
Deferred finance costs	(381,318)	-	(381,318)	-
	(381,318)	**28,046**	**(381,318)**	**35.783**
Net (decrease)/increase in cash during the period	**(978,092)**	**(1,109,249)**	**(3,098,274)**	**(3,452,911)**
Cash and cash equivalents, beginning of period	2,472,598	7,907,913	4,592,780	10,251,575
Cash and cash equivalents, end of period	**1,494,506**	**6,798,664**	**1,494,506**	**6,798,664**

Notes to the Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015. (Tabular amounts are in United States dollars, unless otherwise stated).

1. Corporate information and basis of presentation

Maha Energy AB is engaged in the acquisition, exploration, and development of oil and gas properties. The Company's main focus is the development of the LAK Ranch Project, in Wyoming, USA and commercial production has not yet commenced. The Company has producing assets in Canada near the Lloydminster area of Alberta and Saskatchewan.

The head office is located at Biblioteksgatan 1, 4th floor, 111 46 Stockholm, Sweden. The Company maintains a technical office at Suite 1140, 10201 Southport Road SW Calgary, Alberta, Canada T2W4X9. The Company has an operations office in Newcastle, Wyoming, United States of America.

Maha Energy AB ("the Company" or "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 (as defined in Note 10 "Share capital"). Upon completion of the Roll up, Maha (Canada) became the subsidiary of Maha (Sweden). As of June 30, 2016, Maha (Sweden) holds approximately 99.6% (100% subsequent to June 30, 2016 when the remaining shares in Maha (Canada) were exchanged against Maha (Sweden) class A shares.

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, consequently the Interim 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 of Maha Energy AB and the stated share capital is that of Maha Energy Inc.

These consolidated interim financial statements (the "Interim Financial Statements") reflect the activity for the three and six months ended June 30, 2016 and the comparative for Maha Energy Inc. for the three and six months ended June 30, 2015.

Presentation and Functional Currency

The Interim Financial Statements are stated in United States dollars unless otherwise stated and have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the presentation of financial statements.

The preparation of Interim Financial Statements, in compliance with IFRS, requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the Interim Financial Statements are disclosed in Note 4.

The Company prepared these Interim 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. Accordingly, these Interim Financial Statements have been prepared on a historical cost basis except for its current assets and liabilities that have been measured at fair value.

2. New and future accounting pronouncements

The following new standards and amendments have been issued but are not effective during the three and six months ended June 30, 2016,

- IFRS 15 New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Effective for annual periods beginning on or after January 1, 2018.
- IFRS 9 New standard on financial instruments that will replace IAS 39. Effective for annual

periods beginning on or after January 1, 2018.

- IFRS 16 was issued January 2016 and replaces IAS 17 Leases. 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 years beginning on or after January 1, 2019 with early adoption permitted if the Company is also applying IFRS 15 Revenue from Contracts with Customers.

The Company is currently assessing the impact that these new and amended standards will have on the consolidated financial statements.

3. Summary of significant accounting policies

The Consolidated Accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU, and with the Swedish Financial Reporting Board recommendation, RFR1, complementary accounting rules for Groups, which specifies the supplementary information required in addition to IFRS standards, pursuant to the provisions of the Swedish Annual Accounts Act. This Interim Report for the Group has been prepared in accordance with IAS 34, Interim Financial Reporting, and in accordance with the Swedish Annual Accounts Act, while the Parent Company accounts have been prepared in accordance with the Swedish Annual Accounts Act.

(a) Cash and cash equivalents

The Company considers all highly liquid instruments with original maturities of three months or less at the time of issuance to be cash equivalents.

(b) 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.

Therefore, as part of the pre-development phase all operating costs and incidental revenue have been capitalized as a part of the E&E assets as of June 30, 2016.

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.

E&E assets are reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of reserve properties may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of value in use (being the present value of expected future cash flows of the relevant cash-generating unit) and fair value less costs to sell. If the carrying amount of an asset exceeds the recoverable amount an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(c) Property and equipment

Unless initially classified as E&E assets, all costs related to the acquisition, exploration and development of oil and natural gas properties are capitalized and are measured at historical cost less accumulated depletion and depreciation and accumulated impairment losses. These costs include proved property additions, development drilling and completions, costs for production facilities, decommissioning costs, and carrying costs.

Repairs and maintenance costs are expensed as incurred. The Company does not capitalize indirect general and administrative overhead costs.

The difference between the proceeds from the disposition of oil and natural gas properties and the carrying value of accumulated costs of the properties sold will be recorded as gain or loss in the consolidated statement of operations and comprehensive loss in the period in which the disposition occurred.

Depreciation of corporate and other fixed assets is calculated using the declining balance method over the useful lives of the assets.

(d) Impairment

The carrying amounts of property and equipment 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 grouped 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 to sell of disposal ("FVLCOD").

In assessing value in use, the 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 the 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, the net of accumulated depletion and depreciation, if no impairment loss had been recognized.

(e) Decommissioning Provision

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provisions are made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning provision is measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are recorded against the related asset. Actual costs incurred upon settlement of the decommissioning provision is charged against the provision to the extent the provision was established.

(f) Share-based compensation

The Company has granted options to purchase common stock to directors, officers, employees, consultants and certain service providers under Maha (Canada)'s stock option plan. 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 contributed surplus.

The fair value of stock options 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 behaviour), 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.

(g) Loss per share

Basic loss per share is computed by dividing the net loss applicable to common stock of the Company by the weighted average number of common stock 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.

(h) Income taxes

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

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred income taxes 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 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.

(i) Foreign currency translation

The functional currency of the Maha (Sweden), being the currency of the primary economic environment in which Maha (Sweden) operates, is the Swedish Kronor (SEK). Management has determined that the functional currencies of the Company's subsidiaries are as follows:

Subsidiary	Functional Currency
Maha Energy AB	SEK
Maha (Canada)	US$
Maha Energy (USA) Inc.	US$
Maha Energy 1 (Brazil) AB	SEK
Maha Energy 2 (Brazil) AB	SEK

While the Company's Canadian operations are partially conducted in Canadian dollars (CDN$) the Company has determined that the functional currency for the Canadian parent is also the US$.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statement of operations and comprehensive loss.

(j) 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 and accounts payable. At initial recognition management has classified financial assets and liabilities as follows:

(i) *Financial assets*

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 are financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Performance bonds 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 group of financial assets is impaired. A financial asset or group 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 group of financial assets.

(ii) *Financial liabilities*

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 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.

(k) Revenues

Revenues associated with the production and sale of crude oil 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 prior to the commencement of commercial production are offset against capitalized costs as the Company is at the pre-production stage (Note 6).

(l) Joint operations

The Company accounts for activities as joint arrangements when the agreement of the Company and one or more of the other venturer(s) is required to approve all significant project decisions, thereby creating joint control of the operations. If the parties exercising joint control have the right and obligations to the assets and obligations of the joint arrangement as a result of specific contractual agreements or because of the unincorporated nature of the joint arrangement, the Company accounts for the joint arrangement as a joint operation. The Company has no joint arrangements that are structured as an incorporated joint venture or where the Company and the other venturer(s), acting jointly, only have the right to its net assets.

(m) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method in accordance with IFRS 3, Business Combinations. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given up, liabilities incurred or assumed, and equity instruments issued by the Corporation in exchange for control of the assets or acquiree. Goodwill is recognized when the consideration paid exceeds the aggregate fair values of the assets and liabilities acquired. Acquisition-related transaction costs are recognized in the statement of comprehensive income (loss) as incurred

Producing property acquisitions are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the consideration transferred at the date of completion of the acquisition. Acquisition costs incurred are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the Company's share of the net assets required, the difference is recognized directly in the statement of operations and comprehensive loss.

4. 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:

(a) Impairment Indicators and Discount Rate

For purposes of impairment testing, developed and producing assets 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.

(b) Reserve Estimates

Reserve estimates impact a number of key areas, in particular, the valuation of property, plant and equipment and the calculation of depletion and depreciation. Developed and producing assets are depleted on a unit of production basis at a rate calculated by reference to proved and probable reserves determined in accordance with Canadian Securities Administrators National Instrument 51-101, Standards of Disclosure for Oil and Gas Activities and incorporating the estimated future cost of developing and extracting those reserves. Proved and probable reserves are estimated using independent reservoir engineering reports and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. Reserve estimates, although not reported as part of the Company's financial statements, can have a significant effect on net income (loss), assets and liabilities as a result of their impact on depletion and depreciation, decommissioning provision, deferred taxes, asset impairments and business combinations. Independent reservoir engineers perform evaluations of the Company's oil and natural gas reserves on an annual basis. The estimation of reserves is an inherently complex process requiring significant judgment. Estimates of economically recoverable oil and natural gas reserves are based upon a number of variables and assumptions such as geoscientific interpretation, production forecasts, commodity prices, costs and related future cash flows, all of which may vary considerably from actual results. These estimates are expected to be revised upward or downward over time, as additional information such as reservoir performance becomes available or as economic conditions change.

(c) 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 of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

(d) 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 capitalized is written off in the 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.

(e) 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 provision or goodwill impairment.

(f) 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 the future pricing and profitability.

(g) 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 10.

5. Brazil Transactions

Petro Vista Acquisition

On January 18, 2016, Maha entered into a purchase and sale agreement with Petro Vista Energy Corp., a Canadian publically listed company (“PVE”) whereby Maha will acquire a non-operated 37.5% working interest in the Tartaruga development block, located in the Sergipe Alagoas Basin of Brazil (the “PVE Acquisition”). Maha (Canada) has also entered into a loan agreement with PVE whereby funds were provided for PVE to resolve outstanding joint interest billings for up to USD $815,000. The shares of Petro Vista Energy Holdings (Barbados) Corp., an entity that indirectly owns a 100% of quotas of Petro Vista Brazil, are pledged as security on the loan. The loan will form part of the purchase price in the event of closing and is secured against the assets of PVE.

The acquisition price of CAD $2.5 million will be paid in equal installments with the first payment upon successful approval of the transaction by the Brazilian Government and ANP. The second payment is due by December 2016.

TDC Acquisition

On March 17, 2016, the Company entered into a purchase and sale agreement with TDC Engineering, a private company from Texas, USA (“TDC”) to acquire an additional 37.5% working interest in the Tartaruga field located in Brazil by way of acquisition of TDC’s wholly owned Brazilian subsidiary UPP (the “TDC Acquisition”). UPP is the operator of the Tartaruga field. The acquisition price is US$3.85 million of which a US$500,000 refundable deposit was made on March 22, 2016 with the remaining payment of US$3.35 million due upon closing, once the Brazilian Government and ANP have approved the transaction. The deposit is refundable in the event the transaction does not close for reasons other than the failure to make the remaining US$3.35 million payment.

Both acquisitions are subject to, inter alia, consents and approvals from governmental authorities in Brazil. In the event the acquisitions will be completed, completion is expected to occur during the third or fourth quarter of 2016.

The PVE Acquisition and TDC Acquisition will, in the event the acquisitions are completed, be completed through Maha Energy Brazil 1 and Maha Energy Brazil 2, which are wholly owned subsidiaries of Maha (Canada).

Deposits and Loans related to the PVE and TDC Acquisitions

As at June 30, 2016 the Company has made refundable deposits and secured loan agreements as part of the TDC & PVE acquisitions. The amounts are recorded as follows:

Loan to PVE	$	815,500
TDC refundable deposit		500,000
Total		**1,315,500**

Transaction Costs

As part of the PVE and TDC Acquisitions the Company incurred costs associated with the transactions including legal, due diligence, travel and funding of interim joint interest billings which have been classified as transaction expenses and included on the interim statements of operations and comprehensive income.

6. Exploration and evaluation assets ("E&E")

As at June 30, 2016, the LAK Ranch Project had not established both technical feasibility and commercial viability and therefore remains classified as an E&E asset. Cumulative net of revenues for the LAK Ranch Project have been capitalized as E&E.

	June 30, 2016	December 31, 2015
	$	$
Opening balance, beginning of period	16,314,660	13,301,041
Expenditures	619,6254	2,814,157
Transfer from Property & Equipment		618,742
Impairment		(156,208)
Incidental income from sale of crude oil	(75,936)	(263,072)
Closing balance, end of period	**16,858,349**	**16,314,660**

7. Property and equipment

	D&P Assets	Equipment and Other	Total
Cost	$	$	$
Balance at December 31, 2015	**2,934,532**	**1,596,240**	**4,530,772**
Additions	-	5,500	5,500
Balance, June 30, 2016	**2,934,532**	**1,601,740**	**4,536,272**
Accumulated depletion and depreciation			
Balance at December 31, 2015	**2,673,000**	**112,714**	**2,785,714**
Additions	-	30,251	30,251
Balance, June 30, 2016	**2,673,000**	**142,965**	**2,815,965**
Carrying amount December 31, 2015	261,532	1,483,526	1,745,058
Carrying amount June 30, 2016	**261,532**	**1,458,775**	**1,720,307**

8. Performance bonds

The Company purchased performance bonds as required by the Wyoming Oil and Gas Conservation

Commission and operator of the property. The bonds bear interest at rates ranging from 0.25% to 0.35%. If the operator or the other working interest partners fail to remediate the well site, the bonds will be used to fund this obligation.

9. Decommissioning provision

The Company has calculated a decommissioning provision with respect to its LAK Ranch Project and developed and producing assets. The total estimate undiscounted amount of cash flow required to settle the decommissioning provision is approximately $1.25 million, which will be incurred over the remaining life of the assets with the majority to be incurred between 2027 to 2038. The current year decommissioning provision recognizes the continuing obligation for the retirement of assets in which the estimate is based on the following assumptions:

Inflation	2.5%
Discount rate	1.50% - 2.50%

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

Balance at December 31, 2014	**$ 854,825**
Accretion expense	18,351
Change in estimates	7,909
Foreign exchange	(46,400)
Balance at December 31, 2015	**$ 834,685**
Accretion expense	9,272
Foreign exchange movement	16,742
Balance at June 30, 2016	**$ 860,699**

10. Share Capital

Maha Energy AB Capital

Maha (Sweden) was acquired as a shelf company without previous operations for the purpose of becoming the parent company of Maha (Canada). As a result of the Roll Up, Maha (Sweden) became the legal parent company of Maha (Canada). The Roll Up transaction was accounted for as a reverse takeover and therefore the Interim Financial Statements are a continuation of Maha Energy Inc. but the capital structure reflects the number of shares of Maha (Sweden) and the stated share capital is that of Maha (Canada).

According to the articles of association of Maha (Sweden), the share capital may not be less than SEK 517,000 (US$ 60,500) and not more than SEK 2,068,000 (US$ 242,000), divided into not fewer than 47,000,000 shares and not more than 188,000,000 shares. Shares may be issued in four (4) different classes and shall be divided between class A (A-Shares), class B (Convertible B-Shares), class C1 (Convertible C1-Shares) and class C2 (Convertible C2-Shares). The A-Shares may be issued up to a number corresponding to 100% percent of the Maha (Sweden) total share capital, the Convertible B-Shares may be issued to a number corresponding to 35% of the Maha (Sweden) total share capital and the Convertible C-Shares may be issued to a number corresponding to 10% of the Maha (Sweden) total share capital, of which Convertible C1-Shares may be issued to a number corresponding to 4% of the Maha (Sweden) total share capital and Convertible C2-Shares may be issued to a number corresponding to 6% of the Maha (Sweden) total share capital.

The rights associated with the shares issued by the Company, including those required by the articles of association may only be amended in accordance with the procedures set out in the Swedish Companies Act.

At shareholders' meetings, each shareholder is, according to the Swedish Companies Act, entitled to vote for the full number of A-Shares, Convertible B-Shares or Convertible C-Shares that the shareholder owns or represents without restrictions to the entitlement to vote. Each A-Share and Convertible B-Share shall carry one vote per share. Each Convertible C1-Share shall carry one tenths (1/10) of a vote and each Convertible C2-Share shall carry two tenths (2/10) of a vote.

Roll Up

On May 15, 2016, a corporate restructuring occurred (the "Roll Up") whereby the newly acquired Maha (Sweden) became the parent company of Maha (Canada) by issuing 29,478,036 A-Shares and 13,609,394 Convertible B-Shares of Maha (Sweden). The A-Shares were issued against payment in kind in the form of an equal amount of common shares in Maha (Canada) while the Convertible B-Shares were issued in the form of an exchange of common shares in Maha (Canada) against exchangeable shares in Maha (Canada) (the "Exchangeable Maha (Canada) Shares").

Each Exchangeable Maha (Canada) Share is exchangeable for a Maha (Sweden) A-Share and, prior to such exchange, will have economic rights that are substantially equivalent to the Maha (Sweden) A-Shares, including with respect to the payment of dividends equal to those paid to the holders of Maha (Sweden) A-Shares and the rights on the liquidation or dissolution of Maha (Canada). The Exchangeable Maha (Canada) Shares will not have any right to the assets and liabilities of Maha (Canada).

The ability to acquire the Exchangeable Maha (Canada) Share assists Canadian residents to defer capital gains tax otherwise incurred on the Roll Up. 15 Maha (Canada) shareholders, representing 13,609,394 shares elected to convert to Exchangeable Maha (Canada) Shares. For each Exchangeable Maha (Canada) Share issued one Convertible B-Share of Maha (Sweden) was issued. The Convertible B-Shares are not entitled to dividends of Maha (Sweden). Pursuant to relevant support agreements a mechanism is in place to allow holders of Exchangeable Maha (Canada) Shares to vote a corresponding number of Convertible B-Shares of Maha (Sweden), to receive similar dividends issued to holders of Maha (Sweden) A-Shares and to convert such Exchangeable Maha (Canada) Share for a Maha A-Share.

The combined number, ownership and rights associated with Maha (Sweden) A-Shares and Convertible B-Shares is substantially equal to the number of Maha (Canada) common shares prior to the Roll Up.

Share Capital

	Number of Shares by Class				
	A	**B**	**C1**	**C2**	**Total**
June 16,2015 – Incorporation	50,000				50,000
May 20, 2016 – Roll Up					
Cancellation incorporation shares	(50,000)				(50,000)
Roll up	29,478,036	13,609,394	1,844,527	2,748,000	47,851,457
Total	29,478,036	13,609,394	1,844,527	2,748,000	47,851,457(1)

(1) An additional 171,500 A-Shares against payment in kind in the form of an equal amount of common shares in Maha (Canada) will be registered with the Swedish Companies Registration Office subsequent to June 30, 2016 as part of the Roll Up. As a result, 100% of Maha (Canada) common shares will be owned by Maha (Sweden).

Stock options and share purchase warrants

The Company has also 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 (Canada)'s existing stock-based incentive plan and delivery of shares for the exercise of outstanding warrants issued by Maha (Canada) during 2014. The intention is that the option and warrant holders shall become shareholders in Maha (Sweden) instead of Maha (Canada) and in order to facilitate such exchange the Company has issued the Convertible C-Shares. Upon the acquisition of Maha (Canada) common shares by the option and warrant holders, such shares will be exchangeable for Convertible C-Shares in the Company. The Convertible C-Shares will thereafter be converted to a Maha (Sweden) A-Shares. In the event all Convertible C-Shares are not exchanged for Maha (Canada) common shares and the relevant options and warrants have expired, such remaining Convertible C-Shares will be redeemed in accordance with the redemption clause in the Company's articles of association.

(a) Maha (Canada) stock option plan

Maha (Canada) has a stock option plan which allows the Company to grant stock options, at exercise prices equal to or close to market price, in amounts up to 10% of the number of common shares issued. All of the options have a four to five-year term. The options were granted in 2014, 2015 and on January 1, 2016 and the remaining unvested options vest one-third on each anniversary date for the three years following the date of granting.

Expiration date	Number of Options	Vested	Exercise Price	Remaining Life
	#	**#**	**$**	**Years**
March 31, 2018	1,648,000	1,648,000	0.45	1.75
December 31, 2018	400,000	266,667	0.75	2.50
December 31, 2018	350,000	233,333	1.25	2.50
July 15, 2020	300,000	-	1.25	4.04
December 31, 2020	50,000	-	1.25	4.51
Total outstanding	**2,748,000**	**2,148,000**	**$0.70**	**2.26**

On January 1, 2016, the Company issued to a key employee 50,000 stock options at an exercise price of $1.25. By way of an option amending agreement signed as part of the Roll up, each options holder agreed to receive a class A share instead of a common share of Maha (Canada) upon exercise of the stock option. The value of the warrants and stock options issued during the period ended June 30, 2016 were calculated using the Black-Scholes model with the following assumptions:

	2016	2015
Expected term	5 years	5 years
Volatility	60%	60%
Expected dividend yield and forfeiture rate	nil	nil
Risk-free interest rate	0.90%	0.90%

The following stock options are outstanding at June 30, 2016:

	Number of Options	Exercise Price
	#	$
Balance, December 31, 2014	**2,400,000**	**0.62**
Granted	300,000	1.25
Exercised	(2,000)	0.45
Balance, December 31, 2015	**2,698,000**	**0.69**
Granted	50,000	1.25
Balance, June 30, 2016	**2,748,000**	**0.70**

(b) Maha (Canada) share purchase warrants outstanding

Each of the Company's common share purchase warrants is convertible into one class A share of Maha (Sweden), upon payment of the exercise price.

	Maha (Canada) Share Purchase Warrant	Exercise Price
	#	$
Balance at December 31, 2014	**2,635,405**	**$1.36**
Exercised	(79,519)	0.45
Expired	(711,359)	0.45
Balance at December 31, 2015 and June 30, 2016	**1,844,527**	**$1.75**

The remaining warrants will expire on November 20, 2016. By way of a warrant amending agreement signed as part of the Roll up, each warrant holder agreed to receive a Class A share instead of a common share of Maha Energy Inc. upon exercise of the relevant Maha (Canada) warrants.

Deferred financing costs

During the first half of the year the Company has incurred direct financing of $381,318 costs as part of the IPO. These costs were deferred and will be recognized in conjunction with the closing of the Offering in Q3, 2016.

11. Financial instruments and risk

The Company's financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable, loans and deposits, performance bonds, and accounts payable.

The Company classifies the fair value of financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Fair values of financial assets and liabilities and discussion of risks associated with financial assets and liabilities are presented as follows:

(a) Fair value risk

The fair values of cash, accounts receivable, loans and deposits and accounts payable approximate their carrying amount due to their short-term maturity of those instruments. The fair value of the performance bonds approximates the carrying amount.

(b) *Currency risk*

As at June 30, 2016, the Company's capital expenditures are predominantly paid in U.S. dollars, and any future equity raised is expected to be predominantly in Swedish Krona. Future project exploration and development expenditures are expected to be paid primarily in U.S. dollars. Some of the Company's expenditures (general and administrative, revenues and operating expenses) are denominated in Canadian dollars. As such, significant change in the relative currency exchange rates between the Canadian dollar, Swedish Krona and the U.S. dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. As such, the Company is subject to risk due to fluctuations in the exchange rates for Canadian dollar expenses incurred.

Of the Company's cash, $1,394,846 is held at a large Canadian financial institution, $62,145 is held at a local bank in Newcastle Wyoming and $37,515 is held at a bank in Stockholm Sweden. Total cash consists of $1,494,506 of which $257,244 is held in CAD funds and $373,523 is held in Swedish Krona (SEK).

(c) *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 has made loans and deposits as part of the PVE and TDC Acquisitions. These loans and deposits are secured by shares by the Brazilians subsidiaries of the vendors. In the event the PVE and TDC Acquisitions are not approved the loans and deposits will be at risk to the extent the shares offered as security are unenforceable.

(d) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company has working capital of $2,759,514.

The Company manages liquidity risk through its management of capital as outlined in Note 12. Accounts payable relating to oil and gas interests and other accounts payable and accrued liabilities are due within the current operating period.

12. Management of capital

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company does not have any externally imposed capital requirements to which it is subject. As at December 31, 2015, the Company considers capital to consist of all components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Company may issue common stock, or dispose of assets.

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.

13. Geographical information

The Company operates in Canada, Sweden and the United States of America. Segmented information by geographic area is as follows:

	Canada	US	Sweden	Total
As at and for the period ended June 30, 2016				
Revenue	103,085	-	-	**103,085**
Non-current assets	302,237	18,457,398	-	**18,759,635**
Total assets	3,445,548	18,610,043	19,486	**22,075,077**
As at and for the period ended June 30, 2015				
Revenue	413,685	-	-	**413,685**
Non-current assets	2,548,111	16,966,676	-	**19,514,787**
Total assets	9,398,792	17,131,008	-	**26,529,800**

14. Changes in non-cash working capital for the period

	Three months ended June 30		Six months ended June 30	
	2016	**2015**	**2016**	**2015**
Change in:				
Accounts receivable	15,923	(58,893)	62,716	7,706
Prepaid expenses and deposits	1,266,058	(20,527)	(47,627)	(31,448)
Accounts payable and accrued liabilities	247,147	449,525	223,497	(1,187,628)
	1,529,128	370,105	238,586	(1,211,370)
Changes in non-cash working capital				
operating activities	1,529.128	80,638	238,586	(244,344)
investing activities	-	289,567	-	(967,026)
unrealized foreign exchange (gain)/loss	-	(100)	-	-
	1,529,128	370,105	238,586	(1,211,370)

15. Subsequent Event

First day of Trading

On July 29, 2016, the Company's A-Shares and warrants commenced trading on Nasdaq First North Stockholm. The trading symbol of the Maha A-shares is "MAHA A", and the ISIN number is SE0008374383. The trading symbol of the warrants is "Maha A TO 1" with an ISIN number SE0008374813.

The Offering

The Company announced on July 26, 2016 the final outcome of its initial public offering of units in the form of new shares of class A and warrants giving right to subscribe for new shares of class A (the "Offering) in connection with a listing on Nasdaq First North Stockholm.

The subscription price was set at SEK 19 per unit (each unit consisting of four (4) new shares of class A and one (1) warrant giving right to subscribe for one (1) new share of class A.

The Company completed two closings, the initial closing occurred on July 26, 2016 and the final closing occurred on August 10, 2016. In total 6,198,074 units were issued and 108.0 million SEK was raised in the offering.

As at August 29, 2016 the Company has 67,879,726 shares outstanding of which 54,270,332 are Class A-shares, 13,609,394 were class B-Shares and 4,592,527 were convertible class C-Shares (C1 and C2) and 6,198,074 shares purchase warrants.

Maha Energy AB Parent Company Financial Statements

Statement of Financial Position

As at (Unaudited - Expressed in SEK)	June 30 2016	December 31 2015
Assets		
Current assets	221,651	50,000
Shares in subsidiaries	182,478,247	-
Total assets	**182,699,898**	**50,000**
Liabilities	175,000	-
Shareholders' equity	182,524,898	50,000
Total equity and liabilities	**182,699,898**	**50,000**

Comprehensive Income Statement

	Six months ended June 30 December 31	
(Unaudited - Expressed in SEK)	**2016**	**2015**
Net sales	-	-
Operating profit/loss	3,349	-
Profit/loss for the period	**(3,349)**	**-**

Statement of cash flow

As at	Six months ended June 30 December 31	
(Unaudited - Expressed in SEK)	**2016**	**2015**
Cash flow from operating activities	**(3,349)**	**-**
Cash flow from investing activities		-
Cash flow from financing activities	225,000	-
Net cash flow	**221,651**	
Cash and cash equivalents beginning of period	-	-
Net cash flow	221,651	-
Cash and cash equivalents end of period	**221,651**	**-**

Statement of changes in equity

(Unaudited - Expressed in SEK)	Share capital	Non-restricted equity/other reserves	Retained Earnings	Total Equity
Balance at July 1, 2015	50,000	-	-	50,000
Total comprehensive income	**-**	-	-	-
Balance at December 31, 2015	**50,000**	**-**	**-**	**50,000**
Total comprehensive income	**-**	-	(3,349)	(3,349)
Roll Up	474,479	182,003,768	-	182,478,247
Balance at June 30, 2016	**524,479**	**115,081**	**(3,349)**	**182,524,898**

Financial calendar

Third quarter report (January – September 2016) on November 29, 2016
Fourth quarter report (January – December 2016) on March 1, 2017
First quarter report (January – March 2017) on May 30, 2017

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This report has not been subject to review by the auditors of the company.